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# Evaluating Long Term Political Consequences of Economic Restructuring Programs

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# **Evaluating Long Term Political Consequences of Economic Restructuring Programs**

James McGee

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## **Introduction**

Among scholars and policy analysts, debate and controversy surround the discussion involving World Bank and International Monetary Fund structural adjustment programs. A consensus has yet to be reached regarding whether or not these programs lead to successful economic growth and development. Research on the short term political upheavals and increases in inequality are numerous, however there are few examinations of the long term political ramifications of these programs. The focus of research involving structural adjustment programs is generally growth and development, in the discussion, politics is absent. Although structural adjustment programs seek to foster economic growth, their influence on political structures is also significant.

Focus on economic growth and development has generally eclipsed political development when evaluating IMF and World Bank structural adjustment policies (Dreher, 2006; Allen, 2004). Very little work has been undertaken on the examination of political structures and stability in countries that have adopted structural adjustment programs as a part of their World Bank and IMF loans. This has left a fundamental question unanswered: what is the relationship between World Bank and IMF economic restructuring programs and political development?

This is an important topic which should be given consideration. In 1944, the United Nations Monetary and Financial Conference established the World Bank and International Monetary Fund. The World Bank primarily seeks to provide loans and technical assistance to reduce poverty in developing countries around the world. The IMF offers short term loans to developing countries to help stabilize their economies and avoid economic collapse (Kegley and Wittkopf, 2006). Developing countries turn to the

World Bank or IMF for assistance when their economies are on the verge of bankruptcy. The World Bank and IMF are considered lenders of last resort that developing countries only turn to when they have no where else to go.

Economic restructuring programs are a requirement of any World Bank or IMF loan. These economic reforms include currency devaluation, inflation control, increased taxation, market liberalization, decreased expenditure, and a decrease in the size of government (Brawley and Baerg, 2007). Structural adjustment programs drastically affect populations within countries as social welfare programs are often cut, government workers laid off, and the domestic economy struggles to compete in the global marketplace.

In 2007, the World Bank provided 24.6 billion dollars for 279 projects in developing countries throughout the world (World Bank, 2008). With the World Bank and IMF so involved in the developing world, understanding the long term political ramifications of their restructuring programs is crucial. In order to ensure the long term success of these programs, it is important to better understand all of their long term ramifications, including political.

One of the most significant effects of structural adjustment programs is they way they impact political development within countries. In 1989, the World Bank issued a report that became the basis for implementing conditionalities to establish liberal democratic governments. The report argued that many of the world's development problems could be attributed to a crisis of governance (Ahluwalia and Zegeye, 2001). Since this time, the issue of good governance has remained at the forefront of the World Bank and IMF's development agenda. As a result, countries with World Bank and IMF

development programs have undergone rapid and radical changes in their political structures. The pressures of liberal economic reforms and the importance placed on good governance have caused many of these countries to quickly implement liberal democratic reforms and institutions including: open political debate, political competition in the form of multiple parties, independent media, and open elections.

Economic reforms create political changes as leaders attempt to remove barriers to further economic reforms. One of the most important aspects of economic restructuring programs is the creation of a favorable investment climate which includes legal protection of property rights, honest bureaucracy, and a business friendly legal system. There are many political restraints to creating such a climate. Although economic reforms may improve overall social welfare, there will be uncertainty regarding the winners and losers of reform. If groups fear they will be on the losing end of reform and have the power to interfere with their implementation, political leaders must consider ways to overcome these restraints. Political liberalization and reforms are an instrument to increase their political credibility and remove the constraints to economic reform (Olofsgård, 2003).

While many of these countries appear to be implementing democratic reforms, the reality of the situation is often less clear. As a result of economic restructuring, governments have changed their political systems and structure, it is not apparent that these changes have been good for the population. Tanzania is a good example of one such country. After beginning a World Bank and IMF supported structural adjustment program in 1986, Tanzania has undergone fundamental changes in its political structure. Tanzania abandoned the one-party socialist state that had existed since independence in

1961 in favor of a democratic system. Although the government switched from a non-democratic to a democratic system, cleavages have emerged as income inequality has risen and the nation has transformed from a system of cooperation to competition.

The objective of this paper is to analyze the relationship between economic reforms and political development within countries participating in World Bank and International Monetary Fund programs. Specifically, the paper attempts to answer the following questions:

1. How do economic reforms shape and change political institutions in a country?
2. How do mandated economic reforms create cleavages, political upheaval, and changes in the structure of government?
3. What are the impacts of economic reforms on the basic needs of the population?

The rest of the paper is structured as follows. A literature overview is given to examine theoretical issues of structural adjustment related to economic growth and political development. Theories of the distribution of political authority are then presented to analyze how economic constraints changed the way political authority is distributed in countries implementing structural adjustment programs. Finally, the case of Tanzania is analyzed to demonstrate the influence of economic restructuring on long term political development. The history of the Tanzanian political and economic systems provide a foundation for the analysis of the economic and political changes that began in 1986 as a part of their World Bank and IMF supported structural adjustment program. The consequences of these reforms are analyzed to illustrate how mandated economic

reforms influence political development including: political structure, political upheaval, cleavages, and the distribution of authority and decision making.

### **Overview of the Literature**

The effectiveness of World Bank and IMF structural adjustment programs have been discussed and analyzed in great detail, however, results have not been conclusive. According to a study conducted by World Bank researchers, one third of adjustment programs administered and supported by the World Bank fail (Dollar and Svensson, 1998). The World Bank and International Monetary fund conduct periodic studies to review the effectiveness of structural adjustment programs. The conclusions of these studies have determined that they have been successful in raising GDP growth rates, domestic savings, and export ratios. Although they admit these gains are more modest for low income countries than for wealthier ones (Nord, et al, 1993).

Evidence suggests that structural adjustment programs that have been administered in many Latin American countries have been unsuccessful. Instead of fostering growth, they have tended to produce a pattern; with periods of comparatively slow growth followed by recession. According to economists Huerta and Valenzuela, structural adjustment programs obstruct sustained growth because they impose a logic which favors speculation instead of production (Laurell, 2000).

In addition to their questionable ability to produce sustainable economic growth, structural adjustment programs often have a negative effect on the distribution of wealth, and on employment and wages. As a result, poverty has increased, and social welfare has eroded. A study conducted by Asa Laurell on countries in Latin American provides empirical evidence which suggests countries that have instituted these adjustments have

actually seen an increase in income inequality (Laurell, 2000). This increase in income inequality has begun to destroy the social fabric of these countries, causing a sharp rise in political, criminal, and police violence. Economic inequality increased steadily in countries that adopted neoliberal policies as a result of their structural adjustment programs. These countries saw their Gini coefficient increase significantly during this time. On the other hand, countries that have not adopted neoliberal economic policies such as Columbia and Uruguay have seen their economic inequality decrease and as a result their Gini coefficient has also gone down (Laurell, 2000).

World Bank researchers David Dollar and Jakob Svensson conducted a study to determine what factors contribute to the success or failure of structural adjustment programs. They determined that by considering a few political economy variables, the outcome of an adjustment loan could be determined 75 percent of the time. They concluded that variables under the World Bank's control had no relationship to the success or failure of the program. Adding more conditions or resources to loans does not increase the likelihood of success or reform (Dollar and Svensson, 1998).

A study conducted by Mark Brawley and Nicole Baerg suggests that structural adjustment programs are often difficult to administer and unsustainable in the long run because of political opposition. The programs traditionally fail to consider the risks and uncertainties that are intrinsic to the adjustment process. Structural adjustment programs have often asked governments to employ policies that increase the risk of opposition, making it impossible to sustain the program over time. Without taking these risks into account, governments were not able to utilize the policy tools necessary to make



adjustment programs more palatable and acceptable to the general public and more effective economically (Brawley and Baerg, 2007).

The results of structural adjustment programs were analyzed in countries categorized using population density to determine their access to labor and land. It was determined that countries with a high population density had a better chance of their structural adjustment programs working. The programs were more popular in these countries as the economy focused on labor intensive enterprises. In countries with a lot of land in relation to its population, the programs were bound to be unpopular (Brawley and Baerg, 2007).

Despite years of mandated economic restructuring by IMF and World Bank programs and the vast amount of research that has been done, a consensus has not yet been reached on the economic benefits of the programs. When it comes to promoting sustainable economic growth, what works is still not clear. The limited research that exists regarding the relationship between structural adjustment and political development has also been inconclusive.

In their study on the effectiveness of structural adjustment programs, Brawley and Baerg concluded that a greater level of democracy was a hindrance to the implementation of structural adjustment programs. Democracy and structural adjustment programs were found to be negatively correlated in countries with both high and low population densities. Democratic countries were less likely than more authoritarian regimes to improve their balance of payments with IMF assistance (Brawley and Baerg, 2007).

While a study conducted by Marc Lindenberg and Shantayanan Devarajan suggests that democratic regimes perform better economically, they argue that countries

attempting to simultaneously implement economic structural adjustment programs and political reforms found it very difficult to manage (Lindenberg and Devarajan, 1993). They found that countries attempting these simultaneous reforms developed more slowly than countries with no regime transitions or no structural adjustment program participation. These countries saw their budget deficits rise and inflation levels rise and experienced lower levels of investment and export growth (Lindenberg and Devarajan, 1993).

Research conducted by Henry Bienen and Jeffrey Herbst suggests that political liberalization has done little to improve the situation of the population within countries with structural adjustment programs (Bienen and Herbst, 1996). While many argue that democracy and economic liberalization are interdependent processes, Bienen and Herbst argue that the circumstances in many developing countries, specifically in Africa, give little support to this argument. Even with the implementation of democratic political institutions, many countries have still experienced political instability that has hindered economic development. For example, in Burundi, President Melchior Ndadaye and several senior officials were killed in an attempted coup, in Congo, sustained violence occurred when the opposition refused to accept the election of President Pascal Lissouba and his party, and in Zambia, President Frederick Chiluba declared a state of emergency after the threat of a coup by remnants of the old regime (Bienen and Herbst, 1996).

Bienen and Herbst's research also demonstrated that democratic elections have often resulted in the election of former leaders or officials from regimes that originally assumed power through undemocratic means. Five of the twelve new leaders who succeeded authoritarian regimes in 1989 were prominent figures in previous

governments. For example, Lissouba in Congo had served as Prime Minister in the 1960's and Bakili Muluzi in Malawi was the protégé of former authoritarian leader, Banda. Evidence suggests that political liberalization is less successful in promoting leadership transition in Africa than is seen elsewhere in the world. As a result of the instability that political liberalization can cause, there is reason to doubt that political reforms will speed up economic growth in the developing world (Bienen and Herbst, 1996).

While many scholars have demonstrated the difficulties that face countries undergoing simultaneous economic and political reforms, David Gordon argues that the economic gains which follow structural adjustment programs can only be fully realized with the expansion of democratic political reforms (Gordon, 1996). He argues that while structural adjustment programs have resulted in some economic successes, they have played a significant role in facilitating political liberalization. Economic reforms will have a larger impact on growth if policies which sustain economic and political reform efforts are linked. The gains to be reaped from economic reforms will only be fully realized in conjunction with improvements in governance and expansion of democratic representation (Gordon, 1996).

### **Theories of the Distribution of Political Authority**

#### **1. How do economic reforms shape and change political institutions in a country?**

While the implications are still unclear, there is an explicit link between World Bank and International Monetary Fund economic restructuring programs and liberal political reforms. The World Bank and IMF's commitment to good governance and the results and pressure of liberal economic policies have affected the political structure of

these countries. In Africa alone, over thirty countries are attempting to simultaneously liberalize their political systems and implement mandated structural adjustment programs (Bienen and Herbst, 1996).

The World Bank and IMF usually mandate five components of their structural adjustment programs. These mandates include tariff liberalization, liberalization of domestic goods markets, liberalization of domestic factor markets, increases in domestic taxes, and reduction of government expenditures (Brawley and Baerg, 2007). These mandates were designed to increase trade competitiveness and reduce external debt. However, when domestic actors are uncertain about the impact of these adjustments, then market liberalization may not encourage the micro-level changes that adjustment requires.

Faced with increased scarcity and politically unpopular reforms, reducing government expenditures heightens the risk of adjustment. This has implications for political leaders trying to maintain control and stability over populations. With a decreased ability to control markets and a forced reduction in expenditures, governments are severely restricted in their policy options to control increasingly hostile populations. In countries that are experiencing economic restructuring and political liberalization, those in power face a new political structure and must employ different means to maintain it. A new structure of political institutions and mandated economic reforms change the way political decisions are made, who the stakeholders are, and the cost and benefits of politics.

The selectorate theory suggests that leaders of a large coalition government improve their chances of political survival by implementing effective public policies.

Leaders who head small coalition governments enhance their chances of survival by distributing private goods rather than effective public policy. Bad policy is good politics for small coalition leaders and autocrats, and good policy is bad politics for small coalition leaders. With the ultimate goal of remaining in office, leaders decide how much public policy benefits to fund and how many private goods to provide based on available resources and political structures (Bueno de Mesquita, Morrow, Siverson and Smith, 2001).

To demonstrate the selectorate theory, and the influence of constraints and policy choices on political authority, we must consider the example of King Leopold II of Belgium. Leopold was the king of Belgium from 1865 to 1909 and the ruler of Congo from 1885 to 1909. When Leopold assumed power, Belgium was a constitutional monarchy with a large selectorate. Leopold expanded the size of the selectorate and winning coalition by supporting universal male suffrage and free elections. During his leadership of Belgium, Leopold supported public works programs, improvements in education and worked hard to deliver public goods. He pursued these programs because he relied on a large winning coalition to maintain power. In Congo, where he relied on a small winning coalition to maintain power, Leopold provided private goods for his supporters, and exploited the rest of the population for his own personal gain (Bueno de Mesquita et al, 2001).

In each instance, Leopold acted in accordance with the political system he inherited. In Belgium, where he relied on a large selectorate and winning coalition, he provided public goods to maintain support. In the Congo, where he did not operate under

such constraints, he chose to provide private goods to a small coalition and exploit the rest of the population for himself (Bueno de Mesquita et al, 2001).

Under many political systems, good policy is bad politics, and bad public policy helps leaders retain their position in office. Maintaining a winning coalition is essential for a political leader, the best way to do so will depend on the size of the electorate and the winning coalition. When the winning coalition is small, leaders are more inclined to provide private benefits rather than public goods. Leaders must be more concerned with the provision of public goods when the winning coalition is large, because providing such goods is compatible with their desire to stay in office. Large coalitions induce leaders to emphasize public goods and welfare, while small coalitions encourage leaders to focus on private goods. (Bueno de Mesquita et al, 2001).

In conditions of scarcity and competition, this model offers incentive for leaders to distribute the limited resources and benefits to a segment of the population just large enough to maintain a majority during their re-election. As a result, there is a real risk of minorities and certain segments of the population not having access to social welfare programs and the limited benefits provided by structural adjustment. These economic restraints and the new environment of competition fundamentally change the way distributional politics work and creates the risk of cleavages and tension among groups that have been left out. (Bueno de Mesquita et al, 2001).

## **2. How do mandated economic reforms create cleavages, political upheaval and changes in the structure of government?**

The population is drastically affected as they are forced to contend with new political institutions and structures while governments undergo rapid economic and political reforms. Changes in political institutions necessitate a change in the way the

population will participate and be represented in the new government. Moving from a non-democratic to a democratic structure of government will influence levels and methods of how groups organize and express collective interests.

Limited resources and opportunities are available in countries implementing structural adjustment programs. The way distributional models work have changed under these conditions of scarcity. Political coalitions are formed as populations attempt to access limited resources. Identity can become politicized when other issue or ideological organizations or parties are not already established. Often these coalitions can form along ethnic, religious, regional or historical divides.

Ethnicity is an example of the politicization of identity. Ethnicity becomes politicized when political coalitions are organized along ethnic lines, or when access to political or economic benefits depends on ethnicity. Ethnically based parties are common in Sub-Saharan Africa and access to political and economic benefits are frequently structured along these ethnic lines. Violent attacks along ethnic lines can often cause rapid ethnic polarization in societies where ethnicity had not been politicized. Ethnic and non-ethnic civil wars occur more often in countries that are poor, large, recently independent, or oil rich (Fearon, 2004).

“Modernists” argue that political coalitions form to advance the economic interests of its members. Variation in politicization is accounted for in this argument by the fact that sometimes it makes economic sense for groups to organize a coalition along party lines. Economic modernization has increased social mobility and created political economies in which advancement depends increasingly on ones cultural capital. The increases in competition and scarcity that are often present in countries that have

implemented structural adjustment programs, lead to cleavages, often along ethnic or religious lines. The central idea is that barriers to upward mobility, such as discrimination against certain segments of the population, makes conditions more likely for coalitions to form as groups compete to obtain access to limited resources (Fearon, 2004).

Another line of research argues that ethnicity can provide an attractive basis for coalition formation in distributional conflicts over political goods. Ethnic coalitions form a minimum winning coalition, large enough to secure benefits and small enough to maximize the value of the benefits. Shared language and culture make it easier for political organizers to mobilize an ethnic group rather than across ethnic divides. An example of this is the distinction between the politicization of the Chewas and Tumbukas tribes in Malawi and Zambia. In Malawi, the distinction between the two groups is sharply politicized because they are large enough to be politically relevant in small Malawi. In Zambia, these groups are too small to form winning coalitions. Zambians tend to form coalitions based on broad language commonalities for national, multiparty elections, while in local, single part elections they identify along ethnic party lines (Fearon, 2004).

Ethnic and administrative boundaries tend to coincide, and modern goods tend to benefit people in a particular location. Because of this, the formation of coalitions based on identity is natural in conditions of competition and scarcity (Fearon, 2004). Many countries increasing political liberalization are transitioning from a non-democratic to a democratic system. In these countries, ideological and issue based organizations were rare as politics were dominated by a one party system. Access to resources were also



controlled by the government, eliminating the need for competition among individuals or groups. As these structures are removed during political liberalization, coalitions rapidly form on the basis of identity to compete for limited resources. Conditions of scarcity and the removal of governmental control and support structures during political liberalization cause coalitions to form and compete for resources.

### **3. What are the impacts of economic reforms on the basic needs of the population?**

The selectorate model and theory of distributive politics help to explain political development in countries that have implemented structural adjustment programs as a part of their World Bank and IMF loans. Populations can be negatively affected when regimes maintain their power by exploiting or ignoring certain segments of the population. Populations can also suffer when systems of competition replace cooperation and cleavages emerge as coalitions struggle for access to resources.

Based on these theories, we would expect countries undergoing economic restructuring to experience simultaneous democratic political reforms along with political upheaval and the formation of coalitions as leaders attempt to maintain their power and the population works to gain access to limited resources. Countries that have a history of ethnic conflict, authoritarian regimes, a history of political opposition, and small winning coalitions maintained through corruption will be particularly susceptible to these problems. Polarization and social division that are contributing factors include: ethnic diversity, economic inequality, and differences between rural and urban populations. History plays an important role as countries that have experienced conflict along these lines in the past will likely see hostilities re-emerge in the wake of structural adjustment programs. However, even in a country with a history of peace and stability, hostility,

particularly along ethnic lines, can emerge as a result of structural adjustment as populations attempt to adapt to and gain access to a rapidly changing political structure.

The relationship between structural adjustment programs and political development is applied to Tanzania because the country has undergone major changes to its political structure since its structural adjustment program began in 1986. Although Tanzania has historically enjoyed ethnic cohesion and stability, this has begun to unravel as government support structures were removed and groups were forced to compete for resources under conditions of scarcity.

### **Case Study: Tanzania**

#### **Background**

Tanzania first joined the World Bank Group in 1962, after securing a credit from the World Bank's International Development Association for education (World Bank, 2008). Since that time, the World Bank has issued over 5.8 billion US dollars in credits, and \$274 million in grants have been approved for development assistance in Tanzania. There are currently 22 active projects with commitments totaling \$1.7 billion. Tanzania is still one of the poorest nations in the world. In 2006, per capita income was just \$350 and life expectancy at birth is just 51 years (World Bank, 2008). However, there is reason to be hopeful about Tanzania's future. Infant mortality rates have begun to drop, and the percentage of the population with access to safe water has increased (World Bank, 2008). Despite a devastating drought in 2006, Tanzania's annual GDP growth has been around 6.3 percent since 2000 (World Bank, 2008).

Tanzania has a population of roughly 40 million people, with approximately 1 million of these people living on the island of Zanzibar. The population of Tanzania

consists of over 120 distinct ethnic groups. While each ethnic group has its own language, the national language of Kiswahili is spoken by a large portion of the population. In addition to this extreme ethnic diversity, Tanzania also has high levels of religious diversity as well. 40 percent of the population is Muslim, 40 percent in Christian, and 20 percent follow indigenous beliefs (US State Department, 2008).

Tanzania is one of the few African countries that has remained relatively stable since its independence in 1961. The country has been characterized by a long history of ethnic, racial, and religious cohesion despite its history of economic hardship and failure. However, as the government has attempted to implement World Bank and IMF structural adjustment programs, this social unity has begun to unravel (Kaiser, 1996).

When speaking of social unity in Tanzania, Zanzibar has always been treated as an exception. There is hostility present in the mostly Muslim island of Zanzibar toward the government of Tanzania. Politics in Zanzibar revolve around the manner in which the union was created. The fact that the terms of the union were never openly discussed, and the violent manner in which the Arab Sultan was overthrown, remain divisive issues. As part of this arrangement, the Afro-Shirazi Party (ASP) was permitted to operate in Zanzibar within the one-party system. However, a degree of hostility in Zanzibar has always been present towards main land Tanzania (Ahluwalia and Zegeye, 2001).

### **Tanzania's Planned Economy**

Immediately following independence, under the leadership of Julius Nyerere, the Tanganyika African National Union (TANU) came to power in Tanzania in 1961 (Campbell, 1999). The first president of Tanzania, Nyerere, led the country from 1961 until he retired in 1985 (Kaiser, 1996). TANU supported a program for African self rule

which centered on the moral qualities of the individual, the egalitarian nature of Tanganyikan African Society, and eventually socialism (Campbell, 1999).

For the first five years of its existence, between 1961 and 1966, Tanzania operated under a mostly free market economy and even adopted the World Bank's approach to agricultural development. This approach encouraged modern, large scale cash crop farming under the supervision of international experts. However, the government soon began exerting more control over the economy, specifically the agricultural sector. Between 1962 and 1963 the Agricultural Products Board Act was instituted which managed many crops through market purchase, price regulation, and the regulation of storage, transport, and processing (Wobst, 2001).

With the Arusha Declaration in 1967, the use of the free market approach was abandoned and Tanzania's era of economic socialism and a planned economy was formally established (Wobst, 2001). Nyerere and his Chama Cha Mapindusi (CCM), formerly TANU, party attempted to create a self-sufficient Tanzania that would not be reliant on outside assistance, foreign direct investment, or subject to interference from western powers. He envisioned an egalitarian society that would place emphasis on self-reliance, and avoid dependence on foreign loans. In order to achieve this goal Nyerere instituted a planned economy which would follow an import substitution model for growth (Ahluwalia and Zegeye, 2001).

The Arusha Declaration consisted of several fundamental economic principles including the public ownership of the means of production (many of which became nationalized parastatals), a preference for mutual ownership, a leadership code that would prevent government officials from participating in private economic activities, a policy of

self-reliance with limited or no dependency on foreign capital, an emphasis on agriculture and rural development, public availability of health care and education, and the creation of Ujamaa villages. The ujamaa villages were centralized villages that were created in an effort to localize the dispersed population to provide access to schools, health facilities and communal farms (Wobst, 2001).

### **Political Structure and the Creation of a Tanzanian National Identity**

The Arusha declaration not only established Tanzania's planned, socialist economic model, it also resulted in fundamental changes to the country's political structure. As a result of the declaration, a growing centralization of power in government and CCM institutions was put into place to ensure compliance with policy initiatives. These included the creation of the one party state, centralization of local government, control over unions, military and police, and the authority of the party over government (Campbell, 1999).

In order for Nyerere's vision to work, he sought to eliminate difference among the population and attempted to create a sense of national identity in Tanzania. Crucial to this strategy was the development of the agricultural sector in order to achieve agricultural self-reliance. Nyerere's vision of socialism was based on the principles of ujamaa. These principles emphasized the strong family unity that is traditionally found in African societies. By supporting these values, Nyerere sought to unite Tanzania, by placing emphasis on communal living in ujamaa villages. This strategy attempted to unite Tanzania's primarily rural population by encouraging them to move to co-operative production villages (Ahluwalia and Zegeye, 2001).

In 1973, this program was no longer voluntary and forced villagization began. By 1980, 91 percent of the rural population lived in ujamaa villages. Because of this, the government was forced to rely on the development of agriculture rather than industrialization that would require large amounts of foreign capital. However, the forced villagization of the diverse Tanzanian population helped contribute to the unusually high levels of social unity (Ahluwalia and Zegeye, 2001). Another major component of this effort was the use of Kiswahili in education and government (Campbell, 1999). A language program was adopted that emphasized the teaching and speaking of Kiswahili. The emphasis on a common language helped promote communication across ethnic and religious divides (Kaiser, 1996).

The 1967 Education for Self-Reliance policy instituted major changes in the educational system of Tanzania. The curriculum was amended to promote Tanzania's political philosophy and vocational training. Changes were also made to the organization of schools and there was an increased level of party control over access to higher education. This social control element of education reforms attempted to build understanding and acceptance of the universal features that form the foundation of Tanzanian citizenship and identity. Nyerere sought to turn mere peasants into his ideal of modern Tanzanians through the public education system (Campbell, 1999).

Further steps were also taken by the government that led to an unusually high level of unity in the ethnically diverse country of Tanzania. The education act of 1978 created a primary education system that required all students to attend school for seven years. This common right to education increased social unity by helping the nation overcome religious and ethnic differences (Kaiser, 1996). Other efforts at social control

and indoctrination were also attempted by the Ministry of National Culture and Youth which operated museums, sports, film censorship, theatre, and further promoted the Kiswahili language. The ministry also ran political education classes and paramilitary training to further spread socialist values and attitudes (Campbell, 1999).

Although President Nyerere's socialist policies were not an economic success, many of the policies that were implemented by his regime helped Tanzania achieve a level of social unity among its numerous groups that was unprecedented in the region. While most countries in sub-Saharan Africa have suffered through instability and ethnic conflict, Tanzania has been a model of stability and a haven for refugees from neighboring countries throughout much of its history (Ahluwalia and Zegeye, 2001).

### **Failure of Ujamaa**

In the early 1980's, during the final years of Nyerere's presidency, Tanzania suffered a severe economic crisis. Between 1980 and 1985, the real GDP experienced low or negative growth and inflation was rampant, averaging over 30 percent per year. As a result, balance of payments registered large deficits and the country faced a serious shortage of foreign exchange reserves (Nord, et al., 1993). This high rate of overvaluation was the result of controlled exchange rates and several successive years of inflation. The extremely overvalued exchange rate decreased Tanzania's competitiveness in agricultural exports and diminished export earnings. Tanzania's terms of trade also severely deteriorated during this time as a result of collapsing world market prices. Because of these factors, overall indebtedness exceeded critical levels as the trade deficit increased and foreign capital inflows decreased (Wobst, 2001). Despite all efforts under the Ujamaa policy, Tanzania's economy remained highly inefficient and began to

crumble. This growing inefficiency coupled with an increased dependence on foreign aid was made even worse by The Ugandan War in the late 1970s and declining agricultural production (Campbell, 1999).

In an effort to compensate for the collapsing economy, growth in the public sector occurred with the increase of civil service and party jobs. By the time President Nyerere stepped down in 1985, Tanzania's economy was in shambles. When his successor assumed power and immediately turned to the IMF and World Bank for assistance, it was clear that Nyerere's socialist, planned economy and his goal for a self-sufficient Tanzania had failed.

### **Structural Adjustment in Tanzania**

President Nyerere's successor, Ali Hassan Mwinyi assumed power in 1985. Almost immediately, he embraced liberal economic policies in an attempt to repair Tanzania's economy. In collaboration with the World Bank and the IMF, Tanzania adopted the Economic Recovery Program (ERP) in 1986 (Kaiser, 1996). This program aimed at macroeconomic stabilization and structural reform of the economy (Nord, et al., 1993). The government also sought to reduce state controls and promote private sector activities (Wobst, 2001). Efforts were taken to depreciate the value of the Tanzanian shilling, domestic trade of food products was liberalized, consumer price subsidies for corn were eliminated, the government budget deficit was frozen, and cooperation unions for crop marketing were reintroduced (Wobst, 2001). However, during Mwinyi's second term, his government demonstrated a much lower commitment to economic structural reform. Because of this, overall economic performance suffered and the achievements of



the Economic Recovery Program of the late 80's and early 90's were jeopardized (Wobst, 2001).

In 1995, Benjamin Mkapa was elected Tanzania's third president in the nation's first democratic elections. He immediately recommitted to structural reform and again turned to the IMF for assistance. The new ERP for 1996/97-1998/99 included structural reforms such as: privatizing and divesting parastatals, restructuring the financial sector, developing infrastructure, and providing more support for education and health care (Wobst, 2001).

### **Consequences of Tanzania's Economic Restructuring Programs**

Levels of democracy and political freedom in Tanzania appear to be on the rise over the last decade and democratic institutions and reforms are being instituted (Marshall and Jagers, 2006). However, while democracy is increasing, the material reality is decreasing and levels of conflict are rising.

#### **1. How do economic reforms shape and change political development in a country?**

Based on the theories that have been explored on the distribution of political authority and those that explain how economic reforms lead to political changes, we would expect to see several factors emerge as Tanzania implements its structural adjustment program. We would expect to see the following conditions arise as economic reforms are introduced in Tanzania, including: the implementation of democratic reforms such as an independent press, the allowance of political competition in the form of multiple parties, and democratic elections. These situations arise because the government must attempt to gain support for unpopular economic reforms by legitimizing their regime and increasing political credibility. In Tanzania, these conditions have emerged

as their structural adjustment program was administered and became increasingly unpopular as a result of a rise in income inequality and increases in rural poverty rates. The implementation of an independent press began in 1988, multipartyism was introduced in 1992, and the first free, democratic elections were held in 1995.

During the implementation of Tanzania's structural adjustment program, major changes were also made to the political structure. The dream of a cooperative, planned economy and unified national identity pursued under Nyerere's regime had to be abandoned. Although the previous regime was a single party non-democratic system, it met many of the United Nations' characteristics of good governance (United Nations, 2008). Although it was not efficient or effective, Nyerere's regime was responsive, inclusive, accountable, and consensus oriented. While the country remained one of the poorest in the world, efforts were taken to foster a culture of cooperation and unity among its citizens, and independence from outside interference.

In 1986, external policies of Tanzania's Economic Recovery Program began. The first economic reforms attempted to address the overvaluation of the Tanzanian shilling, which was a major contributor to Tanzania's economic collapse of the late 70's and early 80's. This was done by implementing a series of discrete currency devaluations. While the value of the shilling fell 60 percent in 1986, and 60 percent more between 1987 and 1989, the value remained high during the first few years of structural adjustment (Nord, et al., 1993). The shilling experienced rapid devaluation between 1985 and 1989. This was then followed by two years of mild depreciation and two more years of moderate depreciation. The exchange rate market was fully liberalized in 1993 and the depreciation of the exchange rate has remained at stable levels (Wobst, 2001).

In 1988, the major fundamental shift in Tanzania's political development began, when the government allowed the first independent press since the 1960s as part of its political liberalization. These newspapers quickly established themselves as the opposition press and became a forum for moderate criticism of the government and CCM. They were especially critical of political corruption and quickly became advocates for multiparty democracy (Sandbrook, 1996).

In 1989, Tanzania began implementing trade reform as a part of their structural adjustment by introducing a limited Open General License import system that provided a short list of eligible imports. Two years later the range of possible imports was expanded when the list of eligible imports was replaced by a short list of ineligible imports. Trade liberalization was shortened in 1992 when this list of ineligible imports was shortened and the Bank of Tanzania began using its own foreign reserves to support the Open General License Program (Nord, et al., 1993). In 1993, all trade restrictions were abolished except for petroleum products and goods that were restricted for health and security reasons (IMF, 1999). In all, the list of items subject to price control was reduced from 400 to just 2 (Wobst, 2001). This resulted in a decrease in the government's ability to control prices and ensure the availability of goods to the population.

In 1990, the Government officially sanctioned political debate on multipartyism (Kaiser, 1996). Between 1990 and 1992, demands for an opening up of the one-party state of the CCM, which had ruled unchallenged since independence, emerged from the newly established independent newspapers. These demands were mostly politely worded, rational arguments submitted by academics and lawyers. President Mwinyi announced a transition to multipartyism in June 1992 even though the majority of

Tanzanians did not want a multiparty system (Kaiser, 1996). A Presidential Commission on a future political system reported that only about one-fifth of those consulted had favored a multiparty system, (Sandbrook, 1996).

By this time, the population was becoming increasingly apprehensive about the economic and political reforms that were being implemented. Multiple reforms had been pursued despite fragile domestic support for the reform package as a whole. The inability of the government to deliver on promises of improvements and reforms resulted in fragmented domestic policy making and a weak correlation between policy making and implementation (Therkildsen, 2000). GDP had increased after the implementation of the ERP in 1986 and poverty levels declined from 65 percent to 51 percent in 1991.

Individuals who were living close to the poverty line have benefited the most from this growth while those with extremely low incomes have actually become poorer. A steady increase in income inequality had emerged since structural adjustment began. Income Inequality in 1991 (Gini of 72 percent) was significantly higher than in 1983 (Gini of 52 percent) (Ferreira, 1996). By the early 1990's, the substantial increases seen in GDP since 1986 had collapsed (Wobst, 2001)

A complete reform of the financial system was initiated in 1991. Tanzania's banking sector was opened to both international and domestic private participation. Steps were also taken to abolish the rigid structure of state controlled fixed interest rates. The Bank of Tanzania began to play an increased role in supervision by regulating the licensing of commercial banks and increasing transparency and record keeping at commercial banking institutions (Nord, et al., 1993).

While the economy was collapsing in the late 1970's, there was a drastic increase in government jobs. Civil service reform, mandated by the International Monetary Fund, began in 1993 in an effort to fix this problem and decrease government expenditures. Since that time, overall government employment has been reduced by 21 percent from 355,000 to 270,000. This reduction in civil service also included the removal of "ghost workers" from payrolls. In 1996, a pay reform program was also introduced to simplify the civil service system by reducing the number of pay scales and including most allowances in the basic wages of workers (IMF, 1999).

One of the major components of Nyerere's ujamaa policies was the nationalization of industries. A major component of Tanzania's structural adjustment program has been the privatization of these industries, known as parastatals. Of the more than 400 parastatals that existed in 1993, roughly half have been divested. Of the remaining parastatals, plans are being made to privatize the sectors of water, telecommunications and harbors. Mining has quickly become the most rapidly expanding sector of the economy as its growth has been fueled by divestiture and reorganization of the state controlled mining companies. Among the most significant of the state controlled enterprises to be privatized was the National Bank of Commerce. In 1997 the bank was split into two private institutions, the National Bank of Commerce and the National Microfinance Bank. Shortly after this major reform the Dar es Salaam Stock Exchange was formed in 1998 (IMF, 1999).

This managed transition to multipartyism that followed economic liberalization resulted in a highly flawed national election in 1995 (Sandbrook, 1996). The contemporary multiparty system that exists in Tanzania is organized around thirteen

central political parties. Most of these parties possess a regional or ethnic political base as cleavages emerge and groups coalesce to gain political power and access to limited economic benefits (Campbell, 1999). As a result, despite the rhetoric of national unity, political violence has periodically erupted, notably during the campaign preceding the 1995 elections (Kaiser, 1996). Although international observers ruled that these elections were free and fair, their reports usually described irregularities or registered only conditional approval (Sandbrook, 1996). A significant number of the roughly nine million voters in the country were unable to vote in the presidential and parliamentary election because ballot boxes and other materials failed to arrive at some of the 40,000 polling places. When another round of voting was scheduled to remedy these problems, a coalition of 10 opposition parties boycotted, claiming fraud on the part of the CCM (Reuters, 1995).

Tanzania's mandated economic reforms had a major influence on political development within the country. During the economic collapse of the late 1970s and early 1980s, Tanzanians became skeptical of the government's continued inefficiency and socialist rhetoric (Campbell, 1999). The fragmentation of policy making increased during the 1990's as presidential authority declined, the CCM weakened and fragmented ideologically, parliament became more independent, and donors have gained increasing influence (Therkildsen, 2000). The one party state had sought to retain support of a narrow political base and suppress opposition rather than promote political plurality and accountable institutions. Tanzania's goal of constructing a national unity on a non-ethnic basis failed as the CCMs concern with power and the conditions of economic decline led

to destabilized institutional accountability and public trust in the objectives of social programs.

Nyerere's dream of a unified, socialist, cooperative, and independent Tanzania was never fully realized. The country was forced to abandon its economic and political models. The structural adjustment program in 1986 required funding cuts in education and health care, resulting in urban unemployment and increases in poverty. Social inequality and the collapse of the education system led to a decline in national unity (Campbell, 1999). As a result, divisions were created. The new, democratic system has instituted a culture of competition and has changed the way distributional politics work in the country. Under these new conditions of competition and the levels of scarcity that continue to exist, cleavages have formed as groups attempt to secure access to the limited resources that exist.

## **2. How do mandated economic reforms create cleavages, political upheaval, and changes in the structure of government?**

The theories of the distribution of political authority that have been considered here suggest that political leaders will provide public or private goods to a segment of the population just large enough to maintain a winning coalition in elections. As economic reforms and changes in the structure of government occur, the way individuals participate in politics also changes. Groups form coalitions as they attempt to gain access to limited resources. Political changes in the wake of economic reforms in Tanzania have led to the emergence of different political parties organized around ideologies and polarizations amongst ethnic groups, socioeconomic classes, and regions. Tension among these groups has occurred in the form of riots and political upheaval.

This has happened as the way resources are distributed have changed and coalitions and cleavages have emerged to help underprivileged segments of the population access limited resources. Income inequality and education levels between different populations and conditions of scarcity have caused political upheaval and tension amongst different groups. Specifically, Tanzania has witnessed the emergence of 13 political parties possessing regional or ethnic political support, growing hostility between Muslims, Christians, and Asian Tanzanians that have manifested themselves in the form of riots and violence.

Market based solutions and structural adjustment programs have not built on the historical cohesion and cooperation in Tanzania. Serious divisions, cleavages and coalitions are beginning to emerge. While liberalizing the economic and political system may provide short term economic benefits, the affect on long term social structures could be costly. Mandated economic reforms in Tanzania have resulted in cleavages, political upheaval and changes in governmental structure.

The ERP launched by Tanzania in 1986 has positively affected income within the country. Conversely, this income increase has not been reflected in basic social indicators such as infant mortality and education levels. The structural adjustment programs have benefited many poor families in Tanzania. However, those with better education were able to benefit from the liberalization of Tanzania's economic policies and were better able to respond to new opportunities. While the extremely poor, with limited access to education opportunities have seen the situation get worse (Ferreira, 1996).

Although this suggests that Tanzania should focus on the development of human capital and investment in education during structural adjustment, this has not necessarily



been the case. Structural adjustment has resulted in funding cuts in education and health care (Campbell, 1999). Education enrollment levels have fallen, and though literacy rates have increased among the better off, they have fallen among the poor. In 1983, 31 percent of children between the ages of 7 and 9 were in school, in 1991, this value had dropped to 27 percent (Ferreira, 1996). Among children ages 10 to 13, 78 percent were in school in 1983, versus just 65 percent in 1991 (Ferreira, 1996). From 1983 to 1991, both in real terms and nominal terms, the per capita government expenditure on education decreased (Ferreira, 1996). While GDP growth rate has increased from 0.5 percent prior to the implementation of structural adjustment programs to 4.2 percent during the period of reform, not everyone has benefited from this economic growth (Nord et al, 1993). Regions, ethnic, and religious groups have been left out in benefiting from this success. These economic restraints have changed the way distributional models work in Tanzania.

Not long after the implementation of multipartyism, racially motivated questions started to be asked about who should be allowed to move into the rapidly expanding private sector. With the introduction of multiparty political system, some opposition leaders stated their desire that Asian Tanzanians should not benefit from the sale of state owned enterprises (Kaiser, 1996). Two privately owned television stations, one Asian and the other African were set up. In 1993, the television stations were caught up in rising racial tension as the owner of the Asian station allegedly threatened to blow up the African owned station. At an ensuing rally, the leader of the Democratic Party (DP), Reverend Christopher Mtikila, delivered a speech complaining of exploitation by business of Asian ownership (Campbell, 1999). After he had publicly declared at a rally that the economy was being run by Asian Tanzanians in the interest of their own

community rather than the poor African majority, violence immediately followed and some Asian Tanzanians were attacked by his supporters (Kaiser, 1996). After this riot the CCM publicly condemned the Democratic Party and Reverend Mtikila was imprisoned for a short time (Campbell, 1999).

Further ethnic tensions and violence erupted on Good Friday in 1993. While Christians were in church, Sheik Yahya incited Muslims in Dar es Salaam to destroy pork butcheries in the city. Thirty eight people were arrested and charged with rioting as a result and Sheik Yahya was detained under a government crackdown on Muslim fundamentalists (Campbell, 1999). In June of 1994 there were two arson attacks on Christian boarding schools. Although no clear evidence existed, the attacks were blamed on Muslim fundamentalists (Campbell, 1999).

The tension that exists between Christians and Muslims in Tanzania can be largely attributed to education and income levels. Whether intentional or not, the government has failed to make education available to Muslims. The Muslim/Christian divide in Tanzania corresponds roughly to that between the educated and the uneducated and the geographic division between the coast and interior (Campbell, 1999). The less educated Muslim population was not able to take advantage of the benefits of structural adjustment provided to those with higher education levels (Ferreira, 1996).

This difference in access to formal education has led to inequality in the labor market between Christians and Muslims. This, along with fundamentally different attitudes towards education has resulted in different involvement in secular politics by Christians and Muslims. Structural adjustment has exacerbated poverty and marginalized

a majority of Muslim Tanzanians, and many are now questioning their commitment to a government that has brought them limited benefits (Campbell, 1999).

Identity politics were absent from political discourse in Tanzania from independence in 1961 until the implementation of their first structural adjustment program in 1986. President Nyerere believed in a secular, united, socialist system and feared admitting their importance would jeopardize these goals. The failure of the goals of ujamaa and the implementation of structural adjustment programs has caused the dissolution of Tanzanian national unity. This loss of unity, the rapid changes in political structures, and the declining authority of the state has caused the formation of political parties, religious organizations, and cleavages that have helped to undermine national institutions (Campbell, 1999).

Mandated economic reforms and their affect on political development in Tanzania has resulted in increasing inequality in both income and education levels amongst the population. As a result, the population has begun to organize along ethnic, religious, geographic, and socioeconomic lines. As these groups attempt to secure access to limited resources and advantages, political upheaval has occurred in the form of riots and tensions amongst the coalitions. If these cleavages continue to emerge and coalitions begin growing stronger, the power of the state will decline and further political upheaval will ensue.

### **3. What are the impacts of economic reforms on the basic needs of the population?**

Before the institution of structural adjustment programs in 1986 and the liberal political reforms that followed, Tanzanians lived under Nyerere's socialist model. Although these policies were economically unsustainable and Tanzania remained one of

the poorest countries in the world, the policies of ujamaa fostered a culture of cooperation and unity among the Tanzanian people. The population was drastically affected by IMF and World Bank mandated economic restructuring programs and the radical political development and change in political systems that ensued. The transformation from the non-democratic, socialist state to a democratic system resulted in the decline of governmental authority and the creation of conditions of competition and increased scarcity.

Life in Tanzania has not significantly improved as a result of economic and political reforms. Income inequality has risen, poverty rates in rural areas are on the rise, serious tension and political upheaval has emerged even at the local level, and the villagers in rural Tanzania continue to survive on subsistence level agriculture as public programs are still poorly administered.

Tony Waters's study of the village of Shunga provides insight into what life was like before and after structural adjustment for populations in rural Tanzania (Waters, 1997). Before structural adjustment, ujamaa policies strengthened local government. The village received control over the primary school which was nationalized in the 1970's, mass education began and larger numbers of children were literate. The government began funding health services at the local hospital. As a result, public health measures, in particular vaccinations were initiated and enjoyed moderate success. A measles epidemic was limited in the village because the government coordinated vaccination programs was successful (Waters, 1997).

The absence of a strong manufacturing sector did not affect the food supply or housing situation in the village. These two sectors continued to be rooted in subsistence

level production. Adequate supplies of food continued to be available as it had been in the past. While the villagers did not lead a life of luxury, their basic needs were met. Access to housing, healthcare, and education were available as the villagers worked together to maintain their subsistence level economy (Waters, 1997).

The structural adjustment programs initiated in 1986 have had little impact on the villagers in Shunga. While economically things are a little better, with the availability of better clothing, and a few more bicycles, the changes have not been remarkable. The daily economic activity in the village is still subsistence level agriculture. The World Bank predicted that structural adjustment would allow farmers to benefit from higher commodity prices. While opponents argued that rural villagers would be unable to compete on world markets, and would experience declines in the administration of public goods and services. However, in Shunga neither of these situations has emerged. A noticeable increase in production has not emerged and public services are still poorly administered and unreliable (Waters, 1997)

Structural adjustment ended free education in rural Tanzanian villages. School attendance has declined since 1990. Statistics demonstrate that attendance has fallen from 85 to 65 percent. This drop in attendance can be attributed to the introduction of fees for school children, requirements for wearing school uniforms, and various other fees required for school attendance (Waters, 1997).

Waters' findings suggest that structural adjustment and political liberalization have not significantly altered life in rural Tanzania. Other research indicates that structural adjustment has resulted in increases in income inequality and a growing divide in resource availability between rural and urban areas. Poverty in rural Tanzania is much

higher than in urban areas. It is estimated that 39 percent of rural Tanzanians live in poverty compared with just 24 percent of the urban population in 2001 (Ellis and Mdoe, 2003). Rural poverty is correlated to a lack of available land and livestock. The rural poor encounter a public institutional sector that is hindering rather than helping them find their way out of poverty. Remnants of parastatals still exist and place powerful controls on the space available for private trade to succeed. Income inequality appears to be continually increasing. The gini coefficient again rose between 1991 and 2001, from .34 to .37 (Ellis and Mdoe, 2003). Rural and urban income have experienced decline from the mid 1980's to the mid 1990's while populations face the pressure of economic restructuring and political liberalization (Ellis and Mdoe, 2003).

In addition to the limited benefits economic restructuring programs and political liberalization have had on the population, we have also seen how cleavages have emerged resulting in political instability. Not only have cleavages and coalitions emerged at the national level, often resulting in violent clashes and competition for resource and access to government, small factions have also emerged in rural villages. Structural adjustment gave villages financial responsibility for schools, hospitals and other government services. The *Katibu Mtendaji*, who is appointed by the District Commissioner, organizes and collects taxes for public facilities. Tensions have emerged between those who support the *Katibu Mtendaji's* attempt to finance development programs, and those who do not (Waters, 1997). The more conservative opposition was led by the Chair of the CCM in the village. The severity of this cleavage was demonstrated in late December 1995 when opponents of the *Katibu Mtendaji* attempted to burn him alive by torching the grass roof of his house in the middle of the night (Waters, 1997).

The population of Tanzania has not enjoyed any substantial benefits from economic restructuring programs and the political liberalization that has followed. The economic realities in rural villages have not changed very much, with rural populations still relying on subsistence level agriculture and still facing barriers to upward mobility. While GDP growth rates have risen, income inequality is on the rise and the government has not improved its ability to administer social programs and public goods.

Structural adjustment policies have caused changes in Tanzania's political structure. As a result, the power of the government to exert controls over the population and economy has declined. Tanzania transitioned to a system of cooperation to one of competition. At the same time, access to resources has not improved and income inequality and poverty rates have risen. This has led to cleavages and political instability as groups compete for resources in conditions of increased scarcity.

While Nyerere's socialist policies were not economically sustainable, the population enjoyed political stability that was unprecedented in the region. While resources were limited, government policies sought to provide for its population by promoting cooperation and independence from outside powers. With these structures removed, and no real improvement in the economic realities of the population, the forced economic and political liberalization that has occurred in Tanzania does not appear to have benefited the population in any substantial way.

## **Conclusion**

Initial evaluations of World Bank and International Monetary Fund structural adjustment programs have been discussed in terms of economic growth, what has traditionally been missing from this analysis is their impact on political development.

This paper has addressed the relationship between economic reforms and political development within countries participating in World Bank and International Monetary Fund programs.

Two theories of the distribution of political authority were the foundation of this analysis. These theories discuss the importance of state society relations. Institutions constrain policy options governments are able to pursue, forcing leaders to decide how much public policy benefits to fund and how many private goods to provide based on available resources and political structures. The way distributional models work have changed under these conditions of scarcity as political coalitions are formed in an attempt to access limited resources. Economic reforms lead to changes in political structures as governments liberalize their political structure to increase credibility and remove barriers to further economic reform.

The case of Tanzania was analyzed here to illustrate the relationship between economic reforms and political development. Tanzania's economic reforms have resulted in dramatic changes in their political institutions as leaders attempt to foster support for unpopular reforms and increase political credibility. Open democratic policies were implemented such as an independent press, multipartyism, and democratic elections. These economic reforms have resulted in political upheaval and the creation of coalitions and competition. While democracy in Tanzania appears to be on the rise, this has not translated into an increased quality of life for the population. The availability of basic needs have not improved and political instability and tension have risen.

These circumstances have not been unique to Tanzania. Many countries implementing World Bank and IMF sponsored structural adjustment programs have



experienced similar changes to their political structures, undergone similar problems with cleavages and political upheaval, and have witnessed similar results for the basic needs of their population. Political instability has hindered economic development in Burundi, Congo, and Zambia as opposing factions protest election results and democratically elected regimes are overthrown. The results of these democratic elections also have the tendency to bring former authoritarian leaders back into power. In Congo and Malawi, former high ranking officials of authoritarian regimes were democratically elected as leaders of their country.

Western style democracy may not be appropriate for countries that are instituting World Bank and IMF programs and undergoing economic reforms. The consequences of political liberalization witnessed in Tanzania and elsewhere have been costly. While political liberalization may help promote further economic reforms, this is overshadowed by their negative influence on political instability, social unity, and the basic needs of the population.

This analysis of the relationship between structural adjustment programs and political development contributes to a field of research that is generally overlooked and has policy implications for countries implementing structural adjustment programs. While liberalizing the economic and political system may foster support for economic reforms and provide short term economic benefits, the affect on long term social structures could be costly.

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