

## **Tanzania under Dependency and Neo-Liberalism Periods: *Examination of Economic Theories since Independence***

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### **ABSTRACT**

The paper discusses development theories that underpinned Tanzania's economy in the past five decades in the pursuit of development and poverty alleviation. The paper discusses modernization, dependency, and neo-liberalism. It proposes and discusses an alternative development model that the country can adopt to realise development and accelerate poverty reduction. Tanzania became a developmental state during the period of the state-led economy under the influence of dependency theory, through Ujamaa. However, due to some domestic and international factors, the country abandoned that development pathway and moved on to attaining its development agenda without a specific model. Findings have revealed that both dependency and neo-liberal policies had limited success in achieving the country's development agenda and poverty reduction. Therefore, the paper proposes that Tanzania adopts an alternative development model and shifts the attention from economic growth to economic development.

**Keywords:** Development Theories, Tanzania, Ujamaa, Developmental State

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## **1.0 INTRODUCTION**

This paper discusses the theoretical framework that Tanzania followed to realise its economic potentials. These development theories influenced the development agenda in Tanzania. The paper analyses and relates development theories in Tanzania since independence in 1961. The development theories are necessary in any country since all development agenda need a guiding philosophy to lead it, and the Tanzanian economy is no exception. The theories examined in this paper are modernization, dependency and neo-liberalism. At the end of the paper, an alternative development model is proposed and discussed. The paper argues that the proposed model can successfully help achieving the development agenda in Tanzania as modernization, dependency and neoliberalism theories have either been struggling for more than half a century or failed in the war against poverty in the country since independence in 1961.

## **2.0 METHODOLOGY**

This paper has uses a documentary review methodology. The study utilised documentary review in collecting relevant data. Mogalakwe (2006) and Scott (1990) depict the documentary method as the technique used to categorize, investigate, and interpret written documents from private and public sectors. Documentary analysis deals with reliable documents which are cost-effective and reliable. Documents needed for the study in the documentary approach should have high accuracy, authenticity, credibility, and representativeness; thus the paper yielded valid findings (Mogalakwe, 2006; Scott, 1990). The researchers used official documents, journal articles, dissertations, magazines, websites of relevant government ministries to strengthen their observations on development theories. The methodology is suitable since the development theories information is found in these sources.

## **3.0 LITERATURE REVIEW**

### **3.1 Modernization**

In the 1960s, Tanzania, had a vision of transforming its society from an under-developed to an industrialized one by improving the socio-economic status of her citizens through service delivery and human development. Immediately after independence in 1961, the country identified three enemies that it had to fight namely ignorance, diseases and poverty (United Republic of Tanzania, 2012:1-2; Wangwe & Charle, 2005). The philosophy guiding development agenda at the time of her independence was modernization.

When the developed world became interested in the development of the under-developed countries, industrialized states became the role models. Capital accumulation and industrialisation were the forces of the developed economies of which sub-Sahara Africa could follow (Todaro & Smith, 2009). Modernization theory is deeply rooted in the concept of growth and economic dualism. The dualism found in the industry and agricultural sectors had been presented as “tradition” *vis a vis* modernity. Modernization is the process of transition from the traditional society to modern society. It comprises social and cultural frameworks that facilitated the development of technology: it is argued that through application of science and technology, under-developed countries will attain similar levels of development as industrialized economies (Siddle & Swindell, 1990).

McMillan and Harttgen (2014) and Lewis (1954) proposed the idea of dual sectors in which under-developed countries could achieve economic growth by shifting workers from the “traditional” agricultural sector into the “modern” industrial sector. Lewis (1954) argues that under-developed countries have a surplus of unproductive labour in the agricultural sector. These workers are attracted to the industry sector where there are higher wages. Lewis argues further that entrepreneurs in the industry sector will make profit which will be reinvested in the business in the form of fixed capital. The industry’s productive capacity increases and leads to a greater demand of labour. More employees will be engaged from the surplus in the agricultural sector. The process continues until all surplus workers from the agricultural sector have been engaged. The industry

sector would have grown, and the economy would have moved from traditional to industrialized society. Critiques of modernization, including Andre Gunder Frank (1969), argued that modernization theory ignored the historical experience of colonialism in under-developed countries. The existence of the under-developed countries is necessary to the development of developed economies, which extract resources from them. Therefore, it is impossible to simply transfer labour from the traditional to the industrialized society without affecting their relationship. Thus, such critiques led to the birth of the dependency theory.

After independence in 1961, Tanzania continued with the colonial capitalist economic system governed by market economy. The market economy benefited only a small segment of the population (Ngowi, 2009). During that economic system, farmers cultivated cash crops such as coffee, sisal, and cotton for export and for some local industrial processing. The idea and practices of the economy tended to follow the modernisation thinking as that was the practice of the period. However, the majority of Tanzanians did not benefit from that economy, which was contrary to the objectives of fighting for independence; thus, the government of the day called for change of approach. The failure of the modernisation theory to stir economic change and improve people's lives in the country influenced the change from market economy to a state-led economy. This change was influenced by the dependency thinking of industrialisation through revolution and socialism (Arndt et al., 2016: 238; Siddle & Swindell, 1990)

### **3.2 Dependency**

The dependency theory was very much vivid in the Tanzanian economic history as the country embraced the theory when it opted for African socialism, Ujamaa, as a guiding philosophy in her development agenda. Ujamaa failed the country and so did the dependency theory as the country was obliged to embark on neo-liberalism.

Dependency theories became popular in the 1970s; they were championed by academics of the under-developed countries (Todaro & Smith, 2009). Leading dependency theorists, such as Celso Furtado, F.H Cardoso, Samir Amin, Andre Gunder Frank were concerned with the stagnation of under-developed countries. They look at under-developed countries as positioned at the boundaries of capitalist systems of production and exchange. They see economic stagnation in under-developed countries as result of the development of capitalism in Europe. However, dependency theorists differ with scientific socialists in the belief that capitalism is arrested and will not develop further in the under-developed countries (Siddle & Swindell, 1990).

The dependency theorists argue that the ruling classes in poor countries have little interest in industrializing the economy of their countries because they have a beneficial relationship with the multinational companies which extract wealth from the under-developed countries and impoverishing them further. Dependency theorists believe that under-developed countries can only industrialize through revolution and socialism (Siddle & Swindell, 1990). Critiques of the theory find that theorists committing an error by treating under-developed countries as homogenous. Each country has its own characteristics, and thus requires a development theory suitable to its needs. The dependency theory fails to come up with an alternative approach as it confines itself in the criticism of modernization.

Tanzania wanted to improve rapidly the economic status of its citizens so as to meet the objectives of fighting for independence (Ngowi, 2009). The dependency theory offered such ideas that a country could industrialise through revolution and socialism (Siddle & Swindell 1990), thus following the objective of ameliorating citizens' economic status, it became logical for Tanzania to adhere to Ujamaa. When Tanzania embraced the dependency theory through Ujamaa, it succeeded in some areas and failed in others. Tanzania made great progress in the human development area through provision of good quality education and health care; however, its economy deteriorated badly due to weak economic policies under the Ujamaa policy (Arndt et al., 2016; Tanzania Human

Development Report, 2014; Edwards, 2012). Thus, after such failures, the country in mid-1980s resolved to neo-liberal policies to guide its economy.

### **3.3 Neo-liberalism**

In the 1970s, pro market economists became vocal as under-developed countries were struggling to find their way after independence. The focus is on the relationship between the state and the market in the process of economic development (Moreira & Crespo, 2012). The central argument was that under-development in Africa was caused by the state heavy hand on markets, incorrect pricing policies that caused misallocation of resources (Todaro & Smith, 2009). Tanzania under Ujamaa went through this experience as the government controlled major means of economy (Edwards, 2012; Leys, 1996; Sandbrook, 1995). The theory has three different approaches, namely: the free market approach, the public choice approach and the market friendly approach.

The *free market approach* holds that markets alone are competent and capable of determining investment in new economic endeavours. The labour market responds accurately to the demands of the new industries, producers know the demands of the market and know how to respond efficiently and profitably (Todaro & Smith, 2009). However, in under-developed countries, governments intervene in the market functions by manipulating prices of agricultural products by fixing them with low prices while industrial wages are kept high compared to agricultural prices. The government intervention distorts pattern of resource allocation and consequently, efficiency and welfare are reduced. Thus, the free market is preferred as it ensures efficiency and economic growth (Moreira & Crespo, 2012).

The *public choice approach* was introduced in the 1980s as neo-liberalists concluded that African governments were the major cause of under-development in the continent (Moreira & Crespo, 2012). The public choice theory argues the government distorts economic activities because it is a composition of politicians and bureaucrats who work for their personal benefits. They use the power and government authority to fulfil their interests. Krueger (1990) in (Moreira & Crespo, 2012) argues that the state's economic control in under-developed countries is associated with bureaucratization, corruption and nationalization of private property. The neoclassical theorists prescribed liberalisation of under-developed economies as a remedy to stagnant economies. It was argued that liberalization of the economy would encourage economic efficiency and growth. Under-developed countries were asked to privatize state owned enterprises, promote free market, increase export diversification and welcome investors from developed countries (Edwards, 2012; Todaro & Smith, 2009).

The *market-friendly approach* intervened as an alternative to the two previous approaches to development. This theory recognizes that markets are imperfect and, at times, the market produces imperfect goods. Theorists realized that such imperfection could be addressed by the state. The state can invest in physical and social infrastructure such as roads, railways, health care facilities, educational institutions and provision of favorable environment for private business to flourish (Skinner, 2011; Todaro & Smith, 2009).

Since mid-1980s, Tanzania adopted the neo-liberal policies to guide its economy following failure of the dependency theories through Ujamaa (Tanzania Human Development Report, 2014; Edwards, 2012; Wangwe & Charle, 2005). In the era of neo-liberal policies, there have been impressive economic growth in the country; however, this economic growth fails to reduce poverty significantly amongst the rural people who are the majority in the country (Arndt et al., 2016; Tanzania Human Development Report, 2014; World Bank, 2015; Kessy et al., 2013; Mashindano, 2011; Mkenda et al., 2010, Twaweza, 2009). It has been more than two decades of economic liberalisation and neo-liberal policies in Tanzania, yet the majority rural people, who are majority in the country, continue to be poor; this suggests that neo-liberalism is inefficient remedy poverty in that sub-Saharan country: hence there was a call for an alternative approach to drive the development agenda in Tanzania.

### **3.4 Towards an alternative development approach in Tanzania**

From the development theories reviewed, there is no single theory that was able to address under-development effectively in the country; consequently, an alternative approach is necessary. The scrutiny of development theories exposes the role that Tanzania and development partners have to play for the development of the country. This paper urges the Tanzanian government to reposition itself and become a developmental state since historical evidence depicts that African states are capable of becoming successful developmental states like their East Asian counterparts (Hofisi, 2013; Mkandawire, 2001). A developmental state takes an active role in planning and acting in the development process of its economy; through diversification of export structures, industrialisation and engagement in new international economic order through negotiations with industrialized economies (Ubhenin & Edeh, 2014). Even though Tanzania has to take its development role on its own, partnership with industrialized countries is necessary to help in attracting foreign investment, application of science and technology in the industry sector and stimulation of the private sector.

Thus, while calling for Tanzania to become a developmental state, this paper proposes the fusion of dependency and neo-liberalism theories to bring a new approach to drive the Tanzanian economy. This alternative approach is evidenced by the South Korean experience: South Korea adhered to and integrated ideas from both the dependency school by employing industrialisation strategies, state intervention and neo-liberalism strategies such as institution reforms, use of innovation and technology in the local industry (Kasahara, 2013; Heywood, 2013; Hansen, 2010). The input from the two schools of thought saw South Korea succeed industrialisation. This experience can also be realised in Tanzania.

### **3.5 Developmental State**

Kasahara (2013) defines a developmental state as that which facilitates structural transition from a traditional/ agricultural to a modern/industrial society. The developmental state is expected to take the role of restructuring the national economic system for industrial development. In most cases, the facilitation of growth is influenced by accumulation of agricultural surplus that can be invested for the development of an industrial society. This thinking is related to the Lewis (1954) argument of modernization based on unlimited supply of surplus labour from the non-productive agricultural sector. Mkandawire (2001), on the other hand, defines a developmental state as an ideology-structure nexus. As an ideology, the developmental state is principally one whose ideology underpins 'developmentalism' because it conceives its objective as that of ensuring economic development, usually understood to mean high rates of accumulation and industrialisation. Castells (1992) in Mkandawire (2001) and Mkandawire (2001) in Hofisi (2013) maintain that such a state establishes, as its principle of legitimacy, its ability to promote sustained development, understanding by development the steady high rates of economic growth and structural change in the productive system, both domestically and in its relationship to the international economy.

The developmental state emphasises capacity to implement economic policies 'sagaciously' and effectively. Such capacity is determined by various factors including institutional, technical, administrative and political (Mkandawire, 2001). Undergirding all these is the autonomy of the state from social forces so that it can use these capacities to devise long-term economic policies unencumbered by the claims of myopic private interests; it is usually assumed that such a state should be a 'strong state' in contrast to what Gunnar Myrdal (1968) referred to as the 'soft state' that had neither the administrative capacity nor the political will to push through its developmental project. Finally, the state must have some social anchoring that prevents it from using its autonomy in a predatory manner and enables it to gain adhesion of key social actors (Kasahara, 2013; Mkandawire, 2001).

On the state and development in Africa, there are a number of opposing discussions. One outstanding feature in those discussions is the disjuncture between an analytic tradition insisting on

the impossibility of developmental states in Africa and a prescription literature presupposing their existence. The analytical tradition which argues for the impossibility of developmental states in Africa is mainly based on a number of reasons including: (i) dependence, (ii) lack of ideology, (iii) softness of the African states, (iv) lack of technical and analytical capacity, (v) past poor performance, and (vi) mismatch between international and local policies (Mkandawire, 2001). Prescription literature believes in the possibility of developmental states in the continent (Ibid).

While it is true that African states are the least developed states in the world, the analytic traditional view on Africa's impossibility of developmental states is wrongly informed. We discuss some of the misinformation about the continent briefly, as our area of focus in this paper is mainly on Tanzania. Much of the impossibility literature is based on misunderstanding of the economic history of Africa. The Berge report presented a brief history of Africa's post-colonial development and the state's role in that development. It described both post-colonial policy and performance as absolute and indistinguishable tragedies (World Bank, 1981).

While there were some facts in the report, to a large extent, the report falsified economic performance in the continent. Additionally, the report underestimated the importance of the global influence on Africa; when the world market performs well, African states do well too and vice versa. Moreover, some of the policies followed by African states were formulated by respectable world international institutions, thus making them responsible in bad economic policies, which lead to failure in the continent, but the report saddles all blame on Africa (Hofisi, 2013; Mkandawire, 2001).

Furthermore, despite a number of challenges in their economic policies, up until the second "oil" crisis in the late 1970s, some African states had performed comparatively well. Evidence reveals that some countries such as Kenya, Ivory Coast, Tanzania and Malawi had growth rates of more than 6 percent for more than ten years, and this growth was mainly based on agricultural and industrial expansion. An interesting feature here is that much of this growth was sustained principally by local savings. The rates of savings and investments compared relatively well with those of East Asian states, though African savings and investments tended to produce lower growth rates. The states played a central role in the whole planning process and some states such as Ivory Coast and Tanzania were highly interventionist and "dirigiste" with the state taking the development role in the agricultural export activities through state enterprises.

Therefore, this proves that Africa has had states whose ideology was clearly "developmentalist" and that they pursued policies that produced fairly high growth rates in the post-colonial era and attained significant social gains and accumulation of human capital. Moreover, some governments extended infrastructure and social services to degrees never thought of under colonial regimes. In addition, many African states were able to maintain peace and security in their countries. Thus, we realise that "developmental states" are not entirely something new in Africa (Mkandawire, 2001; Sandbrook, 1995).

In response to the impossibility of the developmental states in Africa, Mkandawire (2001) argues that Africa has had, even though they were less successful, and can have successful developmental states today. He maintains that the arguments for the impossibility of developmental states in Africa are "not firmly founded either in African historical experiences or in the trajectories of the more successful developmental states" (Mkandawire, 2001 in Hofisi, 2013), hence the call for a developmental orientation of Africa and Tanzania, in particular, which empowers the state to formulate policies and (and more significantly) execute them efficiently and effectively for the transformation of all people's aspects of life in the country.

Mkandawire's argument sought to respond to critiques, who in the 1980s and 1990s, argued that African States couldn't become developmental states as did the East Asian states because of weaknesses in African states cultural background, lack of ideology, softness of the African states, lack of technical and analytical capacity, structural reasons and the dependence of rent seeking. This argument serves to substantiate the proposition of an alternative development model to address poverty reduction successfully.

## **4.0 DISCUSSION**

### **4.1 Tanzania and the Developmental State**

When Tanzania became independent in 1961, it inherited a colonial market economy. The country's economy was performing relatively well, but the benefits of the economy were felt by a small group of individuals, mainly English and Asian businesses who had the major share of the economy. This market economy was a capitalist model whereby major means of economic production were in the private sector. Subsequently, the Tanzanian government did not have the authority to intervene even when market forces failed, yet the state wanted all citizens to experience economic benefits in a newly independent state (Ngowi, 2009). When it became clearer to the state that it was not possible to realise its development agenda of poverty reduction and bringing equality amongst the people through the same market economy, Ujamaa - a state-led socio, political-economic ideology - was seen as the right strategy to drive the government development agenda (Cornelli, 2012; Kaiser, 1996 in Ngowi 2009).

Under the Ujamaa strategy, the state became responsible in all economic affairs; it became a real developmental state as argued by Mkandawire (2001) when it became a "dirigiste economy", planned and "governed the markets" for the purpose of effective accumulation for industrialisation. At this stage, the state became the defender of public order and public property rights responsible of social and physical infrastructure and macro-economic executive. The state also assumed the roles of economic planning, regulator and to some extent, entrepreneurship, and the private sector disappeared (Sandbrook, 1995).

The scenario in the Ujamaa era had some similarities to what was happening in the 1960s and 1970s in the interventionist policies in the Republic of Korea. However, the Korean developmental state differed from the Tanzanian "developmental state" as Korea's economic policies relied profoundly on very close consultations between the state and business leaders and very large diversified corporate multinationals (Kasahara, 2013). Since the Tanzanian developmental state under Ujamaa strategy appropriated all the economy and major means of production, and consequently, the private sector disappeared. It was not possible to have alternative economic ideas from business leaders in the country. Therefore, the state failed to realise its development agenda, contrary to what happened in the republic of Korea (Tanzania Human Development Report, 2014; Edwards, 2012; Nord et al., 2009; Todaro & Smith 2009).

The failure of Ujamaa as an economic policy led to economic and structural reformation starting in the mid-1980s following fierce pressure from the donor community and the Bretton woods institutions; thus, Tanzania returned to the market economy which is a neo-liberal approach driven by market forces (Wangwe et al., 2014; Edwards, 2012; Nord et al 2009). When African states became independent in early 1960s, Dumont (1966) in Sandbrook (1995) argued that it would have taken two decades for sub-Sahara Africa to kick out poverty completely; however, as argued by Sandbrook (1995), by 1980s, African states were poor or even poorer than they were twenty years earlier. Borrowing the same argument from Dumont (1966), two decades on since adoption of neoliberalism in Tanzania, the country has neither become a developmental state nor has it been able to attain its development agenda on poverty reduction. Since independence, Tanzania has experimented both in the state-led economy through Ujamaa (Fouéré, 2014; Edwards, 2012; Nord et al., 2009; Ngowi, 2009; Ibhawoh & Dibua 2003) and the market led economy in this era of neo-liberalism for more than two decades (Tanzania Human Development Report, 2014; Edwards, 2012; Nord et al., 2009).

However, both periods have failed to bring real substantial progress. Despite impressive economic growth in recent years of neoliberal economy, poverty continues to trouble many Tanzanians, especially the majority of those who live in the rural areas (Tanzania Human Development Report, 2014; Wuyts & Kilama, 2014; Martins, 2013; Mashindano et al., 2013; Mkenda, Luvanda, & Ruhinduka 2010; Policy Forum & Twaweza 2009). At this juncture, it is

necessary to rethink a new approach for development. This paper proposes for a unification of dependency and neoliberal thoughts by adopting the Republic of Korea's development approach which enabled the republic of Korea become a developmental state and thus industrialized. Tanzania can become a developmental state and attain its development agenda by merging the two experiences it has had of state driven and market-led economy.

During Ujamaa period in 1967- 1985, Tanzania adapted the developmental state trajectory as its pathway to development (Kieh-Klay, 2015; Sandbrook, 1995). Therefore, developmental state is not a new concept to Tanzania. The question, however, is why did the developmental state in the country fail? A number of factors, both internal and external, forced Tanzania to abandon the developmental state (Kieh-klay, 2015). Some of the factors included: lack of a vibrant private sector, failure of attracting FDIs, use of obsolete technologies in the industries, and poor economic policies, such as too much state economic intervention (Tanzania Human Development Report, 2014; Ubhenin & Edeh, 2014; Leys, 1996; Sandbrook, 1995).

This paper proposes developmental state as the appropriate model to attain successfully the country's development agenda and poverty reduction. Tanzania has already experienced the developmental state model. Therefore when it addresses the factors that made it fail to realise its objectives in the first place, it can strive to achieve its plans successfully this time. Moreover, the country has experienced both state-led economy under the influence of dependency school of thought and the open market economy under the influence of neo-liberal policies. Both schools have their strengths and weaknesses. These factors have influenced the country's economy accordingly. The paper proposes that Tanzania builds its developmental state model based on the strengths found in the two schools of thoughts.

In order for Tanzania to become a successful developmental state, there should be a guiding theory. When Tanzania became a developmental state in the period after independence especially from 1967-1985, it was informed by the dependence school. Whereas since mid-1980s to date, it does not have a distinct development model and is being informed by the neo-liberal school. , The paper commends the use of combination of revised dependency and neo-liberal schools.

The dependence school calls for revolution and socialism for an economy to industrialise (Siddle & Swindell, 1990). Tanzania employed the dependence ideas through Ujamaa for about twenty years; there were both successes and failures.. Socialism in this combination refers to the state that takes the leading role in its economic growth and development, however, without nationalising the major means of production. Economic development will ensure poverty alleviation and thus attain the country's development agenda. By revolution in this aspect, we refer to the change of a developmental model from the current status of no specific development model to a democratic developmental state.

The neo-liberal school of thoughts calls for strong reformed institutions, free market and vibrant private sector for an economy to industrialise. Tanzania's economy has, for about thirty years, been informed by neo-liberalism which promoted economic growth. However, neo-liberalism has failed to reduce poverty significantly, especially among the majority rural people because the growth was neither pro-poor nor inclusive (Kessy et al., 2013; Mashindano et al., 2011). Moreover, neo-liberalism operated in an époque where there was no development model in the country. Therefore, in order for economic growth to be inclusive and pro-poor for poverty reduction and attaining the country's development agenda, this paper proposes that Tanzania becomes a developmental state while governed by the amalgamation of revised dependency and neo-liberal schools of thought. This model should shift the attention from economic growth, which has failed to reduce poverty significantly, to economic development which adopts new technologies, transiting from an agriculture-based to industry-based economy that improves the standard of living and economic health of a population.

Kieh-Klay (2015) proposes that African countries become developmental states by adhering to important factors that would enable African states become developmental. They include: the type of state – in this case a democratic developmental state; these factors are the same as those that the



paper argues for and calls upon Tanzania to embrace these conditions for a successful developmental state. The factors in the discussion are the same ones in different vocabularies that Kasahara (2013) argued for when explaining the success of South Korea as a developmental state.

However, Kieh-Klay (2015) adds the aspect of democracy as a factor for development; this is a new factor which adds value to a developmental state and argues for democratic ones contrary to South Korea which was authoritarian but became successful; this is different from Tanzania which was somewhat authoritarian but failed to succeed. When Tanzania adapts and adopts these factors, then it will be possible for the country to become a successful developmental state this time and thus meet the country's developmental goals and poverty reduction.

Tanzania has favourable conditions of becoming a developmental state as the Republic of Korea did because it has some crucial factors and can continue to improve the necessary conditions for becoming a developmental state as long as the political will is there. In East Asia, in general, and in the Republic of Korea in particular, the factors that facilitated the project included good macro-economic management and stability, a competent bureaucracy, interdependence between the public and private sectors, publicly controlled financing for development and industrial policy in a much wider sense (Kasahara, 2013). The factors are summarized into two main categories: competent bureaucracy and embedded economy.

*Competent bureaucracy:* Amsden (1989) in Kasahara (2013) argues that competent bureaucracy was one of the necessary factors that made it possible for the developmental state in the Republic of Korea. The country created a pilot agency that was staffed with the country's finest workforce that was given the task of directing the course of the country's development. The pilot agency was empowered with authority to keep on employing outstanding personnel and utilised policy tools to facilitate their work competently. Consequently, the Republic of Korea was able to develop the greatest state capacity both to formulate the right development policies and to execute them efficiently (Kasahara, 2013).

*Embedded autonomy:* A competent bureaucracy should be able to maintain an effective relationship with the domestic private sector, specifically on the direction and funding in the industrial sector. Evans (1995) in Kasahara (2013) coined the slogan "embedded autonomy" to explain the ideal relationship between the developmental state and the local business sector. It was argued that a successful developmental state needs to be sufficiently embedded in society so as to attain its development agenda by acting through "social infrastructure", but the state should not be too close to the business class to the point of being influenced by particular interests of the private sector and forget its major objective of the development agenda (Kasahara, 2013; Mkandawire, 2001).

Tanzania has necessary conditions for becoming a developmental state and thus attaining its development agenda. The government of Tanzania (2005) acknowledges the importance of the private sector as a key development partner; the government advocates for public, private partnership in the country; this is a good avenue for consultation between the state and the business leaders. Moreover, the country has a strong political will and commitment to continue implementing necessary policy changes and institutional reforms across priority sectors so as to meet the development agenda (USAID, 2014). The political will can facilitate the formulation of the right policies and implement them similarly to the Korean model. Tanzania continues to be a peaceful state - a condition necessary to attract FDI, multinational companies and absorption of technology and innovation for development, which is more attainable in developing countries like Tanzania (Kraemer-Mbula & Wamae, 2010).

## **5.0 CONCLUSION**

This paper has discussed the development theories that have applied in the country during the course of over five decades in the pursuit of development and alleviation of poverty amongst the population. In the paper, the study has proposed and discussed a new development approach that the country can adopt to realise development and accelerate efforts on poverty reduction. Through the

theoretical literature review, findings revealed that Tanzania was one of the pioneers of the developmental state in Africa.

Tanzania became a developmental state during the époque of the state-led economy under the influence of dependency theory, through Ujamaa. However, due to some domestic and international factors, Tanzania abandoned that pathway to development, and moved on to attaining its development agenda without a specific development model while following features of both dependency and neo-liberal policies.

Findings from the reviewed literature have revealed that both dependency and neo-liberal policies had limited success in achieving the country's development agenda and poverty reduction at different eras. The paper proposes that Tanzania becomes a developmental state and shifts the attention from economic growth to economic development.

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**APPENDIX**

**Table1: Tanzania: Income Poverty and Non-income poverty Indicators 1967-1975**  
 During the time of dependency theory – The Ujamaa period

<b>Some Income Poverty Indicators</b>	1967	1968	1969	1970	1971	1972	1973	1974	1975
Real GDP Growth (%)	4.8	5.1	2.3	6.0	3.8	5.3	3.5	2.5	5.9
Per capital GDP growth (%)	1.7	2.0	-0.8	2.8	0.6	2.0	0.2	-0.8	2.7
Inflation, consumer, prices annual (%)	12.2	15.6	16.4	3.5	4.8	7.6	10.4	19.6	26.1
Official Exchange rate (Tsh/US \$ -period average)	7.14	7.14	7.14	7.14	7.14	7.14	7.02	7.13	7.37
Exports (% of GDP)	26.5	24.2	24.7	24.0	24.1	24.6	22.4	21.3	18.2
Imports (% of GDP)	26.2	26.7	24.4	28.4	33.0	29.8	29.3	34.8	31.0
<b>Some Non-Income Poverty Indicators</b>									
Populations (millions)	12.4	12.8	13.2	13.6	14.0	14.5	15.0	15.5	16.0
Life Expectancy at birth	45.6	45.9	46.3	46.7	47.0	47.4	47.9	48.3	48.7
Primary School Enrolment (% gross)				33.8	35.2	37.2	40.2	43.5	53.1
Secondary School Enrolment(% gross)				2.7	2.7	2.7	2.8	3.0	3.1

Source: Adapted from Edwards, 2012, Table 4 and Table 5

**Table 1: Tanzania: Income Poverty and Non-Income Poverty Indicators 1976- 1985**  
 During the time of dependency theory - The Ujamaa period

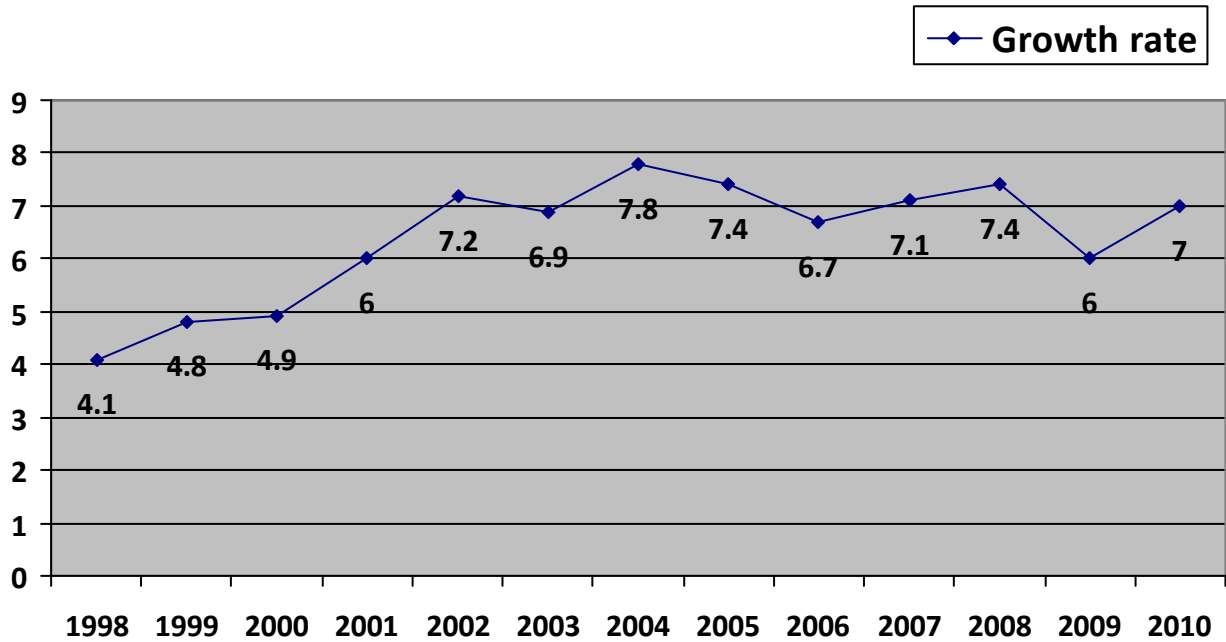
<b>Some Income Poverty Indicators</b>	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Real GDP Growth (%)	5.4	0.4	1.2	3.4	3.0	0.5	0.6	2.4	3.4	4.6
Per capital GDP growth (%)	2.2	-2.8	-1.9	0.2	-0.2	-2.7	-2.6	-0.8	0.2	1.4
Inflation, consumer, prices annual (%)	6.9	11.6	6.6	12.9	30.2	25.7	28.9	27.1	36.1	33.3
Official Exchange rate (Tsh/US \$ -period average)	8.38	8.29	7.71	8.22	8.20	8.28	9.28	11.1	15.3	17.5
Exports (% of GDP)	21.7	19.5	14.6	14.1	13.2	12.2	8.5	8.0	9.0	6.8
Imports (% of GDP)	23.9	22.8	29.7	26.9	26.3	20.7	17.7	14.1	16.7	16.8
<b>Some Non-Income Poverty Indicators</b>										
Populations (millions)	16.5	17.0	17.5	18.1	18.7	19.3	19.9	20.5	21.1	21.8
Life Expectancy at birth	49.0	49.4	49.7	49.9	50.2	50.4	50.6	50.8	50.9	51.1
Primary School	63.1	71.1	90.7	94.2	95.6	97.2	93.3	91.5	86.9	76.4

Enrolment (% gross)										
Secondary School	3.2	3.3	3.3	3.4	3.3	3.1	3.0	3.1	3.1	3.3
Enrolment(% gross)										

Source: Adapted from Edwards, 2012, Table 5 and Table 6

**Figure 1: Annual real growth rates of Gross Domestic Product 1998 -2010**

This was during the neo-liberalism period (Growth increased without significant poverty reduction)



Source: adapted from Mashindano & Maro (2011) Figure 1.