

IMPORTED INFLATION, GLOBAL PRICE CHANGES AND ECONOMIC CRISES IN TANZANIA 1970-1982

(Notes Toward An Outline)

Introduction

1. Economic Structure

- . Least Developed 1981 GDP £150/capita
- . Moderate Growth 1971-1981 4.5% (Agriculture 3.5 to 4%)
- . Structurally Open Exports + Imports over 50% GDP 1960's.
- . Structurally Closing(?) To 35% GDP 1980's
- . No Domestic Oil/Substantial Hydro/Wood Fuel

2. Political Economy

- . Public Sector Dominant Large and Medium Scale
- . Performance Uneven
- . Stress on Domestic Economic Integration
- . Expansion Basic Services Access
- . Reduction Income Differentials
- . Managed Market (i.e. not Material Balances) Planning
- . Fiscal Conservatism (high tax variant)
- . No Export Strategy or Policy (Pro or Con)

1967-1972

3. Economic Run-up to 1973/75 Crisis

- . Institution Political Economic Model (as at 2)
- . Strengthening Institutional/Personpower Bases
- . Industrial/Agricultural Performance
- . Export Performance (Moderate Worsening Terms of Trade/
Volume Near Stagnation)
- . Crisis Management 1970-72 (Basically To Weak External
Cash Flow, Domestic Credit Expansion Policy - Successful)
- . Inflation up from 4-5% late 60's to 10% early 70's
(Parallel to World Shifts)

1973-1975: The First Crisis

4. Causal Factors

- . 1973 and 1974 Bad Harvests (Basically Weather/Beginning
Altered Weather Cycle)
- . 1972 Grain Price Explosion (And Domestic Real Grain Price
Cuts on Fund/Bank Advice)

- . Massive 1974, 1975, 1976 Grain Imports
(NB: never long term grain surplus, tendency to swings from import to, smaller, exports of maize, deficit to balance rice, deficit wheat) - No starvation
- . 1973-1974 Oil Price Increases (oil from 6% to 20% of export earnings) - No physical shortages
- . General import price increases - offset 1973 (which was on face of it good external balance year but misleadingly so) but not 1974, 1975 by export price increases

5. Policy Response

- . Rapid - Coordinated
- . Passed on New World Price Levels (COL 40% leap 3rd Quarter 74 to 2nd Quarter 75, then back to 8-10% a year).
- . Energy policy one of pushing hydro for electricity, fully passing on cost of oil increase, holding oil taxes about constant real terms, altering ratio of product prices in favour of illuminating kerosene, motor diesel and against gasoline
- . Strict control domestic credit/foreign exchange
- . Maintenance basic services/fixed investment momentum
- . Minimum Wage and Grower Price for Basic Food Increases (Order of 50%)
- . Interim Grain/Sugar Subsidies Phased Out by November 1974 (paid over to marketing bodies in 1974/75 from recurrent revenue).
- . General Tax Increases (Gladstonian Bias i.e. Beer/Cigarettes)
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6. Results

- . One Year Low Growth (Then Recovery)
- . Turn around Food Production Growth Plus Improved Procurement (Leading Major Surpluses 76-77-78)
- . Recurrent Budget Remained In Balance (Just) 74/75 Then Returned to Surplus
- . Bank Borrowing 74/75 At Target Of 25% Addition to Bank Deposits Plus "Non Fiscal Inflation" Currency Circulation Increase Then Fell Below

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Peasant Income Trend Real Terms Subject Of Debate
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- . 40% Compression Imports/GDP ratio (excluding grain)
in "Quantity" Terms
- . Successful Use IMF (SDRs, Gold And First Credit Tranches,
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7. Performance

- . 5% Plus GDP Growth
- . 1976-77 Beverage Price Boom
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- . Record Food Surpluses (Leading to Major Domestic Credit,
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- . Import And Remittance Liberalisation (Gradual late 75 -
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8. Underlying Weakness

- . Assumption (à la McCracken) World Economy Back To 1970-72
Pattern
- . Masking Of Underlying Structural External Imbalance By
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- . Unsustainable Import Liberalisation
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- . Inadequate Maintenance Of Transport (etc.)
- . Imminent Economic Collapse Danger By Mid 1982

Selected Policy Areas

11. Energy Policy

- . Pricing
- . Allocation
- . Conservation
- . Substitution (Hydro/Coal For Oil)
- . Exploration (Build-up From 1970/Intensive From 1977)
- . Wood (Basically Parallel Domestic Crisis Not Related To Global Evolution Except In Case Of Tobacco)

12. Import Dependence Reduction (Manufacturing)

- . Basic Integrated Industrial Sector Strategy
- . Range Of Products
- . Import Content
- . Performance Level
- . Mismatch Strategy Timing/Crisis Onset Timing

13. Agricultural Policy

- . Relative/Absolute Price Incentives
- . Procurement
- . Storage/Transport
- . Financial Management

14. Price Management

- . Objectives
 - . Rural Price/Urban Wage
 - . Food (Retail)
 - . Energy
 - . Domestic Manufactures
 - . Exchange Rate
- (Ineffectiveness In Face Major Structural Constraints)

15. Export Strategy

- . Absence 1961-80
- . Price Component
- . Profit Incentive Component (Direct And Indirect)
- . Targetting (Agricultural/Other)
- . Limitations - Policy
- . Limitations - Base Export Mix (1 greyhound, 1 limping hound, 1 cancerous beagle, 4 one legged curs, 1 senile mastiff, i.e. cashew, coffee, tobacco, cotton, pyrethrum, sisal, tea, diamonds)

Forward Perspective

(Must Consider-Not Sure At Moment I Can Draw One Up That Is Possible And Subject To Systematic Presentation-)

(R)
Reginald Herbold Green
7-IX-82

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