

THE IMPACT OF STRUCTURAL ADJUSTMENT PROGRAMMES UPON THE POLITICAL
ECONOMY OF ZAMBIA : A CRITICAL ANALYSIS

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DEDICATION:

FOR MY PARENTS, MOHAN AND VASANTI MAKAN:

WORDS CANNOT CAPTURE THE LOVE, RESPECT, GRATITUDE AND
APPRECIATION THAT I HAVE FOR YOU BOTH.

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Abstract

This study begins with a statistical survey setting out the parameters of Zambia's socio-economic decline in the 1980s. In order to unravel the complex reasons for the crisis, the study develops and employs an historical-structural framework which emphasises the inter-connectedness of historical, political, economic and social processes. Thereafter, an explanation of Zambia's political and economic development is presented as a background for understanding how and why the IMF came to play an increasingly decisive role in the management of the economic crisis in the 1980s. It is argued that patron-client politics in conjunction with a 'coincidence of interests' between local elite and international capital, entrenched the distorted mono-export dependent economy which, in turn, accelerated the economic decline and debt crisis of the 1980s.

After presenting an overview of the Fund's philosophy and objectives, close attention is paid to the impact of SAPs on Zambia, especially in terms of how such policies as subsidy withdrawal, de-regulation and devaluation affected the economy, debt-reduction, health and education. While there is no incontrovertible evidence that adjustment policies caused the crisis, they have been largely ineffective in reversing Zambia's economic decline. In fact, due to the IMF's ahistorical and apolitical approach, any gains have been ephemeral and, in many instances, served to exacerbate the suffering of the population. Finally, Zambia's political structures have proved unable and unwilling to implement IMF reforms consistently and this underlies the central point that SAPs, as a strategy, cannot ensure long-term sustainable development.

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CHAPTER ONE

INTRODUCTION

Sub-Saharan Africa (SSA) is in crisis. "Afropessimism" captures the mood of analysts who see this condition as getting worse rather than better (Joseph, 1990, 28). The future of Africa has been portrayed by the former Nigerian Head of State, General Obasanjo as "the Third World's Third World" (ibid, 28), a dismal outlook when one considers the prospects of less-developed countries in general.

The crisis in Zambia in the 1990s is in many ways a microcosm of a broader malaise in both SSA and much of the Third World. The extent of the crisis in Zambia can best be portrayed by reference to the following issues: 1) debt and debt-servicing, 2) commodity dependence and declining terms of trade, 3) food dependency and 4) political impediments.

By the end of 1987, Zambia's debt totalled US\$ 6,5 billion, equivalent to more than nine times the value of exports for that year (Hodges, 1988a, 7). The debt today stands at approximately US\$ 7 billion (Tafirenyika, 1992, 14), the fifth worst debt to export ratio in SSA. In addition, if one compares Zambia to Brazil, the world's biggest debtor in absolute terms, Brazil's debt / export ratio (437,5% in 1986) is less than half of Zambia's. To make matters worse, most of Zambia's debt was contracted on "hard" terms and cannot be rescheduled as the money is owed to multilateral agencies. However, if Zambia had to meet its debt-service requirements, it would consume more than half of its foreign exchange reserves (Hodges, 1988a, 7).

On a continental scale, Africa's foreign debt rose from US\$ 203,7 billion in 1986 to US\$ 271 billion in 1991, an increase from 54% of Africa's Gross Domestic Product (GDP) in 1986 to 109% in 1990

(Lone, 1991, 20). It cost Africa approximately US\$ 27-29 billion to service its debt in 1987. It is estimated that by 1995 the annual cost of debt-servicing will be US\$ 45 billion (Hodges, 1988b, 24).

No other region in the world is as dependent on raw material exports as Africa with nine out of ten African countries reliant on primary products for 70% of their exports (Lone, 1991, 20). This dependency can be traced to the colonial era during which African economies were distorted and moulded according to the colonial powers' designs. Developing countries were thereby incorporated into the international division of labour according to the laws of comparative advantage; that is, exporting what they have been "naturally" endowed with and importing other goods which would otherwise be too expensive to manufacture (George, 1988, 50).

The major impediment to development and growth via a strategy of export-led growth (ELG) is that the demand for, as well as the prices of, these commodities are determined externally (often to the detriment of the developing country). So, when the total value on world markets of African commodity exports collapsed by US\$ 20 billion on the world markets in 1986, consumers outside Africa paid US\$ 20 billion less in coffee, cocoa, oil and other commodities (Rau, 1991, 84). Indeed, between 1977-87, the purchasing power of Africa's exports declined to the point where African countries had to export 30% more in 1987 to purchase the same amount of goods they had in 1977 (Rau, 1991, 84).

Zambia, a mono-export dependent country, derives approximately 95% of its foreign exchange from copper (Rau, 1991, 85). This extreme dependence on a single commodity has been catastrophic to the Zambian economy. Not surprisingly, it has been one of the SSA countries most severely affected by the declining terms of trade since the 70s. Between 1972-85, Zambia experienced a 60% drop in real terms in the value of its copper exports (Clark, 1988, 14).

Other difficulties to have afflicted the Zambian economy include an increase in mining expenses as ever deeper mining levels are required to reach dwindling copper reserves, predicted to be exhausted in fifteen to twenty years (Hodges, 1988a, 6). Also contributing to the declining demand for copper has been the technological advances in the field of fibre-optics, a substitute for copper. Thus, thirty years after gaining independence, the Zambian economy, like many others in SSA, has not diversified and continues its excessive dependence on one or two commodities whose relative value continues to decline (Lone, 1991, 20).

Another serious problem confronting Africa is its inability to feed its population. The food deficit, according to an "Experts Report", is estimated at 30 million tons a year (Africa Recovery, Jul-Sept 1990, 26). Recent estimates are that Africa spends approximately US\$ 18 billion per annum on food imports, a figure bound to rise in view of the recent widespread drought throughout Africa (Cheru, 1989, 5). Africa's increasing food dependency has severe implications for alternative long-term, self-sustainable development plans. These projects are often abandoned in desperate attempts to secure immediate credit and aid promised by the International Monetary Fund (IMF) who continue to encourage export-led development strategies. In fact, the abandoning of self-sustaining agricultural projects has been characteristic of developing countries as a whole and is illustrated by the fact that their cereal imports rose from five million tons in the late 1950s to 100 million tons by 1980 (Africa Recovery, Oct-Dec 1990, 13). The dangers of this dependence have been outlined by Fantu Cheru (1989, 5):

The increasing reliance on food, aid and imports threatens to create a new and structural dependence on cereals like wheat that cannot be easily grown in many parts of Africa. While the economic impact of a growing dependence on imported food is well known, the political consequences, are much more threatening to future development projects.

If the current drought persists, the Zambian government will have to import 5,5 million bags of maize costing US\$300 million, an amount hardly affordable in the light of its current crippling debt (Meldrum, 1992, 12).

The collapse of communism in 1990 convinced the western powers that capitalism and democracy had triumphed over state-controlled economies and one-party states. In addition to promoting free-market principles, western nations and the financial institutions which they control have increasingly linked aid to political reform within SSA (Africa Recovery, Jul-Sept 1990, 29). Democracy is now being regarded as a remedy for Africa's ills. Although there are indications of political reform in Africa in the 1990s, induced either by social movements or by the International Monetary Fund, reform in SSA is slow and often resisted by the vested interests who benefit from the prevailing social, political and economic order.

Political reform has materialised in Zambia, however, but what will become evident as this study unfolds is that while democracy is a prerequisite to economic and social reform, it is not in itself a panacea for Africa. In fact, in order to alleviate the crisis both the internal political structures as well as the external structural constraints have to be addressed. The Organisation of African Unity (OAU) General Secretary, Salim Salim, expressed this idea well in response to Western governments' pressure for the democratisation of African countries:

...while Africa must democratise, our efforts will be hamstrung by the non-democratic international economic system in which we operate and which militates against our development. Logically I would have thought therefore that an argument for democratisation of African countries would have been linked to the democratisation of the international system; only such a synergy will work to pull Africa out of her current economic suffering.

(Africa Recovery, Jul-Sept 1990, 29)

With regard to the Zambian case, a significant feat of political reform was accomplished by the Zambian people when Zambia became the first Anglophone African country to undergo a peaceful and smooth transition to multiparty democracy. This will hopefully set a precedent for other authoritarian, one-party regimes such as Kenya, Malawi and Zaire. Democracy in Zambia was spearheaded by vigilant civic organisations under the umbrella of the Movement For Multi-party Democracy (MMD). However, the formidable problems associated with the foreign debt, debt servicing, declining terms of trade, protectionism and volatile commodity prices remain as before.

Zambia reflects the broader crisis sweeping through SSA. The comparative data above provide a sense of the magnitude of the problems besetting SSA and have been used to challenge the dominant western view that the problems facing SSA, or other developing countries, are unique and internal to each individual country. The fact that the crisis is widespread and broadly similar indicates that there are general characteristics shared by all SSA countries (for example debt, declining terms of trade, mono-export dependence). This is not, however, to deny the profound internal weaknesses (eg. corruption, capital flight, oversized bureaucracies, high military expenditure, investing in "white elephants" etc.) in SSA which have contributed to the crisis.

Although there are general similarities amongst SSA countries, this does not necessarily imply that the source of their underdevelopment is identical. Indeed, in order to understand fully the problem of underdevelopment, one needs to employ concrete analysis. This approach, while highlighting general trends, also illuminates features specific to that particular country (Cardoso and Faletto, 1979, xii-xiii).

Two broad and inter-related reasons make Zambia an interesting case-study. First, Zambia has since independence been a strict

practitioner of an export-led growth strategy as advocated by western powers. Zambia performed relatively well during the immediate post-independence years and showed great potential. However, its economy has subsequently declined to a point where it was recently characterised as a Least Developed Country (LDC), that is a country with a Capita Gross National Product (GNP) of US\$ 600.¹ This study seeks to understand the factors which led to this predicament.

Secondly, the Zambian case is compelling because of SSA countries, it has had the longest relationship with the International Monetary Fund (IMF). Additionally, it is in the unenviable position of having the largest debt with the IMF of all SSA countries. The IMF's role in the world financial system has shifted markedly from the time it was when it was concerned primarily with alleviating temporary balance of payment deficits to a more interventionist role in the African development process through its Structural Adjustment Programmes (SAPs). This is illustrated in the Zambian case where the IMF has been directly involved as advisor and participant. The fact that in this period the crisis has deepened, should cast some doubt on the viability and effectiveness of the IMF's proposals. Hence, a second concern of this thesis is to examine critically the role of the IMF in the context of the Zambian crisis.

To fully comprehend the nature of the Zambian crisis, a holistic approach will be used, examining the inter-relationship of internal and external socio-political and economic factors. Contrary to the theory of neo-classical economics, this study will highlight the manner by which economic and development issues have been profoundly affected by political considerations. It will also show how the Zambian economic catastrophe cannot be fully understood without considering its colonial history. The study will also

reveal that a form of "patron-client" rule characterised Zambia's political culture right up to the time of its reversion to multi-partyism and that this "patron-client" rule also remanifested itself internationally in the form of an alliance between local and foreign capital. Under the auspices of the World Bank and the IMF, liberal democracy and free-market principles are now being propounded as preconditions for western aid and as a panacea for Africa's ills. This study's view is sceptical for both "theoretical" and practical reasons and it will be argued that it is not necessarily a road to sustainable development in SSA.

FOOTNOTES

1 the criteria for defining LDC countries has been revised. The original criteria used per capita income, manufacturing value-added and adult literacy as indicators. The revised criteria include the per capita indicator (set at \$600 or less) and two other indexes. One is an "economic diversification index", that is, the share of manufacturing in GDP, the proportion of employment in industry, per capita electricity consumption and the degree of dependency on earnings from primary commodity exports. The other is an "augmented physical quality of life index" which takes into account life expectancy, per capita calorie supply, the combined primary and secondary school enrolment ratio and the adult literacy rate (in "New LDC criteria" in Africa Recovery, April 1992).

CHAPTER TWO

METHODOLOGICAL AND THEORETICAL FRAMEWORK

The two traditionally dominant liberal and neo-marxist (dependency) schools have proven to be inadequate as means to an understanding of peripheral capitalist development. Liberal interpretations of underdevelopment or dependency have often been apolitical, ahistorical and narrowly economic in their conceptions. Their analyses have focused primarily on such internal factors as economic mismanagement, without due regard to international constraints, historical or political factors.

Neo-marxists have tended to focus their criticisms and explanations on the workings of the international capitalist system as the fundamental cause of underdevelopment in the periphery. The typical view, often economically deterministic, is that so long as peripheral countries remain "locked" into the international capitalist system their fate will be underdevelopment, stagnation, marginalisation and dependency. Those cases of development within the periphery, most notably amongst the so-called Newly Industrialised Countries (NICs), cannot be explained by this paradigm. In sum, both of these paradigms leave much to be desired.

In this thesis, a broader methodological conception involving various theoretical insights will be attempted. It will draw on the ideas of several analysts, most especially Fernando Cardoso and Enzo Faletto (1979), whose holistic and dynamic framework incorporates domestic and international factors as well as the dynamic interplay of history, politics, economics and social forces. Their ideas provide the basis of the framework adopted in this study.

The relevant components of Cardoso and Faletto's analysis, as outlined in the preface to their book Dependency and Development in Latin America (1979), to be utilised in this study are:

i) an historical component examining the manner in which socio-political and economic structures emerged from colonialism, and the historical transformation of social structures by conflict, social movements, and class struggles; ii) their structural analysis of the nature of the periphery's incorporation into the world economy, the forms of foreign penetration and the constraints encountered therein; iii) their dialectical approach which contradicts the traditional dependency view wherein underdevelopment is viewed as either "stable and permanent" or perpetuating "more underdevelopment and dependency" (Cardoso and Faletto, 1979, x). In their view, there is a need to specify :

each new situation in the search for differences and diversity, and to relate them to the old forms of dependency stressing when necessary even its contradictory aspects and effects.

(ibid, 1979, xiii)

A fourth aspect of their methodology which is useful for the understanding of peripheral capitalist development is their emphasis on the "coincidence of interests" that arise out of inter-relationships between the external and internal forces responsible for dependency and underdevelopment. Their analysis explores the intricacies found in dependent development and uncovers the varying relationships that exist between powerful local classes and foreign capital, as well as the co-option of the local working and middle classes in facilitating capitalist development. They...

conceive the relationship between external and internal forces as forming a complex whole whose structural links are not based on mere external forms of exploitation and coercion; but are rooted in coincidences of interests between local dominant classes and international ones,

and on the other side, are challenged by local dominant groups and classes.

(Cardoso and Faletto, 1979, xvi)

Moreover, their analysis (1979, xvi) goes beyond this "coincidence of interests" between local and foreign capital to include wider socio-political constituencies :

In some circumstances, the networks of coincidence or reconciled interests might expand to include segments of the middle class, if not alienated parts of the working class. In other circumstances, segments of dominant classes might seek internal alliance with middle classes, working classes, or even peasants aiming to protect themselves from foreign intervention that contradicts their interests.

Another of their important insights relates to their understanding as to how foreign influence manifests itself in developing countries. They (1979, xvi) note the variations between the neo-colonial type, where foreign influence appears to reign without the assistance of any local alliances, to the situation where dependent development is not the result of exogenous forces *per se*, but, instead, there is an "internalisation" (by the local dominant classes) of external interests:

... the system of domination reappears as an "internal" force, through the social practices of local groups and classes which try to enforce foreign interests, not precisely because they are foreign, but because they may coincide with the values and interests that these groups pretend are their own.

At the same time their broad perspective dynamically conveys the sense of fluidity and flux in society as they acknowledge the persistent challenges that social movements generate to the existing status quo.

Also useful is their insistence on concrete analysis to highlight the historical specifics amidst the more general characteristics of dependent development. The objective of concrete analysis is to ascertain what forms of social and economic exploitation there are, to what extent industrialisation and capital accumulation in the periphery has advanced, the manner in which local economies relate to the international market, and so forth (ibid, xvi- xvii).

Finally, Cardoso and Faletto oppose the tradition of viewing the economy and social and political factors in isolation from each other. Instead, their approach is that of political economy, analysing the economic relations in conjunction with socio-political relations (ibid, ix).

This broad theoretical framework will be used to analyse the Zambian case in this thesis. At this point it is relevant to try to attempt to conceptualise the relationships between development, politics, economics and policy-making. This will provide the necessary background to understanding the political motives behind economic decisions and reveal the decisive role politics plays in influencing the formulation as well as the execution of economic policies.

The term "development" is a value-laden one, highly emotive and fairly diverse in its meaning. Richard Sandbrook (1982) outlines two features implicit to a development strategy which gives it its political character. First, he argues, a development strategy indicates who (that is, which class, class fraction or stratum) will take the main responsibility for expanding the economy, and hence benefit from the accumulation of capital. Consequently, it suggests which social strata will bear the brunt of the policy. Second, a development strategy prescribes how the economy should be managed to attain growth and other imperative goals (Sandbrook, 1982, 81).

Similarly, David Goldsworthy (1988) highlights various aspects that make development a political issue. Development strategies have inherent biases and display certain sets of values and interests. Since development strategies cannot be optimal for all classes or social groups, it is inevitable that one set of values and interests will be implemented at the expense of another group (508).

Political power also influences the outcomes of development programmes to the extent that the distribution of development fruits typically reflects the pattern of political power and not human need (Goldsworthy, 1988, 512). Moreover, development is primarily executed by politically powerful institutions including government and / or international lenders. It stands to reason that these powers protect the status quo from any thorough reconstruction which would jeopardise dominant interests. Increasingly, state bureaucracies in SSA have assumed a developmental role. Their function as well as the manner in which the status quo is maintained is expressed thus by Goldsworthy (1988, 511):

Development planning and implementation is a top-down process with the role of change agents performed by state functionaries.... The decisions and actions of development bureaucracies will commonly reflect either bureaucratic self interests or the interests of friends, clients and class allies, or will at least "objectively serve" those existing interests. The predictable result is a pattern of development that both reflects and consolidates existing disparities.

Apart from the structural constraints which influence the outcome of economic policy making, the question of "political will" must also be taken into account. Goldsworthy (1988, 514) argues that it is not the weakness or lack of political will, but the reverse that staves off equitable growth.

What is not being recognised ...is that the "lack of political will" (when it is used as a scapegoat implying apathy and no motivation to promote development) said to impede so many development plans is actually the obverse of the STRENGTH of political wills (plural) that are diverted towards alternative objectives-wills that are embedded in specific and structural positions of political and economic power

In a different context Sandbrook (1986, 153) also acknowledges the effect of "political will" on development. In an attempt to understand the impediments and problems inherent in the World Bank's proposal of freeing the markets and promoting capitalism in SSA, he argues

Our analysis has shown that the political and economic exigencies of personal rule subvert a capitalist logic... current policy and mismanagement actually have a *raison d'être* within this political system. It is the logic that shapes the decisions of politicians and administrators. Because changes (reform)... would undercut the power and \ or wealth of political insiders, they resist the proposals. The fundamental problem is a political one - where is the will to free markets and shrink the state?

It should be kept in mind, however, that these policies are not simply implemented on the "passive skin" of society but that they will elicit responses in a manner which reflects the gains and losses felt by the various social groupings in society. It is these responses which make development a political issue. If the gains appeal to a certain group or, rather, if they perceive gain they will be co-operative; if not they will be uncooperative and even attempt to obstruct the development proposal (Goldworthy, 1988, 510).

This point highlights the fact that political power does not necessarily lie solely with the dominant economic and state interests. There are other social and political bases which can provide cohesive and powerful sites to challenge the status quo, and which can have a significant impact on the policy-making

process. Consequently, the development process will exhibit power relationships such as "force and persuasion, conflict and co-operation, stalemate and compromise, factionalism and class-struggle" (Goldsworthy, 1988, 512).

This leads to the central question of the nature and role of the state in peripheral capitalist development. Given the complexities and contradictions of the state, it is difficult to provide a definitive theoretical framework which explains its workings. The state, in the core or in the periphery, is not a static entity, but assumes various roles under varying circumstances. There are several internal and external factors (for example, material, historical and structural constraints) which need to be taken into account in explaining the behaviour of the state. Also, there are various theoretical approaches which, inadequate on their own, nevertheless contain elements of insight if they are used as analytical tools to assist in explanations.

How then are we to proceed in order to develop a more precise conception of the African state? It is clear that much emphasis must be placed on the states' pivotal role in influencing economic and political development in Africa. To begin, a short return to the classical interpretations of the state is in order.

The classical Marxist conception of the state describes it as "an instrument of the economically dominant class or as performing the function of capital" (Mouzelis, 1988, 118). However, this *a priori* definition is inappropriate in the African context. It associates the state only with complete capitalist development and ignores a situation where neither the mode of production nor the different classes, particularly the ruling class, is fully developed. Moreover, it excludes other variables which could be more useful in understanding the state, including the role of ethnicity, for example.

Hence a conception of the state as simply representative of the economically dominant class has shortfalls. For example, consider the common situation in Africa when the means of domination and coercion (the military) have the upper hand over the owners of the means of production, or in instances where state policies actually hinder rather than promote the enlarged reproduction of capitalism? (like South Africa under apartheid). Although the state may act in the interests of the dominant group, the dominant group need not be a class, it could be a religious sect, an ethnic group or even a party (Sarakinsky, 1989, 70). Finally, what happens in the situation where the state / ruling party dominates the economy?

Therefore, when looking at peripheral capitalist development, the state should not necessarily be perceived as pursuing the interests of the economically dominant class. As Miliband (1977, 108 and 109) explains

the state must be taken to "represent" itself, in the sense that those people who occupy leading positions in the state system, will use their power, *inter alia*, to advance their own economic interests, and the economic interests of their family In such cases the relation between economic and political power has been inverted: it is not economic power which results in the wielding of political power and influence and which shapes political decision making. It is rather political power (which also means here administrative and military power) which creates the possibility of enrichment and which provides the basis for the formation of an economically powerful class which in due course become an economically dominant one.

So, contrary to Marxist analysis where economic power predetermines political power and decision-making, the reverse often holds true in peripheral capitalist development. The state in the African context, according to Miliband, has been a primary source of economic power, as well as an instrument of it. African state power then is "a major means of production" (Miliband, 1977, 109).

In the classical liberal view, the state is seen as an impartial arbitrator or "honest broker" between competing interests in society. The state's role is to facilitate capitalist development as opposed to being actively involved in accumulation. According to this perspective, the state has three main requirements. First, to create the necessary socio-political and legal framework and establish sanctity of private property rights. Second, provide the necessary infrastructure and social services needed to further production, and lastly, the state should regulate economic relations so as to maximise local benefits (Sandbrook, 1985, 35).

It is clear that the African state does not fulfil these (liberal) requirements, as most of them are actively and extensively involved in the economy via nationalisation, and or control and or regulation of the commanding heights of the economy. In spite of the state's intention to promote capitalist growth, state policy has sometimes hindered this process. In most cases, the post-colonial African state has been manipulated by the ruling group, firstly, to promote national interests defined as political independence, and later to further its own narrow economic interests.

A useful approach to analysing the African state may be found in Sandbrook's three ideal types - the neo-colonial, national development and state capitalist models. Again these should be used heuristically as ideal types to assist in clarifying certain aspects or processes of the state in Africa. Also they may, in fact, describe certain moments or periods in the ongoing development process.

The neo-colonial model is the least nationalist but most generative of economic growth (Sandbrook, 1982, 83). It defines a situation wherein an auxiliary bourgeoisie accepts a sub-ordinate position in relation to foreign capital in order to extract a share of the surplus for itself. Whatever the specifics of the situation, the

foreign component is clearly most pronounced in internal as well as external economic relations. There exists, therefore, a profound dependence on foreign capital for economic growth, and the state is "locked" into a relationship with foreign capital which has a determining hold over the country's most valuable resources. Even if attempts are made by the state to advance its own secular interests, it will remain in the last analysis subservient to foreign capital. In the African context, Swaziland represents an archetypal example of this model.

The national development and state capitalist models both contribute to an understanding of Zambia's political economy and its state. As opposed to the neo-colonial model, national development implies the attempt by the domestic bourgeoisie to eliminate its junior status in relation to foreign capital (Sandbrook, 1982, 90). The state here uses its leverage to redefine its dependency and to secure a larger share of the surplus for a bureaucratic or national bourgeoisie. It challenges foreign capital by implementing taxation policies, adopting partial or complete nationalisation of foreign firms, substituting management contracts for foreign ownership, and pursuing a policy of indigenisation. Generally, the aim of the national-development model is to "augment the power and independence of the national bourgeoisie" (Sandbrook, 1982, 91).

State capitalism is usually considered the outcome of national development policies. The national or emergent bourgeoisie have a more secure relationship with foreign capital. According to Sandbrook (1982), they maintain their relationship with foreign capital for their technical expertise, managerial skills and their market access to transnational corporations. Ultimately, it is the common capitalist values that promotes harmony between the bourgeoisie and capitalists of divergent backgrounds (Sandbrook, 1982, 92). Historically, Nigeria and Zambia, have exhibited such characteristics and are therefore prime examples of state

capitalist development.

The Problems of the Nation State and Ethnicity in Africa

Africa, having inherited multi-ethnic nations, has generally had difficulty in appeasing the various groups simultaneously and leadership have often had to resort to authoritarian and / or military measures to maintain political stability.

In the West, the emergence and consolidation of the nation-state resulted from a long historical process wherein the nation represented a variety of social groups who developed solidarity on the basis of shared customs and institutions, while the state embodied political organisations laying claim to power in a defined territory (Sandbrook, 1985, 49). In contrast to this, the African state was largely an artificial construct, indiscriminately created and imposed by self-serving imperialist powers. Cohesive groups were separated by externally imposed boundaries and groups that had little to do with each other or were overtly hostile to each other were brought together under one state. The result was "multi-national" and "poly-ethnic" states (Sandbrook, 1985, 49). Therefore, the concept of nation state in Africa is a recent phenomena, and most countries acquired statehood in a juridical sense only during colonial and semi-colonial rule toward the end of the nineteenth century (Sandbrook, 1991b, 98).

While traditional (pre-colonial) forms of legitimacy had been undermined by colonialism, imposed colonial institutions proved largely irrelevant as instruments of legitimation in the post-colonial era where culturally heterogenous nations were thrown together (Sandbrook, 1991a, 683). After independence, with the dissipation of the nationalist struggle, sharpening ethnic differences and competition rose to the fore. Moreover, the newness of territorial units and saliency of ethnicity undermined the capacity to create a strong sense of national unity (Sandbrook,

1991a, 683).

Underlining these difficulties a weak, extremely dependent and volatile economy, dominated by foreign interests, and a largely uneducated population lacking administrative skills was the legacy of colonialism. Nationalist governments were faced with the immense task of creating political order in a heterogenous and largely artificial "nation". There were various problems. Neither class nor patriotism seemed a feasible tool for unifying multi-cultural and fundamentally peasant-based societies. Due to the immature development of capitalism, the bourgeoisie and proletariat were embryonic (Sandbrook, 1991b, 99).

In this context ethnicity has often been a convenient tool for political mobilisation as it offered governments the flexibility needed for political solidarity (Sandbrook, 1985, 77). Combined with this, governments were influenced by colonial, hierarchical and economically intrusive institutions which restricted popular participation (Herbst, 1990, 951). In the context of limited democratic participation and rising ethnic competition for scarce resources, personal rule or patron-client relationships came to dominate political life in Africa.

For Sandbrook, "personal rule" arises when rulers lack constitutional, charismatic-revolutionary or traditional legitimacy (Sandbrook, 1985, 89). It often has two main characteristics. One is of a president or "strong man" at the centre of political life commanding tremendous respect and obedience from his constituency (Sandbrook, 1985, 90). Often he emerges as a leader of one, or a few, ethnic groups. Jackson and Rosberg (1982) provide a useful typology of rulers within a patron-client network which emphasises the influence that the character and charisma of the ruler has on economic policy making and on the regime. Zambia falls into their category of "princely rule" (Gulhati, 1990, 1149) descriptive of a political policeman or ruler who displays aristocratic

characteristics akin to those of a traditional monarchy, where the ruler is the personification of the state and the custodian of its political values and practices (Jackson and Rosberg, 1982, 83).

A second feature in Sandbrook's view is that the strongman maintains his power through a system of "patron-client" patronage which allows his "clients" access to state-controlled resources including employment in the civil service, government boards and public cooperations (Sandbrook, 1985, 94). They are also granted preferential access to resources outside the public sector but are subject to government regulation or influence. The majority, if not all, of the key positions in the political, bureaucratic and repressive hierarchies are staffed with individuals loyal to the ruler or patron (Sandbrook, 1985, 90). Backing the personal ruler is an army and police force loyal to the leader.

In a one-party system, personal rule becomes entrenched through "presidentialism" defined as the "concentration of multiple powers in the president, simultaneously Head of State, independent of the National Assembly, and Head (or Secretary-General) of the dominant political party" (Turok, 1987, 61). What this personalisation of power implies is that decision-making in both party and state organs is vested mainly, if not solely, in the president.

Another way of viewing this process involves isolating the dominant group within society and seeing how it relates to others. It would generally adopt the role of the "patron" within the national context. Leonard Markovitz (1977) defines the ruling class as the "organisational bourgeoisie" and elaborates more specifically the constituency of this class:

(as) a combined ruling group consisting of the top political leaders and bureaucrats, the traditional rulers and their descendants, the leading members of the liberal professions, the rising bourgeoisie, and top members of the military and police force. (208)

This ruling group manages to combine the private and public spheres into their own corporate arena so as to advance their material interests and political power (Fatton, 1988, 255). Given the relative weakness of the state and the dominant economic class, an alliance between the two becomes the appropriate means to entrench their power.

Instability in Africa is manifested in countless coups and counter-coups can be understood by the manner in which the state is perceived. It represents the prize for which various political groups vie since its possession provides the party with the legitimacy to express their political aspirations and, grants them access to the material wealth of the country.

At this point it is important to examine the state's relationship to foreign capital, particularly in the light of the significant role foreign capital has played in the Zambian economy. Richard Sklar (1975) has provided an illuminating analysis on the tensions and contradictions inherent in the alliance between the multinational companies (MNCs) and the state as they try to appease each other to protect their vested interests. He argues that the process of nationalisation seldom conveys any "real" power to the state, (Sklar, 1975, 190) but considerable "benefits" do accrue. They, however, are confined only to certain segments of society which Sklar terms the "managerial bourgeoisie" (Sklar, 1975, 207). This class

comprised of businessmen, bureaucrats, leading politicians and members of learned professions whose purpose is to manage the production and distribution of wealth rather than to create new wealth producing enterprises.

(Sklar, 1975, 198-199)

According to Sklar (1975, 207), since independence government policies have been such as to "nurture the growth and consolidate

the position of the bourgeoisie". The promotion of the "revolution from above" in state enterprises is directly related to the growth of the bourgeoisie who entrench their interests further through the control of agriculture and the furtherance of "entrepreneurism" linking the state bureaucracy even more closely with the private sector. This creates the foundation for an "alliance of interest" between the "managerial bourgeoisie" and the MNC, both having direct interests in state policies (Sklar, 1975, 207).

In order to foster a type of partnership between itself and the "managerial bourgeoisie", the MNCs have to fulfil two requirements. First, they must facilitate the "revolution from above" through management training programmes and other policies used to stimulate local development. Second, the MNC must respect the "doctrine of domicile" by allowing their local subsidiaries to act in accordance with host country policies and customs (Sklar, 1975, 207).

The managerial class in turn derives considerable gains from national economic policy and its links with MNCs. This business alliance assists in the promotion of common interests, a relationship that ultimately preserves the narrow interests of capitalism. This relationship is succinctly expressed by Sklar (1975, 200):

... exchanges of high level personnel between the various organisations of the private and state sectors tend to unify the interests of the dominant class... In addition to the intersectoral careers and close personnel relationships between the public officials and business managers, the Zambian policy of "partnership" between parastatal organisations and foreign companies serves to promote the class interests of the bourgeoisie ... State enterprise as the predominant form of production may not have a socialist ideology. Indeed the opposite effect may be expected, as the influence of inter-national capitalism functions to reinforce imminent tendencies towards the embourgeoisement of the state bureaucracy.

Furthermore, in the case of an irreconcilable dispute with the host country, the MNCs' linkage with the International Centre for the Settlement of Investment Disputes (ICSID), an affiliate of the World Bank, and through its alliance with other foreign capitals and international capitalist organisations, including the IMF, ensures that its interests are protected (Sklar, 1975, 189). Consequently the MNC, despite its "minimal share" via nationalisation, for example, is still able to assert its dominance. Thus far the fundamental alliance between the local bourgeoisie and foreign capital has been established.

Importantly, and related to earlier arguments, while patron-client relationships express themselves within the periphery, they are also manifest in the patterns of dependence and maldevelopment which characterise the world capitalist system (Fatton, 1988, 261). In other words, while patron-client relations are a result of internal dynamics, the national system does not operate in isolation from the dynamics of international capitalism. Instead, the hierarchy and inequality evident in these developing countries is only a local manifestation of the international "pecking" order reflected in the overall disparity of wealth between the North and the South.

There is thus a reversal of roles as the peripheral state assumes the role of the client in the international system. The linkages that the client has with the patron; that is, through agencies and institutions of international capitalism (MNCs, multilateral agencies and western governments), assist in entrenching venal and self-serving elites' power. At the same time, the relationship reinforces and reproduces the inequalities of the capitalist system. In Fatton's (1988, 261) words:

The linkages of dependence and relative subservience to external forces from which African ruling classes derive part of their power are reproduced locally to preserve the highly unequal access to wealth and prestige... the

domination of external forces in African societies are mediated through a structure of super-ordination and subordination embodied in patron-client relationships.... The bonds between external and internal forces constitute a complex whole, reflecting both the centres exploitation of Africa and the coincidence of interests between the African ruling class and their imperial patrons.

Even though the relationship that exists between the African ruling class and foreign capital is unequal, it fulfils the strategic aim of maintaining the structures of the status quo at the national and international level (Fatton, 1988, 261).

Similarly, Sklar's (1975) perspective considers the international connection between the ruling class and foreign capital. He describes the intention of the local bourgeoisie to promote their own interests as "parochial nationalism" which he contends, while deterring the formation of political affiliation amongst developing, neighbouring countries, is entirely consistent with the broader interests of the corporate international bourgeoisie. Parochial nationalism, by promoting the interests of the bourgeoisie and international capital, deters the development and implementation of alternative anti-capitalist development strategies and thereby assists in maintaining the international status quo (Sklar, 1975, 208).

This methodological framework comprises various theoretical insights deemed necessary for understanding the Zambian situation. Faletto and Cardoso's (1979) historical-structural framework is used as the basis of this study since it emphasises the interconnectedness of historical, political, economic and social processes. As opposed to the liberal and dependency approaches, there is a need to analyse the manner in which *both* internal dynamics and external structural constraints have jointly contributed to the nature of Zambia's *political economy* (that is, where economic relations are analysed in conjunction with socio-political processes) as expressed by Faletto and Cardoso. The

interconnection and inseparability of politics and economics, as highlighted by Goldsworthy (1988), is emphasised throughout the Zambian case-study.

By employing Faletto and Cardoso's (1979) concrete analysis the study will attempt to trace the roots of "patron-client" rule which characterised post-colonial Zambia. Patron-clientilism is explored in Sandbrook (1985). Similarly, "presidentialism" also provides a valuable insight into how Kaunda, by concentrating political power, was able to entrench his rule by dispensing a series of economic and political favours to key constituencies including cabinet members and others of similar ethnic descent. However, patron-client rule was not a product of the post-colonial state *per se*, instead, as Sandbrook (1985) points out, its roots may be traced to the colonial era and it reflected a pragmatic response by the Zambian government to underdevelopment and a "poly-ethnic" nation-state.

Miliband's (1977) general thesis whereby the classical marxist definition of the state is inverted wherein *political* power largely determines the distribution of *economic* power is also evident in Zambia. More specifically, Goldsworthy's argument that economic policy making / development is a top-down process implemented by the politically powerful and reflects their own interests is also valid in the Zambian case. Furthermore, the role of political power should not be underestimated in that, besides determining economic outcomes, Sandbrook (1985) and Goldsworthy's (1988) analysis of "political will" is useful in the Zambian context. It conveys the manner in which entrenched political elites resisted any restructuring of the status quo, including the attempts made via the IMF's Structural Adjustment Programmes (as discussed later).

Bearing in mind that "no political economy is intelligible without the analysis of the crucial role the state plays in the economy" (Shaw, 1991, 198), Sandbrook provides three models that assist in defining the state in Zambia. The neo-colonial model conveys a state dominated by foreign capital. Although this is a simplified interpretation of the state, it does to some extent characterise Zambia's position at the time of independence.

However, Sandbrook's (1983) characterisation of the national development and state-capitalist model provides a more complete description of what has occurred in Zambia since independence. Zambia has, through its policy of nationalisation and indigenisation, attempted to redefine its position in relation to foreign capital resulting in state capitalist development. In the development of parastatals and joint ventures between the Zambian government and foreign capital, moreover, an indigenous bourgeoisie emerged which can be understood in terms of Sklar's (1975) "managerial bourgeoisie". Their values and interests went beyond that of "national" development and their interests overlapped with foreign capital culminating in, what Faletto and Cardoso (1979) describe as, a "coincidence of interests".

Fatton's (1988) analysis suggests that despite the fact the relationship forged between Zambian local elites and international capital (in the form of western governments, MNCs and multilateral agencies etc.) was unequal, it manifested locally the inequalities present in the international division of labour between North and South. Furthermore, as both Fatton (1988) and Sklar (1975) argue, the relations between the managerial bourgeoisie and foreign capital assisted in entrenching the status quo. At the same time it should be borne in mind that the economic policies in the form of SAPs, humanism etc. were not implemented on the "passive skin" of society and instead, as explained by Faletto and Cardoso (1975),

social movements provided a constant challenge to the status quo contributing to the dynamic and fluid nature of the Zambian society.

CHAPTER THREEAN OVERVIEW OF ZAMBIA'S POLITICAL ECONOMYPolitical Developments

Zambia, known as Northern Rhodesia in the colonial era, attained national independence in 1964 after a long, arduous struggle against British colonialism. The nationalist struggle peaked in response to Britain's grand plan to incorporate Northern Rhodesia into the Central African Federation (together with Southern Rhodesia and Nyasaland). The struggle was initially led by the Harry Nkumbula of the Northern Rhodesian African National Congress, a moderate alliance, but the leadership was challenged by the secession from Congress of a group of militants led by Kenneth Kaunda who demanded political independence and black majority rule. Kaunda's opposition to colonialism led to his detention and to the banning of the new party. Upon his release, he was hailed a "national hero" and subsequently became leader of the newly-formed United National Independence Party (UNIP) (Simson, 1985, 14-15).

Zambia's first African majority government was formed after the 1962 elections with Dr Kaunda as prime minister of a coalition between UNIP and the ANC (still within the Central African Federation). After the collapse of the Federation, a multi-party election was held in January 1964 for a new 75-member National Assembly. UNIP won 55 seats, the ANC ten, and ten seats were reserved for Europeans. On October 24, 1964 Zambia became an independent republic and Kaunda its first president (EIU, 1991-1992, 4).

Soon after independence, the broad-based anti-colonial alliance began to disintegrate as competing interest groups and parties emerged in competition for political power and access to scarce economic resources. These fissures and divisions opened up largely

along regional and ethnic lines; UNIP remained the dominant political party wary of the viable but weak ANC looming in the background. Despite pressure from some UNIP members to ban the ANC and legislate one-partyism, Kaunda's faction resisted. Kaunda believed that by strengthening the organisational capacity of UNIP, the opposition would wither away as its members joined UNIP voluntarily. Nevertheless, UNIP employed coercion, intimidation and 'positive' inducements to convince ANC supporters that their political and economic interests would be better served through UNIP; hence the slogan "It pays to be in UNIP" (Chikulo, 1979, 202).

This strategy proved unsuccessful as the ANC steadily gained support as a result of factionalism within UNIP itself. The Mulungushi elections for the Party's Central Committee in 1967 destroyed UNIP's prevailing coherence. It was the first freely-contested elections for the Party's Central Committee and for government cabinet posts. Access to these posts implied real political power and, more importantly, a say in the allocation of the country's economic resources (Chikulo, 1979, 202).

The elections subsequently split UNIP into two ethnically-based factions: the Bemba speaking leaders who aligned themselves with the Tonga-speaking minority to unseat leading Lozi- and Nyanja-speaking office holders (Chikulo, 1979, 202). This infighting had far-reaching consequences. Sectional forces gained new strength and the ANC, reversing its ineffectiveness of the 1964-68 period, emerged as a more potent opposition party between 1968-1973 and became a real alternative for disgruntled UNIP members and leaders. Furthermore, in 1971, the former UNIP vice-president, Simon Kapwepwe, broke away to form the United Progressive Party (UPP). This posed a serious threat to UNIP because it undermined UNIP's support amongst the Bemba-speaking people who predominated the crucial Copperbelt Province (Sklar, 1975, 22).

In a volte-face in 1972, Kaunda proscribed the UPP and, in turn, eliminated all factional opposition by instituting a "one-party participatory democracy". This he executed through legislative decree - contrary to his previous insistence that one-partyism would emerge through elections and consensus (Simson, 1985, 16). The ANC continued to survive under Mr Nkumbula but its demise was inevitable under the one-party state (EIU, 1991-1992, 4). The rationale for one-partyism was a bid to "save the unity of UNIP" and to resolve the tension, indiscipline, factionalism and violence that existed under multi-partyism which was seen to be a product of colonialism (Chikulo, 1979, 203). In other words, UNIP justified the one-party state as necessary for national unity and for political stability.

However, as Sklar (1975) contends, if one is committed to national development, it is difficult to see what is gained when Lozi- or Tonga- speaking people, who elect legislative representatives opposed to the predominant national party, are marginalised. Furthermore, he argues that sectional opposition was insufficient to threaten the overall political supremacy of UNIP. Thus, competition between UNIP and its rivals was a reflection and extension of more significant intergroup conflicts that emerged thereafter within the dominant party itself. Although these conflicts are "frequently manifested in 'tribalist' forms, ... their root causes are really embedded in the dismal causes of underdevelopment rather than ethnic diversity" (Sklar, 1975, 21-22).

One-partyism was not successful in dampening opposition and Kaunda's authority was repeatedly challenged. This was most evident in the attempted coups in 1980¹, 1988 and more recently, in 1990. Although the military coup in 1990 was unsuccessful, it led to the formation of the MMD which was eventually able to oust

Kaunda's regime and implement a multi-party democracy (Leadership, Vol. 10, Dec.'91-Jan.'92, 8).

How is it, however, that the one-party state in Zambia survived for almost seventeen years? One-partyism represented the beginning of a process of bureaucratisation in Zambian politics by which opponents were eliminated from public contestation while the party was able to gain access to the state which, in turn, was a vehicle for private aggrandisement and consumption. According to Baylies and Szeftel (quoted in Simson, 1985, 25),

...of all those persons who held Cabinet office from 1964, half had farms or business interests by 1976 and a further 10% had small holdings of less than 100 acres on state land. (Furthermore), of forty six former or current parastatal personnel who could be identified as having business interests of land-holdings, almost three quarters appear to have become involved in their private interests during the period when they held parastatal positions. The same trend occurs with regard to civil servants.

The government was continually challenged by various opposition groups including the increasingly independent and vocal trade unions whom the government repeatedly tried to silence². Within the parliament, UNIP blocked effective opposition by ensuring that dissatisfied groups or provinces could not use votes as a bargaining lever to switch support between factions. In effect, the only way to express discontent was by abstaining from voting altogether (Simson, 1985, 17).

Although the undercurrent of popular dissatisfaction fluctuated, it was manifest in the declining number of votes and support Kaunda received in each successive parliamentary election. For example, at the time of independence Kaunda received the overwhelming popular support of 94.80 percent of the electorate. By 1973, however,

Kaunda could only attain 39.80 percent support. Chikulo (1979, 208) interpreted this low poll as a reflection of widespread opposition to Kaunda's one-party democracy. Moreover, even these results did not necessarily reflect the aspirations of the populace because although Kaunda was elected unopposed to a third five-year term as president in 1973, fewer than one-third of the registered electorate voted (Sklar, 1975, 23).

One-partyism and state-ownership had a severe impact on the socio-political and economic fabric of Zambia as relatively few benefitted from the system. UNIP, the only legal party in Zambia, was responsible for the formulation and administration of long-term national development strategies. The line between the Party and the government progressively diminished. Power became increasingly centralised as the state became a virtual tool of the party. In Simson's (1985, 19) words,

It is apparent ...that virtually no distinction is perceived between the party and the government: so much so that all the decisions are announced in the name of the "Party and its government" indicative of the associative and subordinate role of the latter.

Zambia soon came to display the characteristics of personal rule. President Kaunda, head of both the Central Party Committee and the government, played a pivotal role in policy- and decision-making and became the patron central in the ensemble of personal rule and patron-client relationships. Increasingly, power and authority were vested in the president, further facilitating the patronage network (Turok, nd, 89).

The new constitution, promulgated in 1973, accentuated the powers of the president. While the party became the primary policy organ, parliament was reduced to administering and preparing legislation in pursuance of party policy. "Presidentialism" emerged as the dominant feature of Zambia's governmental system as Kaunda used his constitutional powers extensively to undertake major policy

initiatives without the prior concurrence of the cabinet or the UNIP Central Committee (Tordoff in Turok, nd, 85).

Kaunda virtually appoints the whole of the state hierarchy in the country, including the Prime Minister and the cabinet, the Secretary General of the Party, all top civil servants, provincial administrative heads, the University Vice-Chancellor, Governor of the Bank of Zambia, heads of state corporations and so on.

(Turok, 1987, 62)

Under the guise of maintaining a "regional balance", Kaunda favoured his own party members in appointments to cabinet positions (Simson, 1985, 18). According to Good (1989, 306), Kaunda had the power to appoint, transfer or dismiss anyone in the government, state and party and these powers were used to keep an old guard of uncritical supporters in top positions regardless of their level of competence. Kaunda exercised powers of detention without trial on the grounds of "state security" and of "national interest" and he arbitrarily determined the limits of public debate. Parliamentary candidates were unable to speak out on vital national issues (for example, on the state of the economy) which were the preserve of Kaunda and his closest associates (Good, 1989, 306). In short, the political system was largely structured not by the institutions as such, but by the dominant politician - Kaunda.

Humanism

Like Nyerere's ujaama, Kaunda's ideological brainchild - humanism - was meant to appeal to the majority as it promised socio-political and economic upliftment and appeared to reflect Kaunda's Christian beliefs and his commitment to socialism. One-partyism was enshrined as an integral part of this ideology intent on "taking government to the people." According to Kaunda, "humanism is the national philosophy and socialism is an instrument for building a humanistic and classless society."

Humanism is the set of ideas by which the Zambian rulers explain and justify the ends and means of their social

actions. It is a relatively consistent belief system which has no unambiguous class basis and does not aspire to represent simply concrete particular interests, but rather the general interests of the Zambian people....(it) maintains the fundamental principles of nationalism and socialism...

(Simson, 1985, 20 and 21)

Despite its apparent socialist and egalitarian slant, the doctrine has been widely challenged. Kaunda is accused of having used humanism as a smokescreen for an exploitative system in which the great majority remained poor and disadvantaged (Turok, nd, 81). Furthermore, humanism exhibited an inherent contradiction since it favoured a "mixed economy" wherein state-companies, private firms and cooperatives coexist. Such a combination, dependent on the managerial bourgeoisie in partnership with the MNCs, was unlikely to engender socialism (Sklar in Turok, nd, 81). Tordoff (in Turok, nd, 81) cast doubt on Kaunda's stated intention to "socialise the economy by the instrument of state control in order to bring this important sector of (our) life closer to the people who now own it." In truth, economic life was brought closer to the people within the state apparatus.

The process of bureaucratisation in the party impeded the translation of humanism into reality and undermined the popular legitimacy of the state. The bureaucracy, however, did not emerge in a vacuum but in the context of colonialism and presidentialism.

The Zambian state inherited "the wide-ranging and arbitrary powers" of the colonial governor which was, however, combined with a weak economic and economic-political institutional system. These conditions were conducive to the subsequent emergence of presidentialism.

(Turok, nd, 84 and 85)

A prominent feature of patron-client rule revolves around the nature of the ruler and the links he forges with his constituency. Patronage was evident in the process of indigenisation (Zambianisation) whereby the formerly exclusively foreign upper-

and middle-strata of the state and economy were successfully replaced by Zambians, loyal to Kaunda, at salaries commensurate with their non-Zambian colleagues³ (Simson, 1985, 28).

The urban population was favoured by state policies as the focus of efforts to develop popular support. Although this was a way of redressing colonial disparities and was in line with humanism, it was a tactical move to bring this constituency closer to, and more dependent on, the ruling party and government⁴. Similarly, during the early years of independence, Kaunda freely distributed loans to small co-operatives and other groups in keeping with the process of developing the patronage system (Good, 1989, 300).

Despite the apparent economic failure of humanism, Hawkins (1991, 843) argues that it was successful as a political strategy in that it appeased the urban constituency. This is reflected in Zambia's rapid urbanisation averaging 7.1 percent annually between 1965 and 1980.

The model (humanism) may have been flawed as a development philosophy, but it provided benefits for these constituents. At the expense of the agricultural sector, and to a lesser extent the private sector, it created incentives for urban workers and bureaucratic and parastatal elites to remain loyal to the regime. First, Zambians were given control of what had been a colonial economy. Zambianisation transferred wealth into the hands of the indigenous industrialists. Next, urban standards of living were kept high. Important commodities, especially food, were kept inexpensive through subsidies, price controls and currency overvaluation (which also made imported commodities less expensive). Finally, urban employment was subsidised by copper.

Gulhati (1990, 1152) maintains that the central motivation behind economic policy making was "regime survival"; the development

strategy provided the means to buy political support and sustain it. The party retained its dominance through entrenching power, extending patronage, and employing coercion and repression.

As implied in the earlier methodology, there are two views generally used to explain the economic crisis in developing countries. On the one hand, the dependency school views the nature of least developing countries economies' incorporation into the international division of labour as the primary cause of its underdevelopment; that is they focus on external factors. On the other hand, the liberal view focuses blame for the economic predicament on internal factors. Evidence of widespread corruption and mismanagement in the Zambian state tends to support the liberal case. For example, a representative of the International Labour Organisation (ILO) was sceptical that external factors were the primary causes of Zambia's crisis arguing that it was an outcome of "internally generated distortions". Various statements and reports in annual parliamentary documents indict Kaunda and his administration of corruption. In 1986 the Auditor-General provided "ample evidence of mismanagement of government finances" and described the state's financial accountability as "meaningless". Also, he exposed evidence of misappropriation of public funds, accounting irregularities and an increase of unconstitutional and unauthorised expenditures. Foreign aid funds were also mismanaged or misappropriated thus discouraging donors from further loans and aid (Good, 1989, 306).

Economic Developments

Although the impact of the external shocks, such as declining terms of trade and copper price volatility have had a devastating effect on the Zambian economy (especially since 1974), internal mechanisms cannot be ignored in understanding the Zambian crisis. As Turok

(1979, 71) points out,

...the weakness of the (Zambian) economy, which levelled off in 1972 and then began to decline, cannot be solely ascribed to falling copper prices, though this has indeed been a major factor. This is shown by the fact that even by 1974, before the collapse of the copper prices, foreign exchange was becoming a serious constraint on development. The problem seems to lie deep within the system itself...

Mismanagement of the economy goes beyond government officials and includes officials in the state-owned parastatals. Since the state was deeply involved in development and in the ownership of major shares in industry, the reasons for economic decline must also be sought there.

While the parastatals assumed the role of the intermediary capitalist "class" within Zambia, public ownership has been accompanied by economic stagnation. Despite nationalisation and the socialist doctrine propagated by the state, parastatals retained close links with previous owners, trading partners and consultants (Turok, 1980, 470). Since profit-making remained the *raison d'être* of the parastatals, foreign capital was willing to enter into joint ventures with them since parastatals afforded foreign capital support and "protection" against unfavourable government policies such as protective tariffs and outright nationalisation (Turok, 1979, 77).

Sklar (1975, 200) argues that in addition to the interlinked careers and close personal relationship between public officials and business managers, "partnership" between the parastatals and foreign companies promoted the class interests of the entire bourgeoisie. That is, the leading members of the Zambian bourgeoisie shared the same basic attitudes and values as foreign capitalists. This is what Faletto and Cardoso (1979) termed "coincidence of interests".

Although Zambia inherited a 'relatively' healthy economy at the time of independence, structurally, the economy was almost entirely dependent on copper, its industries were foreign-controlled and Zambians possessed a minimal say in the management of the economy. These factors undermined many of Zambia's post-independence development strategies.

While some analysts argue that Zambia acquired a "dual economy" at the time of independence, Rau (1991, 54) argues that dual economy does not accurately characterise colonial or independent Africa. Dual economy implies that the rural and urban economies are isolated and discreet phenomena; Rau, however, argues that they are interrelated and that the urban population, with its wage-earning elite, has prospered because of the poverty of rural Africa. Furthermore, Rau (1991, 54) contends that if rural areas are poor, stripped of their resources and producing cash crops for minimum returns, it is because of deliberate policies to withdraw that wealth in order to enrich other sectors of the economy. In the case of Zambia, prior to independence, wealth in the form of copper revenues were extracted to develop Southern Rhodesia. Moreover, the mining industry was developed at the expense of agriculture. According to Clark and Keen (1988, 5),

The primary legacy of colonialism was an economy almost entirely dependent on copper ... British policy towards Zambia was not to create a self-sufficient and viable state, instead it was to integrate the country into a colonial plan and to gain economically in the process through the extraction of copper.

At independence, Zambia inherited a debt of over 50 million kwachas from the colonial government (Clark and Keen, 1988, 5). This figure disregards the copper revenues of Zambia which were siphoned off to develop Rhodesia. In the forty years before independence, an estimated 400 million pounds, generated largely by the copper mines, was exported to the Industrialised countries and to Rhodesia (Turok, nd, 71).

Agriculture

Zambia inherited three different systems of agricultural production: subsistence, small-scale and large-scale European farming. Rural African development was blocked under the Central African Federation as Zambia functioned as a market for Southern Rhodesian agricultural surplus (EIU, 1991-92, 22). Furthermore, rural farming was discouraged via levies and taxes which effectively directed (cheap) labour to the mines (Simson, 1985, 40).

The persistence of the government's one-sided emphasis on mineral production and manufacturing ensured that Zambia did not develop its agricultural potential in the 60s and 70s when funds were available. Until 1982, only three percent of total recurrent expenditure went into agriculture. Furthermore, commercial farming controlled by expatriates received more support from the state than the peasant farmers (Cheru, 1989, 130). Agriculture as a whole contributed 14-15 percent to the GDP (EIU, 1991-1992, 22). This failure to diversify because of high copper prices has been termed by Simson the "copper-curse" (1985, 84).

In spite of the government's declared intention to stimulate agricultural growth, this sector remained undeveloped because of neglect, disinterest and disincentive. The UNIP government utilised agriculture as a political tool via the use of subsidies etc. to appease its otherwise fragile urban constituency. At the same time, the use of subsidies and fixed prices can be traced to colonialism where political power preserved the economic position of certain favoured groups (Dresang, 1975, 196).

The UNIP government utilised various mechanisms including price controls and currency overvaluation to keep the price of imports low while making exports more expensive. These policies proved disastrous to the promotion of agricultural development.

Agriculture had little or no representation in policy-making circles and thus prices could not be raised since it would undermine the standard of living of wage-earners and industrialists (Pletcher, 1986, 605). Consequently, rural development remained largely neglected because of the urban orientation of the political party and the bureaucratic party (Gulhati, 1990, 1155).

Manufacturing

Zambia's industrial development prior to independence was extremely limited since Southern Rhodesia served as the Federation's chief manufacturing centre and Zambia its main market. The manufacturing sector expanded rapidly after independence and growth in both private and public sectors was based predominantly on import substitution. Between 1964-75 manufacturing experienced an annual growth rate of 15 per cent (EIU, 1991-92, 31-32). After 1974 growth in the manufacturing sector was inconsistent due to external factors such as the decline in copper prices and quadrupling of oil prices. In 1984, manufacturing value added was 8 percent lower than in 1974 (Cheru, 1989, 128).

Most industrial development remained confined to consumer goods produced in capital intensive plants and protected by high tariffs. To illuminate Zambia's import dependence, it is estimated that on average Zambian firms import close to 50 percent of their inputs. Only the food, textiles and footwear firms import less than 50 percent of their inputs. Metal producers import approximately 80 percent of all inputs.

All in all manufacturing accounts for 21 percent of the GDP (Cheru, 1989, 128). Industrialisation did little or nothing to reduce Zambia's import dependence. Ultimately, import substitution made Zambia more dependent on capital imports and capital intensive technology which, in some ways, suited the rising petty bourgeoisie. Nonetheless, Zambia's industrialisation, limited as it was, did not

contribute to the restructuring of the economy but, rather, perpetuated and aggravated the inherent dualism (Siedman, 1979, 122).

There are several issues regarding Zambia's failed attempt to diversify which cannot be entirely blamed on government policies. Burdette (1990, 103) argues that many choices that were under-taken were influenced or "predetermined" by the inherited economic base (i.e., inadequate human and physical infrastructure). Zambia, much like other African countries, lacked capital, managerial and technical expertise necessary to embark on developing a capital goods sector, even with state intervention. Also, if the state had allowed for private enterprise to flourish unimpeded, the economy would have remained entirely in the hands of the minority settlers and foreign firms. Sklar (1975, 25-27) identifies other features that the new government had to contend with. First, as noted, the economy balanced precariously on a single, volatile export. During the first six years of independence, the copper industry contributed approximately forty-five percent of net domestic product, sixty percent of government revenues, and ninety-five of the value of exports. The economy relied heavily on expatriate labour, management and expertise because colonialism failed to develop indigenous skills and capacity. Foreign expertise was paid for by copper revenues. Moreover, the colonial policies did not integrate the predominantly wealthy and developed copperbelt into the rest of the economy.

Zambia, a landlocked country, inherited an economy severely dependent on white-ruled states in Southern Africa and the formulation of alternative routes entailed massive expenditure. Moreover, transport difficulties linked to Rhodesia's unlawful Unilateral Declaration of Independence (UDI) forced Zambia to find alternate routes, electric power etc which further complicated development plans and increased costs.

Thus, political events in Southern Africa had adverse effects on Zambia's economy and was exacerbated by its principled stance against colonial domination in the region and its support of the national liberation movements. Resultant problems included transport difficulties and a loss of one-billion dollars due to Zambia's support of the United Nations embargo against Rhodesia after UDI (Simson, 1985, 17). Sanctions against Rhodesia cost Zambia a 30 percent increase in copper transportation costs between 1964-68; a figure that has remained constant ever since (Obidegwa and Nziramasanga, 1981, 5-6).

Since Zambia's independence in 1964 there has not been a single day without war being waged by one of her neighbours. This has created serious difficulties in communications, including the cutting off of rail routes through Angola and Mozambique as well trade losses, refugee costs and increased defence needs (Clark and Keen, 1988, 9). These factors increased pressures on Zambia's foreign exchange reserves.

Nationalisation

Nationalisation in Zambia was justified by the government in terms of a commitment to reduce foreign domination and control of the economy and as a means to redress the colonial legacy of socio-economic poverty. In 1968, the state acquired 51 percent of the equity in twenty-six large private companies which were mainly involved in construction, commerce and road transport. Collectively, these actions became known as the Mulungushi Reforms (Turok, 1989, 42).

In 1969, under the Matero Reforms, the government acquired a 51 percent controlling interest in the giant mining companies, and re-organised them into two corporations, namely Nchanga Consolidated Copper Mines Ltd (NCCM) and Roan Consolidated Copper Mines Ltd (RCCM). The government's equity was ultimately held through the

state-owned holding company, Zambia Industrial and Mining Cooperation (ZIMCO), whose responsibility was to coordinate state interests in the industry. The former owners of the mining industries were Anglo-American Cooperation and Roan Selection Trust Ltd (RST) (Simson, 1985, 36). In November 1970 the government attempted to nationalise financial institutions and was partially successful in appropriating the insurance and building societies (Burdette, 1990, 100).⁵

By 1973 the government, dissatisfied with the various provisions of the nationalisation agreements, decided to secure a greater control of the mines and of the economy in general (Sklar, 1975, 191). However, in 1974 it cancelled its management contracts with Anglo-American and RST and, consequently, NCCM and RCM became self-managing companies with the chief executives appointed by the government (Simson, 1985, 36). In 1979, the state increased its equity share in NCCM and RCM to 60 per cent and, by 1982, the two companies had been merged to form a single corporation, namely, Zambia Consolidated Copper Mines Limited Ltd (ZCCM). By this time, the government had acquired up to 80 percent control of the entire Zambian economy (Sklar, 1975, 193).

Nationalisation did not, however solve Zambia's economic problems. Bostock (1972, 109) argues that nationalisation did not result in real economic independence. Although ownership shifted to the state, operational control still remained in the hands of expatriates - in many cases, the same former owners of the enterprises taken over by the state. Private interests retained management control through a variety of contractual arrangements.

Nationalisation has not brought indigenous control of actual individual enterprises. There is a pervasive dependence on foreign managers, technicians and experts.... Coupled with the forced dependence on foreign markets, raw materials and other inputs for industry, it has means that the nationalisation has not succeeded in one of its principle objectives - to make Zambia self-reliant.

(Turok, 1989 ,243)

Zambia was forced to maintain good relations with foreign capital. Since the minority holders presence was pivotal, Zambia had to facilitate the requirements of profit maximisation (Simson, 1985, 37). This is not to imply that those in the parastatals were reluctant partners; clearly there is a "coincidence of interests" between local and foreign capital who were intent on promoting their own interests, in particular, and capitalism, in general.

Over the years, there were a number of conflicts between local business and the government rooted in the contradiction between Kaunda and UNIP's socialist / populist tendencies and the individualistic strivings of the emergent capitalist class (Simson, 1985, 26). State corporations, contrary to their stated commitment to execute national priorities and policy, opted for the production of semi-luxury goods and services for middle-class consumption. The state bureaucracy diverted state resources to self-interested public spending (Turok, nd, 102-103). Diversification proved unsuccessful in that new parastatals concentrated production on luxury and consumer goods based on capital-intensive technology for the wealthy as opposed to satisfying the basic needs of the majority (Burdette, 1990, 101).

The proportion of state ownership of economic assets is far lower showing that private interests remain well represented even in the parastatals. Thus, while ownership does not necessarily give control, either to the state or to private interests, there does remain a very substantial amount of private capital which has to be taken into account.

Furthermore, there remain important foreign and indigenous companies in the private sector which act as an alternative pole of attraction. They set higher levels for salaries, they sustain expatriate interests, they undermine state policies and controls.

(Turok, 1989, 243)

Coupled with the policy of nationalisation, the government also implemented its policy of indigenisation. The rationale of this policy was to make industry more responsive to the needs of the country while, at the same time, reducing the foreign exchange costs of employing expatriates (Obidega and Nziramasanga, 1981, 19). However, close working relations between local and foreign capital persisted. To the extent that mining companies provided training programmes, sponsorships and scholarships for technical and university training to prospective and current employees, it fostered complementary values and interests (Obidega and Nziramasanga, 1981, 19). For Sklar (1975, 207), this "revolution from above" is directly relevant to the growth of the managerial bourgeoisie.

Since copper revenues supplied the government with most of its funds and underpinned its National Development Plans, the effect of the international market on copper prices is crucial to understanding Zambia's developmental experience. The 1965-70 period was a "boom" period - during which time copper exports were profitable and the balance of payments surplus permitted imports which facilitated growth and consumption. Despite many long-term economic projects, copper remained the dominant industry. The 1971-74 period signalled the end of high copper prices and between 1975-80 copper prices plummeted. At the end of 1974, net foreign reserves had fallen to K76.5 million, barely 20 percent of the 1970 level. Zambia experienced a balance of payment deficit of K438m and, for the first time, it was forced to turn to the IMF for financial assistance (Turok, nd, 102-103). This marked the beginning of Zambia's long and turbulent relationship with the IMF

and it is this relationship which is the pivotal focus of chapter four.

FOOTNOTES

1 Kaunda was met by resistance from party leaders who represented sectional interests and from backbench parliamentarians who gave "voice" to an emerging middle-class. The 1978 general elections led to four cabinet members losing their seats in parliament. Kaunda resorted to a technical constitutional change to prevent two prominent candidates from opposing him in the presidential elections (Gulhati, 1990, 1149).

2 According to Richard Sklar (1975, 206) the government has feared the power of the mineworkers and the unions ever since independence. The government tried to ensure that the potential power of the unions would not be unleashed in opposition to official policies by implementing measures including compulsory affiliation of all unions with a supervisory central labour organisation, restrictions on the right to strike etc.. Kaunda, however, was unsuccessful in controlling the unions in that they played a pivotal role in overthrowing the state under the umbrella of the MMD. Frederick Chiluba, Chairperson of the largest Zambian trade union was voted president of Zambia.

3 According to Simson (1985, 28), this "elite-substitution" gave rise to the "bureaucratic bourgeoisie" who have ruled the state-capitalist system in the way that it perceived Zambia's national development goals to be.

4 Many of the parastatals became an instrument of patronage through which jobs and other perquisites were provided to political supporters of rulers. See Gulhati "Who makes Economic Policy in Africa and How?" in World Development and Change, vol. 18, no.8, 1990, p1152.

5 The end of nationalisations coincided with the consistent decline in international copper prices subsequently resulting in a depletion in government revenues affecting plans to expand the industry, infrastructure and services (Turok, nd, 79). Hence, the Zambian crisis cannot be solely interpreted to be as a result of internal factors in isolation from external factors.

CHAPTER FOUR

The IMF AND STRUCTURAL ADJUSTMENT PROGRAMMES IN ZAMBIA.

Thus far the study has focused primarily on Zambia's internal constraints on development - largely government corruption and economic mismanagement. However, one needs also to take into account that Zambia, since colonialism, has been fully integrated into the world economic system and, thus, has been subject to external forces over which it has had little control. Like other LDCs, the IMF's directives were ostensibly designed to assist Zambia in overcoming or cushioning the effects of these external impediments but, given that the economic crisis persists, the effectiveness of the IMF as a debt-manager and as a "development adviser" has to be questioned.

The IMF's role in and contribution to long-term, sustainable growth in developing countries has been widely criticised. Of all countries in SSA, Zambia has had the longest relationship with and owes the largest debt to the IMF. Despite following IMF advice, accepting financial assistance and pursuing an export-led growth development strategy, Zambia still finds itself unable to achieve sustainable development. Unlike Ghana where the IMF's Structural Adjustment Programmes (SAPs) were faithfully and rigidly followed, Zambia has been inconsistent in its application of SAPs. Often the reason for this inconsistency was that SAPs constituted a direct threat to political stability. Clearly, this opens the question of what type of government is necessary if SAPs are to be implemented thoroughly. Since both Ghana and Zambia are undemocratic, the link between SAPs and democracy needs to be broached.

Therefore, this chapter will in addressing some of these issues, delineate Zambia's relationship with the IMF. Before doing so, however, a summary of this multilateral organisation, that is, its formation, aims and objectives, and the SAPs it advocates, provide

important background information.

The IMF: Brief History and Objectives.

The IMF was one of the three institutions that arose from the Bretton Woods system in 1944¹. The IMF's designated role was to stabilise international exchange rates and to alleviate balance of payment deficits among member countries. Since America was the most powerful economy in the post-1945 period it was able to impose its will in the creation and structure of the post-war monetary order and the IMF. The IMF's philosophy, objectives and strategy attest to this inescapable fact. Thus, western nations that is, the top OECD countries and, in particular, the U.S. controlled the functioning of the IMF.

The IMF's underlying economic philosophy is based on a liberal capitalist ideology designed to expand world trade and to reduce restrictions on trade and capital transfers. The great powers recognised that there was an urgent need to establish a new monetary order open to investment and trade and backed by financial stability (Schatan, 1987, 34). The foundations of this philosophy were contained in the liberal doctrines of free-trade and comparative advantage.

The system was designed to serve the interests of the powerful American and West European economies once they had recovered from the destruction of World War II. These objectives guided the formation of the IMF and reflected the dominant position of the west within it. One of the chief goals of the IMF is outlined in the Charter as:

To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objective of economic policy.

(quoted in Korner et al, 1986, 44)

Judging from this, the cornerstone of the IMF philosophy is the facilitation of free trade and international capitalism. Fixed exchange rates are used to stabilise the financial underpinnings necessary for the expansion of trade. When a member state runs into difficulty with its balance of payments (BOP), the IMF provides temporary relief so that trade is not restricted. Heffernan (1987, 119-120) summarises the IMF's objectives and strategies in this regard:

To achieve their (IMF) objectives, the Fund assumed two important functions. First, under the adjustable peg exchange rate system the IMF had the power to approve or order changes in par values if the problem underlying a members balance of payment difficulties was classified as one of 'fundamental disequilibrium' ... Second, if the difficulties were not of a fundamental nature, members were granted access to the financial resources of the IMF, to help see them through the temporary difficulties.

The resources available to members are classified in successive 'tranches' based on a quota system². Whilst these resources are furnished by member countries, these are not the Funds only resources. Instead, through the IMF's "seal of approval", resources from private sources become accessible through financial "packages", which the IMF can put together for financial investors and for developing countries in need of capital. Loxley (1986, 129) notes that the Fund has, over the years, increasingly limited the total amount of funds available to countries implementing SAPs. This has weakened SSA's position³.

When a country experiences a balance of payment deficit problem it is allowed to purchase the foreign exchange in the currency of the deficit country. This is known as a "drawing". The sum that a country is allowed to draw is determined by its quota (Korner et. al., 1991, 48)⁴.

The 1970s were plagued by a series of economic 'shocks' which had a domino effect throughout the world, impacting particularly

severely on the Third World. In 1971, a fundamental change occurred in the Bretton Woods system as the pegged exchange rate was replaced by the floating exchange rate under U.S. President Nixon's orders. This was due to America's relative decline and its desire to better manage its own economy. This caused a chain reaction throughout the international economic system causing currencies to fluctuate wildly (Jacobson, 1981, 282).

Heffernan (1987, 120) argues that with this collapse a key method by which the IMF could intervene in national economies to fulfil its objectives was eliminated. The resulting confusion over the role of the IMF occurred at a time when IMF-type intervention was in greatest demand. The demand alluded to here was the Third World's rising BOP problems and the debt crisis that emerged at the end of the 1970s and in the early 80s. According to Korner et. al. (1991, 26), it is methodologically problematic to establish precisely the factors responsible for the debt crisis or their order of importance. However, there are three inextricably linked determinants which together contributed to the crisis.

... (first) the colonial legacy, which bequeathed to the developing countries certain economic, social and political structures which already contained the germs of 'indebted' development within them ... (second) the debt-ridden economic, financial and development policies of governments and ruling classes in the developing countries ... (third) external 'shocks', world market tendencies which affect the developing countries.

(Korner et al, 1991, 26)

During the time of the debt crisis and rising balance of payment problems, the majority of third world countries, including Zambia, were pursuing outward-orientated growth strategies which further integrated their economies with those of the west. However, their trade balance deficits became chronic due to the steady decline in the terms of trade. To compensate for the shortage of finance, especially after 1973, third world countries turned increasingly to

private western banks for loans. These banks were eager to find new outlets to invest their large pool of recycled petro-dollars. Third world governments therefore borrowed freely in order to overcome the shortage of finance for development projects as well as to underwrite the huge public sector and welfare-state costs many of them had created (Lever and Kuhne, 1985, 13). Moreover, these loans were tied to variable interest rates which, by the end of the 70s, were rising sharply .

This interplay of factors led to the Third World's rising indebtedness and oil-price shocks compounded the problems causing it to reach crisis proportions at the end of the 70s. The deterioration of developing economies coincided with, and was exacerbated by the decision of Organisation of Petroleum Exporting Countries (OPEC) in 1973 to raise oil prices four-fold. Again in 1979 oil prices rose steeply sending shockwaves through the global economy. While the industrialised countries were relatively easily able to absorb these shocks, the effects on primary-producing, oil-importing economies, like Zambia, were severe. To illustrate the effect of the oil crises on the Zambian economy, Cheru (1989, 129) shows that whereas in 1972 Zambia could purchase one barrel of oil for 3.5 kg of copper, 22 kg of copper was needed by 1982 to purchase the same amount of oil.

Developing countries, including Zambia, were left with little foreign exchange to stimulate economic growth and, consequently, stepped up their borrowing from western banks. Given the continued deterioration in the terms of trade for the Third World, as well the fact that their exports were being reduced due to the global recession, third world indebtedness began to take on crisis proportions for the international financial system (Heffernan, 1987, 121).

The third world's overall debt by the mid 80s has been estimated at one-trillion (one-thousand billion) dollars (Korner et. al., 1986,

5). George (1988, 13) observes, however, that it is not the size of the debt that is the problem but the fact that many developing countries find it increasingly difficult to service and repay their debts. The rising inability of third world debtors to service and repay their debt threatens the very mechanisms of the international financial system.

Debt-servicing now takes up to half of many Third worlds' foreign exchange earnings. Mexico's announcement in 1982 of its inability to service its debt brought a rude awakening in the West by the possibility of debt defaults. Many western banks had overextended themselves with loans to the third world, particularly to Latin America, and their continued viability was threatened. It was at this time that third world indebtedness began to be perceived as a "crisis" and the IMF emerged as the central player in the attempt to avoid the collapse of the entire financial system (Woodby and Cottam, 1988, 167).

Defining Characteristics of Structural Adjustment Programmes (SAPs)

When a particular government comes to the IMF to secure financial help, the IMF sets conditions under which those loans are granted. Such 'conditionality' became central to SAPs. George (1988, 48) points out that it is in this regard that the IMF is able to impose its particular economic philosophy. Loans are granted with explicit conditions and debtors must sign a 'letter of intent' agreeing to those conditions. An IMF loan, with its implicit 'seal of approval', determines a country's overall creditworthiness in the eyes of the world's financial community and, therefore without the IMF's approval, a debtor will have no other source of funds.

Throughout the 1980s, IMF loans were attached to economic conditions and reforms which were in line with the monetarist policies being pursued in the West. These were popularly termed 'Reaganomics' and 'Thatcherism'. Emphasis was increasingly placed

on freeing the markets and reducing the role of the state in the market as the appropriate growth and development model.⁵ In the LDCs, such policies were grouped under the IMF and World Bank SAPs and were introduced as the remedy to the third world debt crisis and development problems. While they vary in detail, the main components are essentially the same: 1) the abolition or liberalisation of foreign exchange and import controls, 2) devaluation of exchange rates, 3) domestic anti-inflationary programmes which include control of bank credit, higher interest rates and perhaps higher reserve requirements, control of government deficit, restriction on spending, increase in taxes and in prices charged by public enterprise, abolition of consumer subsidies, dismantling of price-controls, and 4) greater hospitality towards foreign investment (Schatan, 1987, 35). A recent and somewhat devastating addition to the SAPs is the auction system, which as opposed to the previous recommendation of the IMF to devalue overvalued currencies by a fixed percentage, these currencies are devalued weekly according to demand and supply. In 1985 the IMF introduced the auction system in Zambia with the intention of restoring the profitability of copper, diminishing the propensity to import and encouraging the export of non-traditional exports. Another objective was to reduce the shortage of foreign exchange by making products more competitive internationally (Hawkins, 1991, 845).

It could be argued that the IMF's main success story has been that through its operations, it has avoided widespread defaults of third world debt-servicing. It has managed to keep the system functioning as debts have been rescheduled and continue to be serviced. Often new loans are entirely used to service old ones. Thus, the fundamental reasons which led to the debt in the first place, that is, the LDCs position within the international division of labour, has not been addressed. In fact, IMF policies tend instead, to reinforce existing global structures. According to Schatan (1987, 36) third-world debt continues to grow because the

IMF policies are not aimed at generating self-sustainable development in the developing countries, rather, the policies are designed to further open up the third world to international capitalism, entrenching their dependence on the west. In short, debt begets more debt.

Overview of the IMF's involvement in Zambia:

This section provides a brief historical overview of IMF involvement in Zambia, highlighting the erratic nature of the relationship between the two, one forged by a variety of interconnected factors. These include, for example, different ideological approaches to development - Zambia's state-led growth strategy versus a free-market approach of the IMF. The IMF's apolitical and ahistorical SAPs presented a threat to the Zambian status quo. This was manifested in the "food/ IMF riots" that broke out in 1986 and 1990 where in both instances the government reneged on the IMF's policy of price deregulation and suspended the stabilisation programmes (this will be discussed in greater depth later). Hence, this bears directly to the lack of the Zambian government's commitment to implementing these programmes.

At the same time Zambia historical integration into the IPE and subsequent dependency on the international division of labour for foreign exchange, aid, assistance, skills, capital goods and manufactured goods made it virtually impossible for Zambia to sever its links with the IMF (even though Zambia tried to implement alternatives to SAPs it was largely unsuccessful). Ultimately Zambia's incorporation and subservient position within the IPE largely determined its fate.

Zambia's historical dependency made it almost impossible to operate without external financial assistance. For example, in order to repay old loans it needed new loans which were only disbursed on signing the IMF's "letter of intent" stipulating a

laissez-faire approach. Zambia became entangled in situations where the IMF approach proved unacceptable and incompatible with this political-economic regime. However, at the same time the loans were used by the Kaunda regime to further strengthen and entrench the patron-client networks established. Zambia's fate was sealed and, as will be seen, it had no option but to turn to the IMF for assistance. Sometimes the IMF itself suspended aid when Zambia did not meet its debt repayments. These were all the factors responsible for Zambia's turbulent and erratic relationship with the IMF.

Zambia became an IMF member in 1964 but it rarely utilised the Fund's resources in the first decade of independence. High export earnings from copper and low oil prices made it possible for the new government to advance investment projects both in private and public sector without IMF funding. Occasionally the government used the Compensatory Fund Facility (Cheru, 1989, 131). However, the 70s signalled the beginning of a closer working relationship between Zambia and the IMF as Zambia experienced increasing balance of payment problems. This was illustrated in the growing frequency of Zambia's borrowings, in general, as well as in the increase in financial loans from the IMF, in particular. Also, the loans carried with them increasingly strict conditions which Zambia reluctantly executed and sometimes abandoned. Despite the occasional respite from falling copper prices and some successes related to IMF programmes, on the whole Zambia's economy has not benefitted from its comparative advantage nor from the policies advocated by the IMF.

As noted, the 1970s saw the end of Zambia's economic prosperity with steep rises in fuel costs and a simultaneous decline in the price and demand for copper. As opposed to the 1964-69 period when Zambia profited from its copper production and exports, the 1975-79 period witnessed the costs of production exceeding the value of its copper internationally. This meant that the government had to

subsidise copper production, causing negative repercussions through other parts of the economy. At independence, copper accounted for 43 percent of GDP, 61 percent of government revenue and 94 percent of export earnings. Between 1975-79, however, copper contributed only fourteen percent of the GDP, three percent of government revenue but still 90 percent of export earnings. So, while copper production continued at a loss during this period, its centrality to government revenue continued as an earner of foreign exchange.

These problems were compounded by the considerable drop in copper prices; whereas on the London Metal Exchange (LME) in 1974 copper brought 1.400 pounds per ton, by the end of 1975 it brought 576 pounds per ton. By 1975, the terms of trade had dropped to only 43 percent, from 85 percent in 1974 (base year being 1970) (Ncube et. al., 1987, 127). All along the high copper prices had masked the weaknesses inherent in the Zambian economy⁶. Thereafter, GDP growth was negative in 1975, 1977, 1979, 1982, 1983, and 1984 and was minimal in 1976, 1978, and 1980. Foreign exchange shortages became critical and, as early as 1977, the Zambian government exhausted its foreign exchange reserves (Hawkins, 1991, 843-844).

Zambia signed her first unconditional Standby Arrangement with the IMF in 1973 for 19 million SDRs (Fundanga, 1989, 143). In this instance, the loan was used to cushion the economy from the disruption caused by the transport blockade of Rhodesia. The massive hike of oil-prices in 1974 meant a huge increase in Zambia's oil import bill and higher import costs. Zambia was forced to borrow capital from the IMF in order to finance imports as its BOP suddenly and dramatically went into deficit.

The next Stand-by Arrangement was agreed to in 1976 under the Oil Facility and amounted to 29.72 million SDRs (Mwanang'onze, nd, 3). This was followed by another standby agreement in 1976 for SDR \$62 million. The amount was not considered large nor were there many

conditions attached to it (Hawkins, 1991, 844). Since 1976, Zambia has utilised Fund facilities for eleven successive years (Hodges, 1988a, 8).

During these early years, the IMF considered Zambia's problems, like its diagnosis of most third world countries, to be "homemade" (Korner et. al., 1991, 3) and instructed the leadership to concentrate on addressing domestic constraints. Conditionality on the 1976 loan included placing a ceiling on the money supply, restricting overall and government credit and implementing a 20 percent devaluation of its currency. Nevertheless, none of these Standby Agreements succeeded in reversing the general decline of the economy (Cheru, 1989, 131).

By 1978 it became clear that Zambia required more substantial aid and was able to negotiate a Standby Agreement worth SDR \$250 million (at the time the largest IMF loan ever extended to an African country). The IMF imposed more severe terms which included reduced borrowing for government, a further ten percent devaluation of the currency, cuts in state food subsidies and a more "realistic" price and income policy; that is, one in line with the supply and demand (Hawkins, 1991, 844). Clark and Keen (1988, 10) argue that this assistance merely served to deepen the crisis since the loans were short-term and carried high interest rates. The IMF also encouraged Zambia to continue to focus its efforts on expanding copper exports under the assumption that there would be an easing of the world recession and a subsequent increase in world copper prices. Instead, the price of copper declined further while Zambia's debt multiplied.

Zambia's relationship with the IMF deteriorated as the government became increasingly critical of IMF austerity measures to the point where the government suspended SAPs on several occasions. The Zambian government regarded the programmes as insensitive to needs of the poor and directly responsible for political instability.

This was illustrated most clearly in the so-called "IMF riots" which followed the implementation of SAPs in 1986 and more recently in 1990. Kaunda is quoted in an interview in 1986 as saying: "it was not socialist principles which ruined the Zambian economy, but unfavourable economic terms which the North imposed on the South ...I have no power ... we agreed to the IMF reform programme much against our better judgement" (Kydd, 1988, 227).

Zambia is just one of the forty African countries in the 1980s which adopted IMF and World Bank measures. Clearly these organisations have become the dominant influence over African economic policy formulation (Loxley, 1990, 8). As such, Zambia has often found itself forced to tow the IMF line in its desperation to secure foreign exchange. This has led to a perpetuation of its mono-export dependency.

In 1981 Zambia secured a loan of SDR 800 million from the Extended Finance Facility - the second largest credit ever to an African country but this was granted with tighter monetary and fiscal policy conditions encompassing ceilings on overall and government credit and a reduction in government deficit-spending from twelve to seven percent of GDP (Cheru, 1989, 131). This arrangement, however, was cancelled by the IMF in 1982 due to an accumulation of repayment arrears, over-shooting of the credit ceilings and a rise in the BOP deficit (Fundanga, 1989, 143).

In 1982 external debts amounted to 3.2 times their 1974 level in dollar terms. Zambia was forced to turn to the IMF for assistance and received a new standby facility. In the short term it was meant to achieve what Kydd (1988, 237) terms "rescue and stabilisation", while the medium term goal was to raise the efficiency of import-substituting industry and central government and encourage "diversification along the lines of comparative advantage".

More specifically, this included liberalising the economy and to

reduce government spending especially on subsidies (Kydd, 1988, 237).

In 1983, Zambia signed a Standby Agreement worth SDR 270 million (Cheru, 1989, 131) with the now familiar conditions consisting of devaluation of the exchange rate by 40 percent, a ten percent ceiling on wage increases in the parastatal and private sectors and a wage freeze in the civil-service (Simson, 1985, 87). Further, food and farm subsidies were cut and taxes on services and mineral exports were raised. Once again, the agreement was suspended in 1984 by the IMF with SDR 67 million still left undrawn because Zambia failed to pay its SDR 75 million overdue debt to the IMF or to meet its budgetary targets (Cheru, 1989, 132).

By 1984, Zambia's debt service bill had risen to US\$ 610 million dollars, 60 percent of its foreign exchange earnings (Clark and Keen, 1988, 10). In the same year, Kaunda initiated the 'Economic Crusade' a plan to liberalise the economy with the support of the IMF and as part of an extensive restructuring of the ailing economy. Parastatal employment was deregulated and private enterprise was encouraged with the expressed intent to promote small-scale industry. Increasingly, the government supported business, as opposed to trade unions by suppressing the strikes which had resulted from the reform measures (Hawkins, 1991, 845).

Also in June of that year, the government negotiated a Standby agreement for SDR 225 million. This was suspended seven months later because the government proved incapable of servicing its arrears of \$800 million (Cheru, 1989, 134). Between 1981-87, Zambia drew a total of 229.8 million SDRs negotiated five Stand-By Arrangements but it could not utilise all the standby facilities because of its inability to meet the IMF's performance criteria. By the end of 1987 Zambia's total external debt stood at US \$6.4 billion (Killick and Martin, Africa Recovery, June 1989, 2).

By the end of 1987, the exchange rate had fallen to k21 to the dollar, less than eleven percent of its value before the introduction of the auction system (Hodges, 1988, 9). Interest rates, which it had liberalised on the assumption that it would encourage savings and improve resource allocation increased from 14.5 percent in 1984 to 25 percent in 1985 and then to 30 percent in 1986 (Hawkins, 1991, 845).

Reforms were also promoted in agriculture by deregulating trade. Namboard, the state marketing board for agriculture, had been criticised by the Commercial Farmers Board for inefficiency. There was also a move to liberalise prices of consumer goods and to eliminate price controls on wheat, vegetable oil and rice (Hawkins, 1991, 845). These reforms prompted revolts (the so-called 'IMF riots') throughout the Copperbelt region in the same year subsequently causing the government to reconsider its policy of subsidy withdrawals. As a result, the Zambian government announced the discontinuation of IMF programmes in May 1987, replacing it with a homegrown New Economic Recovery Programme [NERP] (Hodges, 1988, 9). Thereafter, the IMF and the World Bank curtailed all assistance to Zambia and, in turn, loans from other donors were cut. However, a temporary respite occurred as copper prices rose and oil prices slumped and Zambia was largely able to offset the damages incurred by the IMF actions (Hodges, 1988, 13).

Nevertheless, the new development strategy failed to rectify the implacable problems of the economy.

[The NERP] provides no solution to the problem of raising export incentives, and only partial and questionable one ...for reducing import dependence. The large fiscal deficit is left untackled, and no concrete proposals are made for dealing with one of the of its major components, the maize subsidy...(also) the government's confidence in its ability to control a wide range of consumer prices is certainly misplaced...

(Loxley, 1990, 24)

Thus, by 1990 (at this time Zambia's arrears with the IMF stood at SDR 880 million), Zambia was forced to go back to the IMF and renegotiate a new programme of assistance known as "Rights Accumulation Programme" (RAPs). RAPs seek to insulate the Fund from becoming more entangled in African economies by ensuring that donor countries provide all finance during the initial years of the reform programme (The Economist, Nov. 17, 1990, 107). These reforms culminated in more riots and an attempted coup aimed at overthrowing Kaunda. By this time the government was unable to placate its people by reintroducing suspended subsidies and 'democracy' had now become a prerequisite to political stability.

FOOTNOTES

1 Discussions to create a new international economic order began before World War II was over. The most important of these was at Bretton Woods, New Hampshire in July 1944, where forty-four states met to consider reform to the emerging post-war order. What emerged became known as the Bretton Woods system and gave rise to three institutions; namely, the IMF, The World Bank and what became later known as the General Agreement on Trade and Tariffs (GATT).

2 These facilities include credit tranches, the Compensatory Fund Facility (CFF) used to compensate declining raw commodity prices, the Oil Facility Fund provided assistance to countries during the oil crises, the Facility for Buffer Stocks and Supplementary Financing, Reserve Tranche and Special Drawing Rights (Korner et al, 1991, 48-51). All but the last two facilities have special conditions attached to them, namely loans must be repaid within a given schedule and certain IMF-determined conditions for economic adjustment are attached to them.

3 Loxley (1986, 129) conveys how the terms for receiving assistance from the IMF have become more difficult for SSA countries, further weakening their position within the IMF.

....while quotas were increased in 1983, the amount that could be borrowed from the Fund as a percentage of quota under normal circumstances were reduced.... low income countries can borrow, on average, 11 percent less than they could before quota revision... SSA can borrow 8 percent less. The absence of special Fund arrangements has also meant that the proportion of finance made available by the Fund on low or unconditional terms... has fallen dramatically - from 76 percent in 1979 / 80 to

almost zero in 82 / 83. Since 1983 the compensatory financing facility has been converted to a high conditionality.

4 For more information regarding the modus operandi of the IMF more specifically detail on "quotas", "special drawing rights", the distribution of voting power etc. see Korner et al, 1991, 43-51.

5 According to Harris (in Onimode Vol.I, 1989, 23), these "adjustment policies" are seen by the IMF as necessary prerequisites to enable the borrower to achieve viable growth, however the IMF's main aim is to facilitate international trade; national growth is secondary to this.

6 In Frimpong-Ansah's The Vampire State in Africa: The political economy of decline in Ghana, an analysis of Ghanaian state he argues that "the existence of the impoverished and underdeveloped peasant economy was masked by the wealth of the export sector", more explicitly that "the weak and fragile economy contained the seeds of its own destruction". A similar assessment can be made of the Zambian state since copper, which was regarded as a boon at independence became a "curse" ever since the mid 70s and it has steadily eroded the Zambian economy (Kimble, H, "Review of the Vampire State in Africa: the political economy of decline in Ghana by Johnathan. H. Frimpong" Journal of Modern African Studies, 30, 4, 1992, 705- 708).

CHAPTER FIVEAN ASSESSMENT OF SAPs ON THE POLITICAL ECONOMY OF ZAMBIAThe Question of Causality

A central question in assessing the impact of SAPs on Zambia's political economy is the issue of causality; to be precise, the essence of the debate involves establishing whether or not SAPs caused economic decline and political instability or whether other factors should be considered primary. In other words, debates centre around assessing blame for the Zambian crisis. There are two general schools. On the one hand, there are those who argue that SAPs did not necessarily precipitate the crisis or that such an assertion cannot be proven. On the other hand, there are others that argue that there is clear evidence of a direct link between SAPs and the crisis.

Paul Collier (1991, 161) denies that there is a direct relationship between the two and contends that SAPs were introduced at a time when national political and economic crises in Africa were already well underway. Thus, the decline in living standards was not a result of SAPs *per se* but an outcome of past government policies and, this being the case, largely inevitable. By blaming SAPs, Collier argues, for socio-economic decline, government and third world leaders have attempted to absolve themselves of the effects of their own irresponsible economic policies and mismanagement. SAPs and the IMF have, therefore, become convenient scapegoats and have relieved African governments of accountability to their constituency. In brief, Collier argues that SAPs sparked off a crisis already imminent. Similarly, Rimmer (1990, 89) believes that SAPs and decline in socio-economic conditions are not directly related and argues that evidence to the contrary is lacking. Moreover, in defence of SAPs he states,

... no doubt most people in tropical Africa were worse off after 1980... but the thesis that 'stabilisation' and 'adjustment' have been biased against the poorer and weaker people requires for its support both more empirical information ... and the making of counter-factual assumptions concerning the fortunes of these people would have been in the absence of stabilisation and adjustment.

Despite elements of truths in such arguments, there is a substantial body of evidence emanating from both governmental and non-government organisations - including the United Nations Economic Commission For Africa (ECA) and OXFAM, for example - affirming the link between SAPs and socio-economic decline. In addition, IMF and World Bank economists themselves admit to this link. For example, the World Bank's Chief Economist for Africa acknowledged that "... we did not think that the human costs of these programmes could be so great, and economic gains so slow in coming..." (Lone, 1988, 23). At an ECA conference in Khartoum in 1988, the participants resolved that: "Rather than improve the human condition, some Structural Adjustment Programmes have aggravated it because they are incomplete, mechanistic and of too short a time perspective" (Lone, 1988, 21). After recording the plight of the poorer population post-adjustment, UNICEF called for "Adjustment with a Human Face" (ECA, 1991, 18). UNICEF's *State of the World's Children* survey conducted in 1989 stated that there were 350,000 deaths of African children as a result of reduced budget, deteriorating sanitation and lack of foreign exchange to import basic medicines (Harsh, 1989, 47). These were all seen to be a result of the implementation of SAPs. Adebayo Adedeji, former head of ECA, succinctly expressed the human cost of adjustment by stating that development measured in economic terms is short-sighted, far-fetched and almost futile, as long-term sustainable development lies with developing people.

We squander the most precious resource we have for effecting economic and social growth when we neglect the welfare of the majority in our search for production gains which have often remained illusory.

(Lone, 1988, 23)

Besides such statements, detailed research on the relationship between SAPs and economic decline reach similar conclusions. Stewart (1987, 32-34) notes the following similarities of effects in third world countries undergoing adjustment : a contraction in per capita incomes (70 percent in both Africa and Latin America); a rise in urban unemployment, an increase in urban poverty and a fall in employment and real wage incomes; a significant reduction in government expenditure per head of population, including expenditure on social services and food subsidies (real government expenditure per head fell by 55 percent in African countries); a marked increase in malnutrition amongst African children; stagnant or falling levels of real investment occurred in sixty percent of African countries; and there was no improvement and, in some instances, a deterioration in the current account of African countries following Fund programmes.

The Social Impact of Adjustment

In addressing the social impact of SAPs in Zambia during the 1980s, special reference will be made to subsidy withdrawals on food, education and health. Although the political, social and economic impacts are assessed separately, these are, of course artificial dichotomies employed only for the sake of clarity and to provide structure to the discussion. It is argued that it is not subsidy withdrawal *per se* that caused socio-economic hardships, but SAP policies in general that contributed to the growing social malaise. SAPs, as economic policies encouraged low wages, price increases in consumer and imported goods, inflation, retrenchment and unemployment etc and these, in turn, affected the social sphere.

Throughout the 80s, the IMF singled out high government expenditure on administration and services as contributing to the budget deficit. It recommended macro-economic policies which included cuts in government spending, reductions in real wages and encouraged market-determined prices (Makgetla, 1986, 399). The IMF did not necessarily specify how the government should reduce spending in the social sector. However, to an extent, this was implicit since Zambia, like most developing countries, had adopted a welfarist approach and historically the state took on the role of social and economic upliftment. So, as governments had to decide how they were going to implement expenditure reductions, they focused on social welfare cuts. Since the decisions were executed by the politically powerful, they tended to reinforce inequalities and maintain the status quo at the expense of the poor. It is within this context that SAPs proved detrimental to the poor. To quote Parfitt and Riley (1989, 34) :

It must be remembered that the IMF usually sets out only macro-economic targets for operating, which recipient governments are supposed to observe. It does not generally specify where cuts must be made. This leaves patrimonial governments with the option of safe-guarding those areas of the economy that finance their clientilist power networks at the expense of more efficient and essential services.

In the case of Zambia, Makgetla (1986, 402-403) argues that when IMF policies in 1983 and 1984 brought price rises and wage restraints (on average between 10-15 percent a year), the Zambian government granted the largest increments to the top salary earners thereby increasing the income gap between the best and the least paid employees. To make it possible to pay high salaries, the government withdrew subsidies on essential commodities which hurt the lower income group.

While it appears possible that there is a relationship between IMF policies and deteriorating socio-economic conditions, other

considerations must be taken into account. Clark and Keen (1988, 26) argue:

It is difficult to rank policy decisions according to how much suffering they created.... It is clear however, that a combination of health spending cuts, drought, insufficient attention to domestic food production and deepening recession (made worse by government spending cuts and Northern protectionism), has helped to create a sharp drop in nutritional status and health, and a sharp rise in child mortality, during the 1980s.

Hence, SAPs may not directly cause the crisis but it may exacerbate it by undermining the socio-economic fabric of Zambia. The introduction of the auction (devaluation) system in 1984 led to a doubling of petroleum prices and increases in consumer and capital goods which ranged from 30 to 100 percent (Makgetla, 1986, 416). In 1986, the IMF urged the Zambian government to phase out its subsidies, particularly in regard to maize. The criticisms of maize subsidies were largely correct since although the subsidies assisted the poor by making it more affordable, they were regarded as "a costly and inefficient" way of assisting the poor because they were a tremendous drain on the governmental budget (fuelling the large deficit), they encouraged inappropriate agriculture as well as black marketeering and cross-border smuggling (Clark and Allison, 1989, 31).

Whereas the government's initial plan in 1985 was to phase out the maize subsidy over two years, it removed the subsidy entirely and at once in 1986. The government intended subsidising the cheaper roller meal (for the poor), but farmers, unsure of whether they would be compensated by the state, produced the breakfast meal only. The effect was that the poor had to pay two and half times more for the maize. Loxley (1990, 22) points out that whereas the elite were able to shield themselves from the impact of the subsidy withdrawals, miners were more vulnerable and they experienced steep drops in their wages as well sharp rises in food prices. In this

context, it is not surprising that the riots erupted in the Copperbelt region.

In the same year the government introduced, for the first time, school fees for secondary boarding schools in order to reduce its share of the budget. According to Clark and Allison (1989, 49-50) this has had a serious impact on poor rural families who sent their children to board. Besides making education inaccessible to the poor, this resulted in an estimate of four thousand 'drop outs'.

Under pressure from the IMF, in conjunction with increasing budget deficits, health service expenditure was also reduced. Under the IMF programme of 1986 health care became secondary, and consequently the amounts spent on health care in rural areas as well as on providing essential drugs were reduced. The real value of the 1986 health budget was only a quarter of its 1983 level. The salaries of doctors and health care workers were kept artificially and well below the inflation rate. This resulted in an exodus of qualified doctors (i.e., a 'braindrain'). By 1987 Clark and Allison (1989, 47-48) estimated that Zambia had a shortage of 549 doctors.

In 1989 maize meal prices were tripled and a coupon system introduced aimed at reducing the subsidy by 50 percent. In 1990 the government doubled the maize price in an attempt to further reduce the maize meal subsidy. Food riots broke out in Lusaka, Kafue and Kabwe and in June 1990 the Kaunda regime barely survived a military coup. The government was forced to reintroduce the subsidies for certain sectors of the population reducing the price of maize meal by 20 percent (Mwanza, 1991, 6).

The overall economic decline together with the maize subsidy withdrawals and the deterioration in health care induced via SAPs contributed to an increase in malnutrition, infant mortality rates and the death rate from poverty related diseases increased

dramatically (Clark and Allison, 1989, 46).

Both the IMF and the government have come under criticism for the socio-economic impact that these policies have had on the vast majority of the Zambian population. The IMF has been criticised in its time frame for implementing reforms which were said to be carried out too quickly. A more realistic framework could have phased out subsidies over a few years. Loxley (1990, 22) maintains that the 1986 subsidy debacle indicates that a degree of competence was needed by the government in order to assess the ramifications of reform initiatives realistically. Hawkins (1991, 848), in his analysis of IMF "failure" in Zambia, contends that the IMF cannot ensure the economic success of reform measures without addressing the political dimension. He suggests that the government and Fund draw up a "Special Political Facility" to give countries the necessary support to implement the economic policies and ensure the political success of SAPs.

SAPs and the Zambian Economy

Since 1981, the export-orientated model is looking much less than the panacea some thought it would be Its superiority seems to have been exaggerated theoretically... and, for many in practical terms Now, more than ever, it seems appropriate to consider strategies that recognise the realistic limitations of export-orientations for the poorest countries.

(Loxley, 1986, 128)

Over the past decade or so, it has become evident that the IMF has played an authoratitive and powerful role in determining the structure and outcome of developing countries economies, but this is not to suggest that its role is based on past successes as a developmental agency. In fact, it is the growing desperation of third-world countries in attempting to secure foreign aid and capital, in conjunction with their (financial and political) weakness, which makes them unable to avoid turning to the IMF for 'assistance'.

The result, however, has not been sustainable long-term development. A recent (1988-89) World Bank Study "Adjustment Lending: An Evaluation of Ten Years Experience" found no evidence that countries undergoing adjustment were performing better than others. An assessment of fifteen countries disclosed that the average GDP rates had *fallen* from 2.7 percent before adjustment programmes to 1.8 percent. It found worse investment rates, inflation rates and debt-service ratios (Harsh, 1989, 48-49). In the light of the above, a critical assessment of SAPs in Zambia during the 80s will be attempted.

The IMF understood Zambia's balance of payment deficit as primarily a result of high domestic demand. Hence, the objective of stabilising the economy was to be achieved by 'adjusting domestic demand to the reduced level of external resources' (Makgetla, 1986, 399). The stabilisation measures included wage and salary controls, curbs on government spending through the withdrawal of subsidies (as discussed earlier), currency devaluation, foreign currency auction and deregulation of the economy. These measures, however proved inadequate for the overall stabilisation of the Zambian economy as well as for long-term sustainable development.

The IMF ordered a reduction in real wages because it believed that high wages contributed to the economic malaise by reducing profits. Wage restraint was recommended to ensure 'Zambia's international competitive position' and to encourage more labour-intensive production. It was argued that this policy would 'enhance the profitability of enterprises to attract corporate savings for reinvestment (Makgetla, 1986, 399). Makgetla (1986, 407) criticises this view arguing that it completely ignores the impact of low wages on productivity and living standards. The low wages acted as a disincentive to work resulting in widespread hunger. In 1985, the poverty datum line - that is, the subsistence minimum level household income - was about k300 a month for a family of five, twice the average wage.

The IMF's devaluation policy has been seen as 'the most controversial issue in African adjustment programmes' (Loxley, 1990, 11). The IMF viewed the overvalued kwacha as contributing to the balance of payments crisis in that it made exports more expensive and consequently less attractive. This fostered foreign purchases and discouraged local production (Makgetla, 1986, 398). Initially the IMF proposed the devaluation of the kwacha by a certain percentage to address the problem, but this proved ineffective. In 1985, the IMF introduced the auction system, the chief objective was the effective real devaluation of the kwacha accompanied by the dismantling of the import licensing system. The auction system was funded externally by the World Bank, United Kingdom, West Germany and Sweden. The first auction in 1985 resulted in a 53 percent drop in kwacha from k2.23 = \$1 to k5.07 (Cheru, 1989, 33). By the time of the last auction in 1987 the kwacha had fallen to k21.07 = \$1 (Stein, 1992, 89).

The impact of the auction was mixed. Devaluation restored the profitability of copper and factory output increased from 44 percent of full capacity to 55 percent. Devaluation also made agriculture (particularly large estate owners growing cash crops for export) and industry more competitive on world markets (Hawkins, 1991, 847). At the same time, supplies of vital imports such as tractors to the agricultural sector was curtailed as prices of tractors rose to k200 000 making it unaffordable for most farmers (Stein, 1992, 89).

The auction system proved favourable to large manufacturing firms, especially foreign capital who had excess local currency (Cheru, 1989, 133). However, devaluation proved catastrophic to small businesses who were forced to close down due to the shortage of currency, further exacerbated by high interest rates, inflation and high import prices. This also resulted in widespread retrenchments (Clark and Allison, 1989, 27).

The foreign exchange market was dominated by foreign capital. According to Stein (1992, 89), 90 percent of the foreign exchange went to a hundred firms of which 90 percent were foreign-owned. Cheru (1989, 133) argues that 'a different kind of corruption' was facilitated with the auction system one which favoured foreign capital.

The IMF assumed that devaluation would discourage imports and encourage both producers and consumers to utilise local materials and consumer goods. It also presumed that the increase in imports would serve as a discouragement to firms that were capital-intensive and import dependent and lead them to utilise local labour, thereby creating employment. The real results were contradictory. Cheru (1989, 133) asserts that devaluation failed to curb imports because of the IMF's concurrent trade liberalisation policy. Instead, Zambia was flooded with imports, local industry was not stimulated because production became more expensive with the rises in imports of basic goods. According to Loxley (1990, 12), devaluation also led to inflation which was also a result of the depressed state of the world copper market and the continuing debt-crisis. Furthermore, debt-servicing (excluding arrears) which was estimated at 95 percent of export earnings in 1987 consumed 52 percent of the budget deficit (devaluation also increased the budget deficit).

Loxley (1990, 12-13), in his assessment of the devaluation policy concludes that it was too harsh and random on both the government and IMF's side.

The lesson to be learned from Zambia is not that there is no role for exchange rate policy, but that it must be used cautiously, recognising the structural impediments to the rapidly closing market, trade payment and budgetary imbalances. The Zambian case demonstrates that devaluation can be quite *destabilising* if the rate is determined by 'market forces' - under an auction system in a situation of acute shortages of foreign exchange,

and where demand is driven by speculation. The auction was highly donor dependent and grossly underfunded. Demand was highly speculative being driven in part by uncertainty, itself fuelled by incompetent and ill-advised state intervention in an attempt to prevent rate increases, by the fiscal deficit and by capital flight. In these circumstances auction became very volatile.... The experience suggests strongly that a more managed and more cautious approach to foreign exchange liberalisation might have provided greater stability and longer lasting arrangement.

Generally, the IMF views the state's involvement in the economy as overextended, unproductive and inefficient. Parastatals are characterised by mismanagement, ineptness, corruption and nepotism (Harsh, nd, 12). As a solution, the IMF advocates the withdrawal of the state from economic activity via disinvestment and privatisation, the aim of which is to increase competition and improve domestic production (Biersteker, 1990, 485). With the collapse of communism, which signalled the failure of centrally planned economies, privatisation has been advocated more rigorously in the 90s and the IMF and World Bank possess enough power and authority to implement this viewpoint in the LDCs in which they operate.

Furthermore, there is a widespread assumption that an entrepreneurial class would assume the role of the public sector whereas the reality is that the large-scale indigenous business sector is limited. Those that do exist are generally short of capital, lack managerial skills and tend to favour trading rather than production activities. Similarly, Stein and Nafziger (1991, 182) also warn against this ghostly "embryonic capitalist class" which the IMF relies on.

... Moreover, the effectiveness of creating market incentives and deregulating state-controls presupposes the emergence of a class that is able and willing to relate to accumulation activities. While significant groups of indigenous entrepreneurs have emerged in Kenya,

Nigeria and Cote d' Ivoire, the private sector in Tanzania, Ghana and Zambia, for example, is much more limited.

Privatisation, however is not necessarily a panacea for Zambia. Generally, the push to privatisation is motivated more by ideological zeal than by sober economic evaluation (Harsh, nd, 12). There are other considerations to be taken into account. To begin with, the Fund's apolitical and ahistorical approach prevents it from understanding the context and importance of state-led economic development in countries emerging from colonial development. State intervention was widely perceived as a pragmatic response to the colonial legacy, underdevelopment and a scarcity of resources. In their emphatic call for the withdrawal of the state from the economy, the IMF failed to consider the crucial developmental role the state has played, even in western economies (Sandbrook, 1991b, 96).

There are moreover, fundamental problems developing nations encounter in attempts at "wholesale privatisation". Stein and Nafziger (1991,182) argue that the IMF ignores that such a transition is extremely difficult both politically and technically. There is the ever-present danger that privatised business can fall into the hands of foreign big business. There is also the fear that the greater importance of services that some enterprises offer will be sidestepped in order to be more profitable. Also, the size and strategic importance of certain enterprises should not be left to businesses that view profit as the first priority. Finally, there is the negative impact privatisation has on the employment rates (ECA, 1991, 14-15).

Biersteker (1991, 489) warns against the "politically neutral" approach of the IMF and exposes several weaknesses inherent in the IMF's privatisation reform. He argues that reforms are 'designed to reorientate state intervention away from a particular

development strategy' and that even if reduction of the state in the economy is accompanied, it does not imply that developing countries would achieve sustained, non-inflationary growth and development.

While state intervention has contributed to stabilisation and adjustment problems, it is not solely responsible for the economic crisis. As noted, structural constraints also need to be addressed.

Inefficient and unwise state intervention in the economy have certainly contributed to stabilisation and adjustment problems, but they are not the only sources of economic difficulty. Structural features of the world economy such as producer price declines and import springs have combined with cyclical changes such as interest rate increases and protectionism by industrial countries - to produce conditions that have been and remain central to the problem of development... Until the Bank and the Fund begin to analyse the ways in which external conditions interact with specific economic reform measures, the severity of debt crisis and the "consensus" it has generated could be used to redirect state intervention in the economy without regard for its developmental consequences.

(Biersteker, 1991, 489)

Finally, the IMF policy recommendations, when analysed in their entirety, are problematic and contain "contradictions, inconsistency, policy inadequacy, policy paradoxes and policy overkill" (Biersteker, 1991, 489).

IMF's policies for Zambia failed to stabilise the economy, ease the balance of payment constraints or reduce debt. In fact, Zambia's debt mushroomed from 40 percent of the GDP in 1975 to an astounding 400 percent of the GDP by 1986. By this time, Zambia's annual debt-service payment increased to \$900 million, constituting 95 percent of the value of exports (UN Focus, nd, 6)

It is important to understand that the IMF cannot be solely or even directly blamed for the Zambian debt, in particular, nor the economic predicament in general. There is, however, evidence that IMF policies exacerbated the crisis or at least failed to reverse it. Makgetla (1986, 415) is critical of the IMF's assumption that the balance of payment problem stems from the overvalued kwacha and argues that it is the actual debt-servicing that is responsible for the balance of payment problem. Debt service is extremely burdensome to the Zambian economy and this has been partially a result of loans that the IMF and the World Bank made to Zambia.

Cheru (1989, 158) maintains that the IMF's primary concern since 1982 has been to improve the Zambian government's economic capacity in order to service its debt consistently. The IMF has been labelled the "International Ministry of Finance" accused of being "debt collector" for western governments and banks. The IMF has been successful in this role since there was an annual negative transfer of \$700 million from SSA to the IMF between 1985-89 (Feinberg, 1991, 34). Korner et al (1992, 70-71) claim that the IMF places far more emphasis on the creditors interest for rapid debt payments. They maintain that

... The Funds expertise enables the creditors to act in their collective self-interest - to extract from debtors the precise sum in debt - servicing which the country can afford without destroying the country's debt capacity.

Also, when the IMF advised Zambia in the 70s, when it first entered Zambia, it encouraged Zambia to continue exporting copper (ensuring that this does not interrupt the mechanisms of international capitalism). It reassured Zambia that the decline in copper was temporary when, in fact, the price of copper, like other primary products such as coffee and cotton, had dropped by twenty-five percent over a thirty year period. None of these products regained its initial price on the world markets (The Weekly Mail, 19-25 Feb

1993). After years of advocating copper exports which entrenched Zambia's mono-export dependency as well its dependency on foreign aid, the IMF has acknowledged its miscalculations. According to Clark and Allison (1989, 58), in 1987 the Director of the IMF's African Department admitted that the IMF had made serious miscalculations in drafting the Zambian SAPs - in particular in its anticipation of higher copper prices. This admission, however is given without any debt concessions or modification in its economic programmes and somewhat surprisingly, the IMF continues to encourage copper exports.

SAPs and Local Politics

The impact and failure of the IMF's SAPs on the political economy of Zambia cannot be understood in isolation from the political context within which they were implemented. Several inter-related factors should be taken into account: i) the nature of Zambia's political structure and the role "political will" played in resisting the IMF's reforms; ii) the emphasis that the IMF's reforms placed "on getting Zambia's economic indicators right" without acknowledging the historical and political context of its implementation; iii) the role of "interest groups" in opposing SAPs which ultimately led to the replacement of the Kaunda regime with multiparty democracy; iv) opposition to the IMF was not monolithic as a "coincidence of interests" existed between the IMF and certain elite sectors of the Zambian society.

In the earlier chapter on methodology, the relationship between politics, economics and development in the Third World was explored. The focus on Zambia revealed how political considerations largely determined the structure, process and outcome of its economy. The Zambian political development created a form of patron-client rule wherein Kaunda secured almost exclusive power largely through dispensing political and economic favours (such as job allocation in the bureaucracies, subsidies etc) to a network of supporters, particularly the Bemba ethnic

group. This patronage system emerged from a combination of interrelated historical and structural features rooted in the colonial past. The largely artificial and externally imposed construction of the nation-state which included diverse ethnic groups with little cohesiveness arose in the context of external dependency, underdevelopment and scarce resources, and contributed to the creation of a particular type of political-economic regime.

The IMF's liberalisation policies posed a direct threat to the status quo by demanding a withdrawal of the state from the economy. To a great extent, the 'legitimacy' of the Zambian state was dependent on the government's control over the economy in order to reward strategic sectors of the population. Deregulation and privatisation implied relinquishing established sources of power and threatened the entrenched interests of the status quo. Zambia's turbulent relationship with the IMF can be seen, therefore, as a struggle by the government to maintain control over its source of power.

Herbst (1990, 957) explains that SAPs meant more than simple economic change. It implied political reconstruction since it involved changing the manner in which government related to its established constituency. In his words,

Structural Adjustment Programmes involves not only switching of constituencies by African governments (a feat that most governments find exceptionally difficult) but an entirely new mechanism through which leaders relate to their clients. Under the political systems established after independence, governments were able to provide a variety of resources - jobs, low prices for basic foods- preferential access to government projects- to favoured constituencies. The whole point of structural adjustment is to eliminate, or significantly curtail governments' ability to offer these kinds of advantages to their constituencies.

(Herbst, 1990, 952)

Similarly, Nelson (1984, 994) links political factors to the viability and sustainability of SAPs in that the extent to which leaders depend on patron-client networks bears directly on their ability to implement stabilisation programmes. Clearly, during the early years of Zambian independence, Kaunda was an immensely popular leader. By the mid-70s early 80s, however, Kaunda's support base was steadily eroded with the result that he became increasingly dependent on an ever narrowing circle of supporters in the highest levels of the party, army and civil-service. According to Nelson (1984, 992), the 1978-80 stabilisation programmes were tolerated because it was seen as a "war time" sacrifice because it coincided with the national liberation struggle in Rhodesia. However, Kaunda's continuation of SAPs, after independence had come to Zimbabwe, began to undermine his support base.

SAPs, like most development strategies, is executed by the state and therefore it may also be undermined by that state, if it is perceived to be a threat to the sources of state power. Nelson (1984, 991) notes that in Zambia the cabinet and party executives who represented particular geographic and ethnic interests were quick to resist macro-economic policies which weakened their constituencies.

Ravenhill (1989, 716) makes similar observations regarding the role of local politics in executing stabilisation policies. Specifically, he emphasises that the commitment of governments to implement SAPs depends primarily on the manner by which the government relates to its constituency. In his comparative study of Ghana and Zambia, Ravenhill states that the Ghanain President, Jerry Rawlings, who came to power via a military coup, remained more committed and consistent in implementing SAP reforms than Zambia since he was able to overcome the vested interests intent on protecting and promoting particular interests. Also, the Ghanain President inherited fewer policy makers and clients who had

benefitted from the previous regime. Therefore, he was able to enjoy a certain "honeymoon period" where these reforms were implemented without much resistance.

In contrast, the SAPs in Zambia were implemented within an entrenched patronage system which made the reform process more difficult as the Zambian government was unwilling or unable to sever past established political and economic power relations. In fact, Hawkins (1991, 847) attributes the failure of IMF reforms to the unwillingness of the government and its constituency to relinquish the benefits that the old patron-client system provided and which the SAPs threatened to undermine.

... Zambia's IMF program failed not so much because technocrats lacked the will or the capacity to carry out reform but because the reforms attacked the economic heart of the developmentalist political economic model without creating a basis of political support for a new regime. The reforms, including measures to increase business efficiency, to restructure financial markets, to liberalise agricultural trade, and to decontrol prices, created some improvement in economic performance, and might have continued to do so in the longer term. But these reforms hurt the most powerful and organised constituents of the old model, and it was the resistance of these constituents that stopped the reform effort. The urban working classes as well as the parastatal managers and government bureaucrats had been well paid, cheaply provisioned, and ensured of employment by the old model; they saw this model threatened and they reacted.

The foregoing discussion explicitly notes the crucial role Zambia's political structure played in determining the outcome of the IMF's SAPs. In fact, to reiterate Hawkin's (1991, 848) point SAPs failed in Zambia because of the direct challenge it posed to clientilism.

...The IMF for its part, must be willing to include politics in the reform equation. The IMF has had a great part in directing economic development in Third World countries. It must take responsibility for the political as well as the economic success of the reforms it imposes... without some effort to promote new

constituents for reform and to reduce the hardships of constituents of outmoded political economic systems, the IMF can expect continued failures, such as Zambia.

Besides government and state-led opposition to SAPs, there was "lower level" opposition which manifested itself via social movements and other interest groups. According to Beckman (1990, 11), the wage-earners made up the most coherent and potentially disruptive social group opposing SAPs. Wage-earners are the most acutely affected by SAPs as they experience cuts in public sector employment, declines in domestic industrial production, the removal of price and rent controls and subsidies as well as a rise in the costs of imports. Hence, it is not surprising that the riots that erupted in Zambia in 1986 and 1989 were led by workers.

Lawyers, doctors and others from professional classes and who were previously aligned to the government coalesced to form an interest group opposed to the state as it attempted to implement SAPs. Within the context of the declining socio-economic conditions, they witnessed the rapid disintegration and deterioration of hospitals and schools and other institutions serving society. This group, not entirely self-seeking, can be seen as "guardians" of public institutions and national development (Beckman, 1991, 19). Altogether these interest groups ultimately proved powerful in Zambia as they united under the MMD, ousted Kaunda's regime and paved the way for multi-party democracy.

It is erroneous to assume that state opposition towards IMF's SAPs is total. As noted earlier, there are "coincidence of interests" between certain groups within the developing countries and the multilateral organisation. Ravenhill (1989, 707) explains more fully:

African governments have not been united in hostility towards International Financial Institution's (IFI) programs. There are individuals and ministries in most

governments that have considerable sympathy with the IFIs' approach. And, once a government has decided that a reform programme is essential it may welcome the IFIs. Bank and Fund involvement provides the government with a scapegoat that it blame for the policies that it would in any case wish to pursue. Structural adjustment programs have also generally been supported - at least initially - by well-to-do farmers and some private businesses.

Perhaps inadvertently, western support via loans and aid ultimately resulted in supporting elites who had precipitated the crisis in the first place. In this way, IMF and western donors actually perpetuated the very structures responsible for the crisis. In Cheru's (1989, 134-135) words

While much of the blame for Zambia's economic mess should go to the IMF and the World Bank, western bilateral aid institutions have also played a crucial role in the "bantustanisation" of Zambia. Under the pretext of development assistance, these institutions and their governments have long supported misguided development projects which, in the final analysis, benefitted local elites, western contractors, consulting firms and research universities more than the upgrading of Zambia's capacity to plan and implement alternative policies based on local knowledge and resources...

CHAPTER SIXCONCLUSION

By employing the methodology expounded by Faletto and Cardoso, this study attempted to analyse the historical, political and economic developments of Zambia in a concrete and dynamic manner. The study intended to convey the central role politics has played in economic outcomes as well as the challenge that political structures provided to the implementation of SAPs. Post-independence Zambia has been essentially a one-party, patron-client state operating within a broader state-capitalist setting characterised by corruption and mismanagement. Within the state apparatus and by way of the parastatal sector, a "managerial bourgeoisie" emerged who developed a "coincidence of interests" with international capitalism. This created deep contradictions within the government and its *national* development programmes, providing the root base of the internal dynamics of Zambia's prolonged crisis.

Zambia's structural constraints also proved detrimental. Besides the colonial debt, the inheritance of a distorted mono-export dependent economy also proved a considerable handicap to the development effort. Zambia has experienced dramatic socio-economic decline due in large part to external market factors over which it has had little control. Initially, the IMF became involved in the Zambian economy by fulfilling its traditional role of rectifying balance of payment deficits. The 1980s, however, saw an expansion of this role to include providing development advice and management of the debt crisis. Developing countries were vulnerable and simply had to accept the IMF's formulations in order to maintain access to foreign capital. Initially Zambia applied SAPs erratically but by the mid-80s, it had begun to adhere to the programmes more strictly. However, real economic recovery proved elusive and, instead, the socio-economic situation deteriorated further.

Due to the lack of incontrovertible empirical evidence, and on the basis of the causality problem as noted, it is impossible to blame SAPs *per se* for the Zambian crisis. It is clear that internal contradictions and failings contributed profoundly to the crisis in conjunction with external dynamics. Nonetheless, it can safely be asserted that SAPs deepened the Zambian malaise socially, politically and economically.

The reduction of government spending required a withdrawal of subsidies which severely affected the poor, the working class and children. Withdrawal of health and education subsidies and the introduction of user-fees further undermined essential infrastructural and long-term development by promoting a largely unhealthy and uneducated future generation.

The IMF's approach was ill-prepared to deal with the political responses which developed into a direct threat to the success of SAPs. An "alliance of interests" that existed between the IMF and Zambian elite assisted in entrenching the status quo as well as Zambia's basic position in the IPE. When SAPs threatened these entrenched local interests, however, the reforms were blocked by these Zambian elites.

In the economic realm, SAPs might have led to temporary balance of payment relief but it also increased debt, debt-servicing ratios and the budget deficit. Export-led growth encouraged mono-export dependency as well as prolonging dependency on financial aid, imported goods, capital goods and food imports. Altogether these undermined long-term sustainable growth which might have been promoted by focusing effort on human resource development, democracy via grassroot organisations, local industrialisation and attaining food self-sufficiency.

Finally, despite the IMF's admission that its programmes have been based on questionable assumptions, mismanaged and proven to be ineffective, it has persisted in advocating its widely discredited policies with little, if any, changes in its content.

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