

MICHIGAN STATE UNIVERSITY

The African e-Journals Project has digitized full text of articles of eleven social science and humanities journals. This item is from the digital archive maintained by Michigan State University Library. Find more at:

<http://digital.lib.msu.edu/projects/africanjournals/>

Available through a partnership with



Scroll down to read the article.

The Politics of Adjustment Policy

Akilagpa Sawyerr

Introduction

What is often described as "the African economic crisis" of the early 1980s has been engraved on the consciousness of the whole world by the glassy look in the eyes of emaciated and starving African children and the evident anguish of their equally emaciated and starving mothers in posters and pictures on the television screens and in newspapers the world over. Even as the international community was moved to provide emergency relief on an unprecedented scale, the virulence and scale of the disaster brought into sharp relief the question of underdevelopment and the long-term viability, not just of the countries of the Sahel belt, the hardest hit sub-region, but of all the countries of Sub-Saharan Africa (SSA). This prompted a series of meetings, conferences and seminars, both within the African region and at the United Nations and other international fora, and the adoption of important resolutions and measures for dealing with the crisis.

For their part, almost all the countries of the sub-region have had to institute programmes of economic reconstruction, generally described as "structural adjustment programmes" (SAP), to remove what are perceived to be the causes of the crisis, and to put the economies of the sub-region on a path of development that would prevent any recurrence of such a catastrophe¹. This has been done usually under the auspices, or in accordance with the precepts, of the principal international financial institutions, namely the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), otherwise known as the World Bank.

Since the crisis was seen as resulting from obvious failures in economic performance in all the countries of the sub-region, the SAPs have tended to focus on the strictly economic aspects of the corrective process. This left largely untreated the question of the political preconditions for the success of the SAPs as well as the impact of the measures undertaken thereunder on internal social and political conditions in the short-to-medium-term. This was perhaps understandable in the desperate years of the 1980s. But in view of the devastating impact of the crisis on the living conditions of large sections of the populations in the SSA countries, and the deterioration of those conditions in the years immediately following the introduction of SAPs, greater attention has more recently been directed at the non-economic dimensions of the crisis and attempts at its resolution.

It is now recognised, for instance, that the social and political conditions for the long-term maintenance of economic development programmes need to be properly appreciated and written into SAPs. The unavoidable harshness

of the austerity measures is liable to alienate important social groups and political interests, thereby jeopardizing the entire economic recovery process.

It is against this background that conferences such as the present one are addressing the specifically "human dimension" of the crisis and the measures adopted for its resolution.²

This paper is intended as a contribution to the discussion of the political aspects of the adjustment process in Africa. It attempts to situate the economic crisis and the resultant structural adjustment measures within the framework of the political economy of Africa to relate this to the economic development objectives explicitly set out at OAU summit meetings since 1980 and to point out ways in which socio-political conditions pose serious problems for the entire recovery effort.

The Political Economy of Africa, the Economic Crisis and Structural Adjustment Measures - An Overview

In this section, we outline the principal features of the African economic crisis against the background of the political economy of Africa, then itemise the main elements of the structural adjustment measures undertaken by many African countries in response to the crisis.

A. The African Economic Crisis in Context

The nature and the causes of the current crisis have been extensively discussed in paper after paper, conference after conference, especially within the last five years. It is, therefore, unnecessary to analyse in any detail here the specifics of the crisis. For the purpose of setting the scene for a discussion of the political implications of recent adjustment measures, however, it would be useful to set out briefly the principal aspects of the crisis.

For the sake of convenience, the discussion will be focussed on the economies of the countries of Sub-Saharan Africa (SSA), excluding the Republic of South Africa. This focus, while difficult to justify scientifically, enables us to concentrate on a relatively homogenous category of countries and thereby simplify the argument and its presentation.³

Set out below are the most critical manifestations of the African crisis as it shows up in the economies of individual countries.

a) Among the more obvious of the manifestations of the crisis has been a steep decline in the quality of life of an increasingly large proportion of the population in the affected countries. This shows up in the reduced availability and/or the increased cost of food and such social services as education and health. Technically, this decline in the quality of life can be demonstrated from the indices relating to health, sanitation, nutritional status, infant/child mortality, school enrolment, access to portable water, etc. Also easily observed is the rise in unemployment and under-employment, as new

immigrants to the urban areas and school leavers find it increasingly difficult to secure remunerative employment.

b) There has been a marked decline in the rate of growth in all sectors of the national economy. As observed by the World Bank, "The average annual GDP growth rate for low-income Africa declined by 2,7% during 1970-80, to 0,7% in 1982 and reached a record low of 0,2% in 1983" (*World Development Report 1986*, p.24). This was accompanied by decreases in the average income per capita (*Table 1*), as well as the average per capita food production (Sutcliffe, 1986, p.22). The result is that food self-sufficiency in SSA has dropped from 98% in 1960 to 8% in 1986 (*South*, Aug. 1986, p.112), and "today one out of every five Africans depends for his or her survival on food imports, about 25% of which is provided by food aid" (*Submission*, 1986, para 16).

c) Local manufacturing industry has been stagnant, when not in a state of collapse. The economy has become steadily "de-industrialised" as capacity utilisation of industrial plant has fallen below economic levels, and the indices of the growth of industrial production read low or negative (*Table 2*).

d) There has been a sharp deterioration in the foreign exchange position of the national economy. This is the result of the collapse of the export earnings of the region and the failure as well of financial inflows - grants, credits and investments - to make up the difference. Particularly noticeable has been the decline in export credits and private inflows, which combined, fell from a 1979 high of \$6,9 billion to a low of \$0,5 billion in 1984, and was provisionally estimated at \$2,8 billion in 1986 (*Table 3*). It has been estimated that for Africa, "net resources flows from all sources declined by 28 percent between 1980 and 1984, while . . . ODA flows declined by about 9 percent". (*Submission*, 1986, para. 32). The consequence of these movements has been a decline in the level of imports per capita, and the growing burden of external debt.

e) Efforts to eke a living out of the land and the forests have led to the increasing degradation of the natural environment. The effect has been to reduce even further the capacity of the environment to sustain production and life.

f) The deterioration in the political arrangements for the management of society is a further result of the crisis. This is reflected in a chronic instability in the national political infrastructure which therefore tends towards authoritarianism and repression, creating conditions for continued instability. Moreover, the deterioration of the political and economic environment tends to exacerbate class splits and encourage ethnic politics.

The general effect of the factors described above, some of which will receive more extended treatment later, is a political economy within which investment levels are too low even to maintain or rehabilitate existing production capacity, let alone develop it, and in which political and governmental arrangements inhibit the full mobilisation of national human resources in the drive for survival and development. In consequence, the economy is left vulnerable to every natural calamity as well as the vagaries of the international economic environment.

When one turns to the causes of the crisis, some very difficult problems of distinction between causes and effects emerge. To avoid the worst of these problems, we set out in simple terms what can be considered the principal causes, remote as well as immediate, of the crisis.

The major causes of the crisis lie in the very structure of the economies of African countries. As it has been well put, "Lack of structural transformation and the low level of productivity of the African economies are the fundamental causes of their continued under-development and persisting economic crisis". (*Submission*, 1986, para. 20).

To enable us to grasp the full import of this observation, it is necessary to paint in the political/economic context - national, regional and international - within which the African economies operate. This context is defined by the colonial experience, the international relationships that were established thereby, and the relationship of both to the domestic and external economic structures.

In spite of the variety of historical experiences of the countries of SSA they have a number of important characteristics in common. With the exception of Liberia and Ethiopia, all these countries were subjected to formal colonialism during the first half of the twentieth century. In the case of Liberia and Ethiopia, despite their formal independence, the subjection of their political economy to external political and economic domination was as thorough as that of the formal colonies, and they can for this purpose be considered in the same light.

As is well known, the objective of the colonial experience was to re-order the social, political and economic structures within each colony in such a way as to integrate the colony into the world capitalist system. This was done by aligning the dynamic sectors of each economy with the interests of the dominant classes in the metropolitan countries, and creating within the colony the political and social conditions necessary to sustain and reproduce the relationship established under the colonial system. So successful was this process that the termination of formal colonialism nowhere led to a radical change in the relationship between former colonies and metropolitan interests, at least at the level of the economy.⁴

The legacy of the colonial period can for present purposes be summed up as follows:

- (a) political power is vested in an alliance of social classes with no fundamental interest in the transformation of the local political economy and a break from domination by metropolitan interests;
- (b) given its untransformed structures, and because of its one-sided external orientation, the economy tends to work itself more closely into the international capitalist order, but in a position of *subordination*;
- (c) the majority of people, the principal victims of the continuation of the colonial economic relations, are effectively disenfranchised and thus disabled from moving to effect the necessary transformations;

(d) the colonial economies are individually linked to the metropolitan economies in such a way as to preclude genuine regional or sub-regional integration - a situation which persists, in spite of the good intentions, the rhetoric, the many meetings and the formal institutions for co-operation set up throughout SSA.

The picture presented by independent Africa is thus one of an unintegrated collection of non-industrialised, undemocratic, non-self-sustaining and dependent states, with little clout in international economic affairs. It is this situation that explains why Africa as a region has remained directly vulnerable to world capitalist recessions but in no position to affect policy or practice at that level.

This summary represents only a slight over-simplification of the brutal reality of the political economy of Africa. Failure to grasp this fully, at least as a starting point, will mean a failure to appreciate and begin to deal realistically with the current crisis. For the timing of the crisis is intimately connected to this subjection of African economies to one-sided determination by external events.

With the collapse of the generalised boom in the world economy following the Korean War, Western economies have been experiencing a succession of worsening economic shocks. These have stretched out into a long-run crisis, especially following the oil crises of 1973, 1974 and 1979. The consequence has been a severe reduction in the growth rates in all Western economies, especially in the 1980s (see *Table 2*), creating a situation of very weak demand for commodities of export interest to SSA economies. As a result, real prices of primary commodities other than oil stand at their lowest level since the Great Depression (*Trade and Development*, 1986, 11), causing Africa foreign exchange losses amounting to some US\$13.8 billion over the period 1980-83. (*Submission*, 1986, para. 29).

Compounding these decreases in the export earnings of African countries, inflation in the Western industrialised economies has been passed on to Africa in the form of constantly increasing prices of items of import interest to African economies. Given the dependence of these economies on their export earnings, and the dependence of most of their industry on imported inputs and capital, this development would, by itself, have had disastrous consequences for production and consumption in the SSA countries. To make matters worse, the difficulties experienced in the Western industrialised economies led to a sharp drop in private capital flows (see *Table 3*). The overall effect of all these movements in the export earnings and capital inflows has been a drastic reduction in the import capacity of African countries and therefore their capacity to extricate themselves from the current crisis.⁵

These structure-determined features were aggravated by specific policy measures adopted in the Western capitalist economies. Those policies, often ill-defined and contradictory, contributed to the drastic slowing down of economic growth in some leading industrialised countries and hence the generally depressed conditions in the African countries (Westlake, 1987,

40-41). One could mention the impact of U.S. interest rate policy on the debts payable by African countries⁶; exchange rate fluctuations which led to serious instability and overall loss in the foreign exchange holdings of African countries; and the deteriorating terms of borrowing, with commercial banks imposing ever harsher terms and generally reducing credit to African countries. In the face of such evidence, it is difficult to escape the conclusion that these structural and policy movements in the leading Western industrialised countries are the principal causes of the problems in the economies of SSA countries.

While these factors constitute the long-term causes, it is their conjuncture with other more immediate causes that has often determined the timing and extent of the crisis in any particular country. Among such factors have been natural disasters like drought, floods and cyclones, and man-made disasters like civil wars and the destabilising efforts of external powers. Though these have undoubtedly contributed, sometimes dramatically, to the current crisis, it needs to be emphasised that they were aggravating rather than fundamental causes, as can be seen from the fact that several countries affected by the crisis could claim no such excuses.

In addition to constituting the fundamental causes, external factors account, to a large extent, for the incidents of the crisis. Thus:

- (a) dependence on the export of a limited number of primary products and the importation of critical inputs, over whose prices Africa has no control, means that the terms of trade between Africa and the Western industrialised countries lie totally beyond the control of African countries;
- (b) the deterioration in the terms of trade, and the reduction in the financial inflows, lead to a reduction in the capacity of African countries to import food and needed industrial inputs, which in turn contributes to the collapse of local production and employment generally - all of this in turn fuelling inflation and balance of payments problems;
- (c) these developments leave the African economies so little room to manoeuvre that they become prey to natural as well as man-made calamities, and create conditions of social and political instability which are conducive neither to the mobilisation of local resources, human and material, nor to the productivity increases, which together provide the basis upon which alone Africa can work and earn its way out of crisis.

In the light of these observations, it should be clear that no sustained resolution of the current African crisis is conceivable unless it addresses at the same time the roots of the crisis in the international capitalist order. The argument is not that the ending of the recession in the Western industrialised countries would bring Africa back to something like its conditions in the boom years of the 1960s and the early 1970s. The fundamental causes of crisis would remain, rendering Africa vulnerable to future bouts of crisis caused by external events. What is called for is a radical reshaping of African economies, which can only occur in the context of a fundamentally restructured international

economic order, or the effective de-linking of African economies from the existing order.

The idea of a radically restructured international economic order has been under discussion, at least as far back as the end of the 1960s, reaching a climax in the resolutions of the United Nations General Assembly and the UNCTAD in the 1973-1977 period. The failure of the proposals for the establishment of the New International Economic Order was not unpredictable (Sawyer, 1984, 300-301). It is doubtful if the prospects for such a new order are any brighter now than they were a decade ago.

Turning to the notion of de-linking, it has received considerable attention, mainly among academic and political theorists, not only in the Third World but also elsewhere. Somehow the notion has never been treated as a serious option because the political and economic pre-conditions for its realisation have always been found too much for the existing order.

B. The Lagos Plan of Action, APPER and UN-PAAERD

Africa has not been slow to acknowledge the crisis and take collective counsel on how to deal with it. In 1980, the OAU convened a summit meeting of African Heads of State and of Government to consider exclusively the economic problems then gathering momentum. The meeting lamented the African condition, provided a diagnosis of the problems, and prescribed an action plan for dealing with them. This was set out in the "Lagos Plan of Action for the Economic Development of Africa, 1980-2000" and the Final Act of Lagos, simply referred to as the Lagos Plan of Action (LPA).

The LPA included detailed analyses and prescriptions in respect of food, agriculture, technology and industry, etc., which it was intended should help African countries achieve self-sustaining development by the end of the century. The essence of the prescriptions can best be captured by reference to the basic principles which were to guide the implementation of the LPA. These, as set out in the Preamble, run as follows:

- (i) Africa's huge resources must be applied principally to meet the needs and purposes of its people;
- (ii) Africa's almost total reliance on the export of raw materials must change. Rather, Africa's development and growth must be based on a combination of Africa's considerable natural resources, her entrepreneurial, managerial and technical resources and her markets (restructured and expanded), to serve her people. Africa, therefore, must map out its own strategy for development and must vigorously pursue its implementation.
- (iii) Africa must cultivate the virtue of self-reliance. This is not to say that the continent should totally cut itself off from outside contributions. However, these outside contributions should only supplement our own effort: they should not be the mainstay of our development;

- (iv) as a consequence of the need for increased self-reliance, Africa must mobilise her entire human and material resources for her development;
- (v) each of our States must pursue all-embracing economic, social and cultural activities which will mobilise the strength of the country as a whole and ensure that both the efforts put into and the benefits derived from development are equitably shared;
- (vi) efforts towards African economic integration must be pursued with renewed determination in order to create a continent-wide framework for the much needed economic co-operation for development based on collective self-reliance (LPA, 1980, 8-9).

The promulgation of this plan was followed by the Sahelian drought and famine, which struck with unimaginable virulence, peaking in 1983/84. At the time there was a general feeling that the very physical survival of millions of Africans and, indeed, the very basis of several African countries, was in severe jeopardy. In addition to the emergency relief measures undertaken by Africa and the international community, an OAU summit, devoted primarily to the discussion of the African economic crisis, was convened in July 1985. The specific purpose this time was to prepare a position to be presented to a special session of the General Assembly of the United Nations, which was to consider and take action on Africa's economic and social problems.

The Addis Ababa summit produced a document, *Africa's Priority Programme for Economic Recovery 1986-1990* (APPER), in which the African leaders noted that five years after the adoption of the LPA, little progress had been made in its implementation. They took note of the obstacles and constraints which were considered primarily responsible for this failure. Among these were:

- (a) failure to restructure the inherited colonial economies;
- (b) the deepening of dependency through the misallocation of domestic resources and over-reliance on external human and financial resources;
- (c) the intervention of unforeseen factors such as drought, accelerated desertification, cyclones and South African destabilization, especially in the Frontline States; and
- (d) the "very slow" development of co-operation and integration in new sub-regional groupings.

It is clear that some of these constraints or short-comings can, and should be, remedied by African countries themselves, while others are beyond their control and may thus call for concerted international action. In any case, the implementation of the Lagos Plan of Action in the years ahead will remain a challenge which requires consistently conscious action and vigilance on the part of individual African countries and collectively. (APPER, 1985, 13-14)

The burden of the documents which emerged from this summit and which were submitted to the UN General Assembly for consideration in June 1986 was an acknowledgement by African leaders of Africa's share of the blame for

the parlous condition of the continent and the proposal of action programmes to deal with it; Africa's appreciation for the relief effort mounted by the international community to help alleviate the famine, etc.; and a call to the international community to go beyond emergency relief and to contribute to the long-term resolution of the African crisis. It was emphasised that international action was needed to ease the crushing burden of Africa's external debt and to improve the outlook for the export earnings of African countries by stabilizing and increasing the prices paid for their exports, as well as by allowing them greater access to the markets of the developed countries (*Submission*, 1986, para. 47).

The result of the UN session convened to consider the African crisis was a "compact" between Africa and the international community set out in the *United Nations Programme of Action for African Economic Recovery and Development, 1986-1990* (UN-PAAERD).

The position thus taken by the African Heads of State in Africa's Priority Programme for Economic Recovery (APPER) and her submission to the UN General Assembly in 1986, while affirming the basic objectives of the LPA, lacked the latter's confident insistence on collective self-reliance. No doubt in response to the deterioration of the situation since 1980, attention was more narrowly focussed on the priority areas, and the limitations of any action taken by the African countries on their own were frankly acknowledged. Hence the appeal to the international community through a UN General Assembly discussion, and the compact between Africa and the international community for joint action towards the resolution of the crisis.

C. Adjustment Measures

At the same time that they were making these formal pronouncements and proposals at regional and sub-regional meetings, individual African countries were instituting programmes for the rehabilitation/development of their national economies. The majority of these have taken the form of structural adjustment programmes (SAPs), to which we now turn.

The technical details of SAPs as well as accounts of particular national instances, have been extensively discussed in the literature and at several recent conferences. Moreover, the country papers commissioned for the present conference will, I am sure, throw more light on the subject than I could possibly do in this paper. I shall, therefore, attempt but a brief outline of the main features of SAPs to provide the background to my discussion of some of the political implications of SAPs.

A distinction is sometimes drawn between SAPs formulated under the aegis of the IMF/World Bank, and other adjustment programmes. This is a distinction we consider to be without much difference, except that in the case of the IMF/World Bank-sponsored programmes in SSA, there is the added benefit of special access to financial flows from these institutions and other bilateral and multilateral sources.

It is undoubtedly the case that structural adjustment measures recently undertaken by SSA countries are similar in all essentials. This is no mere coincidence. It stems primarily from the fact, already noted, that the economies of all these countries occupy objectively similar positions in the world capitalist economic dispensation. So long as an underdeveloped country remains within that order, the basic choices open to it remain much the same. For instance, any attempt to raise bank credit during the crisis or to secure investments from any part of the capitalist world is likely to be met by the demand that the country first conclude an arrangement with the IMF. Even if this were not the case and a country attempted to proceed without recourse to the IMF, the structural location of the economy of that country within the international order would restrict its choices in responding to the crisis to measures of the same sort as would be imposed under an IMF/World Bank regime.

The claim is sometimes made by some SSA countries that the particular adjustment measures they have adopted are "indigenous", either in the sense that they had been concluded independently of the IMF/World Bank, or that they were the outcome of hard bargaining on the part of the SSA negotiators. While this may provide a psychological boost to SSA leaders or salve their consciences, and while there may be short-term local variations, the claim is of very little consequence.⁷ Our discussion will, therefore, make no distinction between IMF/World Bank and other SAPs.

The essence of the SAPs adopted by countries in the SSA is the reduction/removal of direct state intervention in the productive and distributive sectors of the economy, restricting the state to the creation, mainly through the manipulation of fiscal and monetary instruments, of an institutional and policy framework conducive to the mobilisation of private enterprise and initiative. This, it is believed, would give freer play to both internal and external market forces and provide the appropriate engine for a resumption of economic growth and development.

Within this very broad theme, adjustment measures adopted by SSA countries include measures on some or all of the following:

(a) *Public Expenditure*: Steps are taken to reduce public borrowing and budget deficits by means of expenditure cuts and ceilings, as well as to shift the pattern of public investment towards the export sector. Moreover, public service emolument expenditure is contained by the retrenchment of staff and a general restraint on salary and wage increases, in some cases, actual salary and wage cuts. Finally, subsidies for the provision of public services are reduced or removed through the generalisation of cost recovery programmes.

(b) *Domestic Savings*: A package of measures intended to increase domestic savings is introduced, among them the manipulation of interest rate policy and income tax reforms to put more money in the hands of those likely to save or invest their surpluses.

(c) *"Rationalisation" of the State-Owned Sector of the Economy*: The object here is to reduce state ownership and control of economic activities to the

barest minimum, and to make surviving state-owned enterprises more profit-oriented and less protected and subsidised. To this end profitable state enterprises are to be sold off, or private parties invited to buy in, the latter usually taking up management control as well. As to "unprofitable" enterprises, they are to be liquidated altogether, or, if of strategic importance, "rationalised" by retrenchment of employees, severe reduction in real wages and upgrading of the quality of management. In addition they are to charge economic rates for their services, thereby working themselves off state budgetary subventions.

(d) *Liberalisation of the Economy*: In a sense the measures considered above are all aspects of liberalisation, which aims at allowing greater play to the forces of the market. Our concern here is with:

- (i) the removal of state controls on the determination of the value of the national currency (resulting almost invariably in its steep devaluation as against foreign currencies);
- (ii) the removal of exchange controls, thereby subjecting the external payments situation to market determination; and
- (iii) the removal of curbs on imports, prices and distribution within the economy.

The broad justification for this last set of measures is that market-determination will lead to the most efficient allocation of productive resources.

(e) *Export Promotion*: To deal with the chronic shortage of foreign exchange, an export drive is vigorously undertaken. Thus in addition to the shifting of resources into the export sector, there is often a substantial real increase in the producer price of export products, as well as the strengthening of special arrangements to enable exporters to retain a proportion of their export earnings in off-shore "retention accounts". This is furthered by a liberalisation of the uses to which such accounts may be put, e.g. the payment of dividends and trade bills and the purchase of machinery and spare parts.

(f) *Promotion of Foreign Private Investment*: This often involves the promulgation of investment codes setting out extensive concessions to foreign investors. In addition to these concessions, subsidies and protection for indigenous industry are often eroded in order to reduce its competitive edge over foreign investments. Finally, a general programme of wage restraint within the economy is more or less actively pursued in order to reduce the cost of doing business locally and thereby increase the returns to foreign investment.

It will be noted that there is no reference in all this to a specific push for industrialisation, nor is there any indication of an industrialisation strategy. In the typical adjustment programme this is either because the condition of the economy is considered too desperate even to think of industrialisation, or because it is assumed that market forces and the investment concessions will lead to the setting up of "appropriate" industry. None of this can stand up to analysis, since the measures introduced tend to favour the old-style extractive

industries and work against the establishment of locally-sourced manufacturing industry. For instance, most of the heavy infrastructural development is focussed on agriculture, mining and primary export production generally. Again, the focus on demand management and a low-wage regime deprive local industry of the effective demand without which it cannot survive, let alone thrive, even as the open-door policy exposes such local industry as survives to crippling competition from foreign imports, especially of finished consumer goods. The problems of local manufacturers are compounded by the general credit squeeze which deprives them of easy access to working capital. As the SAP continues, therefore, many local manufacturers are forced to fold up or be absorbed by foreign "partners".

Similarly, there is no effort to fashion a coherent agrarian policy that will lead not only to increases in rural incomes, but also to the necessary complementarity between rural production and industrialisation. Again, mere increases in the producer price of food products cannot substitute for reforms of rural ownership structures and technical supports that will be necessary to support a self-sustaining and industrialising domestic economy.

It should be clear from the foregoing that, in general, the nature of the SAP measures is such that:

- (a) each African country acts individually in its dealings with the international financial and donor community, whether at the bilateral or the multilateral level;
- (b) the measures tend towards the reproduction of the existing conditions, especially the dependence on external financial flows, the extreme external orientation of production and trade, and the non-integration of the domestic economy; and
- (c) there is a failure to mobilise all domestic resources, material and human, in the drive for true development.

When it is recalled that a significant element, particularly in the LPA, was the insistence on an approach to the crisis which demands of the African States *collective action*, on the basis of *self-reliance*, with a view to *self-sustaining* i.e. *non-dependent development*, there emerges a major contradiction between the objectives of the LPA, APPER and UN-PAAERD, on the one hand, and, on the other hand, the nature of the SAPs adopted by African countries in their attempt to resolve the crisis.

The following questions, therefore, need to be asked: given existing conditions and trends both international and national, what would be the shape of a fully "structurally adjusted" African country? Would it be a fully-integrated, self-reliant, self-sustaining and developing economy, as the LPA and the APPER envision, or would it continue to be a disarticulated, dependent, externally-dominated and regionally unintegrated economy? It is difficult to avoid the conclusion that the specifics of the SAPs and trends in the international environment suggest that a successfully "adjusted" African economy, if such were ever attained, would look more like the latter - a dependent economy, than the former - a self-reliant one. On this view, the

adjustment measures currently adopted by African countries are likely to lead to results totally at variance with those envisioned by the LPA and the APPER.

This brings up a further set of questions: to what extent is the vision of the LPA and APPER realistic in the present circumstances? Are the adjustment measures adopted by African countries not the more realistic, in that they, at least, address more pragmatically the options realistically available to Africa? Put another way, given the existing or any other conceivable capitalist international economic order, are the objectives of the LPA and APPER attainable? Is there not a disjuncture between the vision of fully-integrated, self-reliant economies and the specific measures proposed, even by the LPA and APPER, for dealing with the African crisis? Would it be pressing matters too far to suggest that, while the spirit and the origin of current SAPs may appear inconsistent with the *stated objectives* of the LPA and the APPER, the specific SAP measures are not inconsistent with the specific prescriptions of the LPA and APPER, *given the realities of the existing international economic order*? This point will have to be further developed.

Political Implications of Current Structural Adjustment Policies

A principal characteristic of current SAPs in SSA countries is their direct dependence on external financial flows usually linked to the IMF/World Bank, the international private banks and the trans-national corporations (TNCs). Largely because of this dependence, countries undertaking SAPs are obliged to surrender control over critical elements of national economic policy to external determination. As we have seen, this affects policy on such matters as credit, public expenditure and wage levels, the value of the national currency, imports, exports, external payments, investment and the nature and extent of public ownership within the economy.

The degree to which external interests determine the particular policy measures adopted by a country depends, obviously, on the specific conditions under which the adjustment programme is adopted, including the strength and the political orientation of those in power in the country, the depth of the crisis affecting the local political economy, and the prevailing international environment. But in all cases the macro-economic framework is fundamentally conditioned by the external factors described above. This determination may take the form of the direct introduction of a package of policies into the SSA country or, less directly, of "technical advice" insistently pressed. It sometimes comes under the guise of prerequisites for obtaining relief from other sources. This last occurs where there is direct pressure by donors or where international private financial sources such as banks withhold loans until an appropriate arrangement with the IMF has been concluded by the country in question.

Whether the external influence takes the direct or indirect form, the result is a further constriction of the power of the African state to make fundamental

policy choices. In this connection, particular attention needs to be paid to the *political* role played by aid and external debt in such circumstances. Indeed, in the contemporary world, aid and the debt trap constitute the carrot and the stick by which the industrialised countries seek to bend Third World countries to their will.

Lest it be thought that resentment against this external determination of critical elements of the adjustment package within the SSA countries is based solely on hurt national pride, it must be pointed out that, in spite of the pretence that the strategies and policies advocated by the IMF/World Bank are the most efficient means for the revival and sustenance of African economies in crisis, the specific strategies and policies are not as neutral as the rhetoric would suggest.⁸ This arises from the very nature of the IMF/World Bank and their role in world economy. The two institutions, as well as other multilateral financial institutions, are heavily dominated by the Western industrialised states, in particular the U.S.A. Indeed the IMF and the World Bank have been boldly described as "western capitalist institutions" (Hayter and Watson, 1985, 150). As is only to be expected, those states pursue policies that advance their national interests, especially as those interests are interpreted by their TNCs and banks. In consequence, both the ideology that animates the IMF and the World Bank, and their specific policy prescriptions clearly reflect the interests of the principal actors, namely the TNCs based in the industrialised countries.⁹

From the point of view of Third World countries, the relevance of this observation lies in the common interest of the TNCs, their states of origin, and therefore the institutions dominated by those states, in sustaining and deepening the existing international economic order, under which the economies of the Third World are subordinated to the interests of the Western industrialised economies.

This is not to deny that there are contradictions, sometimes of major proportions, between TNCs and between states in the Western industrialised world. The important issue is the fundamentally united position dictated by the objective interests of the principal economic actors in those countries in their relations with Third World countries. Consequently, multilateral financial institutions, as agents of "multilateral imperialism", work to ensure that the economies of the Third World are conditioned to "accommodate", i.e. serve, the basic interests of the Western industrialised economies. This accommodation takes the form of rendering their labour and resources open to exploitation *in situ*, supplying raw materials and other inputs needed by the Western industrialised economies, and providing markets for their products. For this purpose it is necessary to ensure unimpeded access to the raw materials and markets of Third World countries, as well as the uninterrupted movement of capital into, and profits *out of*, their economies.

To achieve this in the post-independence era, imperialism needs to control developments within Third World countries, at least to the extent of putting in place, or keeping in being, mechanisms which reproduce the conditions of dependence. That way it is able to maintain conditions for indirect control

through the manipulation of economic factors. In this regard, the situation of chronic shortage of foreign exchange, food deficits and the existence of a substantial external debt constitute an excellent basis for non-political, non-military manipulation of political and economic decision-making within Third World polities, and the continued extraction of surplus value therefrom.

It is important to appreciate that to the extent that this analysis is correct, the existence of the so-called "debt crisis" in Third World countries is a vital part of the control mechanisms available to the Western industrialised countries. It is, therefore, unrealistic to expect those countries to give up these instruments by helping Third World countries escape from the food deficit and debt traps. Neither food aid, "green revolutions", nor re-scheduling to extend the life of existing debt and to alleviate current hardships, conversion to equity, nor even the occasional waiver of portions of such debt, weaken the force of this observation. For, the self-interest of the industrialised countries demands that Third World countries remain sufficiently viable to play their role in the existing international economic order.

It has already been observed that the extent of external determination of the internal policies of any SSA country depends on several factors. It is the case, however, that whatever the other conditions may be, the influence of external factors is perhaps greatest in times of crisis within the SSA economies. It is, therefore, not surprising that even the most resistant African countries end up "suing for peace" with the IMF/World Bank.¹⁰ Thus as a result of the desperation faced by most SSA countries in the recent past, the leverage of the IMF and World Bank in Africa has become more pronounced and overt¹¹, and the character of adjustment programmes adopted by these countries has been more decisively shaped by those institutions.

From what we have said, particularly about the domination of the IMF/World Bank by the Western industrialised countries and the role of the IMF/World Bank in the fashioning of adjustment programmes in the SSA countries, one would expect those programmes to reflect the basic interests of TNCs based in the industrialised countries. Put another way, those programmes would be biased towards the reinforcement of the colonial features of the economy rather than the building up of structures for self-sustaining, self-reliant national economic development ("Arusha Initiative", para. 9).

That this is not merely dogmatic posturing can be established by an examination of the adjustment packages in any of the SSA countries. For instance, a critical focus of almost all adjustment programmes is the restoration of basic infrastructure allowed to collapse during the years of the crisis, with a very heavy bias in favour of infrastructure related to export production. Thus harbours, railways, trunk roads, etc., have tended to attract a disproportionate amount of the new public investment. A strong argument could be made that the restoration of such infrastructure is indispensable to economic recovery in any event. It just happens that this rebuilding of infrastructure tends to reinforce the commitment to, and dependence on, the

production of primary commodities for export. The assured supply of such inputs certainly benefits the industrialised economies. The benefits to the SSA countries of increased production of primary commodities for export, are less clear in the long-run, but even in the short-run, the already low export prices should give cause for worry.

When one turns to the social sectors, it is noticeable that in spite of the lip service paid to the need to improve the social sectors of the economy, not much investment of new capital is made in these sectors. Such investment as gets made is of secondary importance, and the procurement methods adopted in connection therewith, as with the heavy infrastructural investments mentioned above, invariably involve the importation of finished goods from the Western industrialised countries.

Another example relates to national policy on the use of foreign exchange. To contain the perennial problem of acute shortage of foreign exchange, almost all Third World countries have introduced measures to control access to foreign exchange by local residents. The argument for this set of controls is that it enables the state to allocate its limited foreign exchange resources to the most productive sectors of the economy. Much fault can be, and has undoubtedly been, found with the *administration* of such controls. This has provided a convenient basis for a wholesale attack on such controls. The leadership of this attack by the IMF/World Bank, which espouse an ideology totally opposed to exchange controls, has little to do with the well-being of individual Third World economies. It has more to do with the manifest interest of the TNCs in the free mobility of their capital and the repatriation of their profits. For this reason, the Articles of Agreement of the IMF provide against the imposition by its members of any restrictions on international payments for "current transactions between members" (Art. 1[iv]). It is, therefore, hardly surprising that among the principal features of adjustment programmes are the reduction/removal of exchange controls, the lifting of restrictions on imports and the free repatriation of profits by foreign investors.

What is the likely impact of the removal of such controls on the use of foreign exchange in a country suffering from a severe foreign exchange shortage? It does not leave much to the imagination. The flight of capital and the rampant importation of items with the readiest and most profitable markets would be the most obvious short-term effects. Were the country able to procure foreign exchange in sufficient quantity to meet all the demands on its foreign exchange resources, it would be possible to permit the market to determine access to foreign exchange. This would ensure the most efficient allocation of national resources in the medium to long-term, without sacrificing essential but "unprofitable" imports. That is the ostensible argument for the push against exchange and import controls. Unfortunately, SSA countries never have access to enough foreign exchange for long enough to achieve this effect. That, indeed, is part of the essence of the crisis. What one finds, therefore, is the prolongation of the short-term capital flight and importation of profitable inessentials into the medium and long-term, and the

continuing shortage of critical manufacturing inputs leading to the contraction of the economy (Hansohm, 1986, 154).

It can, therefore, be said that whatever the theoretical benefits of this liberalisation of the foreign exchange position, in the specific conditions of Third World economies in crisis, the negative effects tend to continue unrelieved by the expected benefits. Why, then, would anybody advocate liberalisation in this form? The answer is that whilst the negative effects are felt by the majority in the SSA countries, the benefits accrue to interests mainly outside. Not surprisingly, it is the representatives of those outside interests and their collaborators within who are the strongest advocates of liberalisation.

An illustration of this phenomenon would be in order. As part of the adjustment programmes, some Third World countries have introduced a foreign exchange auction in order to enable government to determine the "market value" of local currency, and at the same time realise the highest possible local currency returns for its foreign exchange holdings. In view of the overall shortage of foreign exchange, however, the auction is usually initially limited to the priority import needs of the economy. Thus, for instance, only holders of import licences may be permitted to bid in the auction. This ensures that while the bidding is limited to the operators in the priority areas, the auction permits the most efficient among them - who can, therefore, afford to pay the most for the currency - to secure whatever foreign exchange is available.

Invariably excluded from the auction, at least to begin with, are imports of finished consumer goods. But from the outset there is severe pressure on the SSA governments to include such items in the auction, thereby enabling importers of such consumer goods to compete on even terms with importers of machinery and socially important items like drugs and inputs into education. Since it is often the case that finished consumer goods have a ready market and therefore yield high profits, importers of such goods are able to mobilise large enough amounts of local currency and to outbid importers of, say, drugs or machinery. Moreover, their competition tends to bid up the price of foreign exchange. This has the following, among other, consequences:

- (a) It tends to push the price of foreign exchange beyond the capacity of importers of capital goods and other items essential to the industrial recovery of the economy and the social well-being of the people, thereby biasing the pattern of imports away from essential items;
- (b) It tends to flood the market with finished consumer goods thereby squeezing out local manufacturers and contributing to the collapse of local manufacturing industry. In time this contributes to making the economy even more dependent upon imports for survival.

Why would any government favour a policy which squeezes out local manufacturers at the same time as it reduces the availability of foreign currency for essential imports? It would appear from reports of negotiations with the IMF and the World Bank that though almost all Third World

countries oppose the demand to bring consumer goods imports within the auction, they are ultimately unable to withstand the pressure. After all, the developed country governments also have their constituents at home, particularly the producers of finished consumer goods. Given the recession in the industrialised economies, the upkeep of production facilities and employment by those constituents often depends on their securing export markets for their products. As an African delegation was recently told informally at a meeting in Washington, Western governments were not about to pump so much of their financial resources into African economies without ensuring that some of the benefits fell also to their own producers of finished consumer goods! What this cynical explanation of the real world position means is that the Third World countries in crisis have to use part of the money they borrow to subsidise factories and other production units in the industrialised countries. Such is the politics of dependence.

The vulnerability of Third World countries and the pressures exerted by the industrialised countries directly or through international financial institutions derives as we have seen from the dependent location of Third World countries in the world economic order, and the extreme crisis affecting them. To reinforce this vulnerability, industrialised countries insist upon dealing with Third World countries individually rather than in blocs. Thus, in spite of the obviously similar problems confronting, say, the SSA countries, and their attempts to formulate common positions on many economic issues, the industrialised countries and their institutions invariably insist upon handling these matters on a case by case, country by country, basis.

This is particularly significant in the case of the international debt problem facing Third World countries. It is recognised that African countries, for instance, are affected in broadly similar ways by external debt. They have, therefore, begun to take common positions on the approach to the debt crisis (APPER, 1985, paras. 99-100; *Submission*, 1986, paras. 68-75). Yet the industrialised countries still insist that they are only prepared to consider and apply debt relief measures country by country.¹²

Since it is easier in these bilateral discussions to treat different countries differently, often in response to neo-economic factors, there is a strong temptation for African countries who expect to get special treatment, to break rank and divide the front of Africa on this and other issues. The result is that in spite of the clear desire of African countries, acting through the OAU, ECA and sub-regional groups, to plan and act in concert in these matters (APPER, para 100), Western industrialised countries are able to pressure them individually into adjustment programmes which lock them individually into the Western capitalist orbit. This weakens the drive by African countries to co-ordinate their attack on the crisis and to link up with other Third World countries in a meaningful push for the reshaping of the international economic order.

We turn now to a consideration of the internal political conditions needed to push through and sustain the adjustment measures. We also consider the

effects of these measures, in turn, on the social and political conditions of the country. The answers must be found not only in the character of the specific measures but also in their effect on the various social groups. For whatever the objectives and potential long-run prospects, a decisive political factor is the short-term acceptance of the austerity programme by people in the country, whether this "acceptance" be willing or coerced. This can be assessed in relation to the broad social groups as follows:

(a) The broad mass of working people, covering wage labourers as well as lower-level employees in both the public and private sectors, are very seriously hit by the retrenchment exercise which forms a critical part of any adjustment package. In addition to the large number of layoffs of this category of worker, the majority of those who remain in employment suffer from a widening gap between the bottom and the top of the wage/salary structure. This increasing differentiation is a deliberate policy measure aimed at increasing incentives to top executives and professionals, especially in the public service.

(i) The effect of this reduced work force is to create a situation of fewer but, on the average, better-paid workers. It also leads to an expansion of the "petty services sector" - often no more than a thinly disguised addition to the pool of the unemployed. Unfortunately, of those who remain in employment, even the best-paid, particularly in the public service, are subject to a severe erosion of the real value of their earnings. This follows from the constantly escalating prices of essentials, and the astronomic increases in the cost of public services resulting from the regime of cost-recovery introduced as part of the adjustment process.

(ii) In sum then, for the working people market-determination of prices and cost-recovery for public services, lead to a further drop in the standard of living. Coupled with the constant threat of retrenchment, and without unemployment benefits, this puts workers in a really grim situation.

(b) We have noted the opening up of the domestic market to foreign competition through the removal of protective barriers for local industry, and the liberalisation of foreign exchange and import policy. We have also referred to credit policy and restrictions on money supply, and their effects on the liquidity position of local manufacturing industry. The effect of these and similar measures is to increase the domestic cost of production and cripple local manufacturing industry by driving it increasingly into bankruptcy or partnership with foreign capital. These measures, therefore, constitute a severe attack on what might be described as the *national* capitalist class. This would include indigenous entrepreneurs who would normally seek to bring under their exclusive control and put to productive use, all national productive forces, thus becoming indigenous "captains of industry".

(c) When we turn to the loose category of the urban and rural poor the situation is perhaps grimmest of all.

- (i) The urban poor we take to include town-dwellers with no access to farmland, who, not being in wage employment, engage in small-scale buying and selling and the provision of petty services. The social and material conditions of this category are at all times no better than precarious. But this is made unbearable by the deterioration and high cost of public services. Since they do not dispose of significant money incomes and are not so placed as to benefit from the prerequisite public or private office, they sink deeper into poverty and degradation.
- (ii) Grinding rural poverty has always been a characteristic of the underdeveloped economy even at the height of commodity price booms. This is often obscured in the determination of aggregate or "average" rural incomes, which lump big landowners, commercial farmers and rural moneylenders together with peasant farmers and landless agricultural workers for the purpose. One of the principal measures undertaken under the adjustment programmes is an increase in producer prices. But the benefits of this measure do not always spread evenly throughout the rural community, the bulk usually going to the better-placed large farmers, transport owners and moneylenders. Thus, while they may not get the full benefit of increases in producer prices, the rural poor invariably feel the full rigour of the negative aspects of the adjustment process. The increasing cost of credit, inputs and services like transport weigh heavily on them, while social services such as education and medical facilities remain beyond their means.

The poor in society thus become poorer, both relatively and absolutely, under the austerity measures. As a recent UNICEF study concluded, "No adjustment policy is acceptable which allows children to be sacrificed for the sake of financial stability. *Yet it has happened*, and it need not happen" (UNICEF, 1987, 4) (emphasis supplied).

Clearly if these were the only groups in society there would be little possibility of such austerity measures being introduced or maintained. But there are social groups that benefit from the introduction of these measures. These would include;

(a) people in the higher echelons of the public service, who because of the technocratic thrust of the SAPs, and big people in the party apparatus who through increased control over patronage, enjoy not only improved material conditions from the new order, but also increased political power and social prestige;

(b) top executives in private business, especially businesses to do with foreign capital, who therefore derive the most from the mini-boom conditions created by the injection of foreign exchange into the economy;

(c) the comprador class, embracing a wide variety of occupations - from local agents of foreign businesses, partners and consultants to such businesses, to institutions providing specialised services such as hotel accommodation and advertising to foreign interests;

(d) import and export merchants, especially those able to get foreign exchange at the official rate, and sell their goods at parallel market prices;

(e) the beneficiaries of the privatization measures, who are able to buy up or buy into state-owned enterprises, usually at concessional prices and with credit easily obtained officially or through the appropriate connections; and

(f) large landowners and bigtime commercial farmers who get the benefit of the producer prices, low-wage policy, as well as privileged access to state-provided inputs and services.

It thus becomes clear that, at least in the short-run, austerity for the majority goes hand-in-hand with benefit, in some cases, windfall benefits, to a minority, who, not infrequently, indulge in the most conspicuous consumption.

What are the political implications of the developments sketched out above?

(a) The poor and deteriorating conditions of the majority of the people create a situation of more or less overt restiveness and opposition to the austerity measures. Whatever form such opposition takes, one of its effects is to isolate the alliance of minority groups who, in concert with foreign interests, support the programme.

(b) As the austerity measures tend to be opposed by the majority, usually spearheaded by organised labour and elements of the intelligentsia, it becomes necessary for the ruling alliance to:

- (i) move to shut off public discussion of the measures and government policy generally; and
- (ii) put down such opposition by the suppression of the elements spearheading opposition, and by outlawing or restricting strikes and crushing mass demonstrations, if necessary, by the violent use of state power.¹³

This has the effect of reinforcing the development and consolidation of authoritarian and repressive political forms. It is not for nothing that representatives of Western capital stress the importance of "strong government", and praise the "political will" and the "courage" of those regimes able to hold the austerity line. Can they be referring to regimes strong because they reflect and represent the collective will of a politically-conscious and committed people? Or to the political will to resist domination by foreign interests? Or are they, instead, referring to strength deriving otherwise than from the support of the mass of the people, backing the "political will" of a minority to impose and maintain austerity programmes which the majority of the people would be unlikely to accept, were they given a say in the matter.

It is hardly surprising that military regimes and authoritarian civilian governments - whether of the one-party, no-party or multi-party variety - provide the political conditions most conducive to the maintenance of the current crop of SAPs in Africa.^{13A}

(c) The resulting disenfranchisement of the majority and the shutting-off of public discussion tend to provide a smokescreen for mismanagement and corruption because there is no effective check on the activities of those in high

office. Moreover, these developments lead to the demoralisation and apathy of the mass of the people. Many governments are surprised by this, and complain bitterly about how unproductive and lazy the people are. They then resort to the most strident exhortations to people to produce, sacrifice, show discipline, loyalty to government or party or country, etc. In a few cases where the prevailing rhetoric favours "participation", it is noticeable that as soon as the mass of the people attempt to give meaning to the concept, the state quickly pulls it back in the supposed interest of discipline, productivity or whatever. The people promptly revert to the status of supportive, or at any rate silent and uncomplaining, producers. There is thus no serious attempt to mobilise and motivate the mass of the people, lest they start asking questions and making demands.

(d) Particularly as a means of counteracting the largely urban-based opposition to austerity, there is much play on a rural-urban dichotomy, usually in the form of the allegation that the people in town are "exploiting" the rural populace. This notion of an undifferentiated urban populace exploiting an equally undifferentiated rural populace clearly flies in the face of observable fact. Yet it has the merit of helping to divide the disenfranchised majority of urban and rural poor and, therefore, at least for a time, to weaken the opposition to the austerity measures. This is particularly the case where the rhetoric is followed by an increase in investment and services in the rural areas. This divisive effect does not last too long, however, mainly because, whatever benefits come to the countryside usually accrue disproportionately to the rural rich and absentee owners. The rhetoric, nevertheless, tends to give legitimacy to rural chauvinism and ethnic politics.

It needs to be emphasised that not all effects of SAPs are so negative, nor are all the negative outcomes the result exclusively of the adjustment programmes. Indeed, the location of most Third World economies within the international economic order, and their internal economic and class structures, would alone pre-dispose them in the directions indicated. The argument outlined above is simply that the nature of the adjustment process hastens them along the path and consolidates the process.

What is usually said in defence of the structural adjustment programmes is that without IMF/IBRD support and the financial flows it brings, adjustment would be too harsh on the people. On the other hand, if the strategy embodied in the SAP succeeds, it will generate greater wealth all round, thereby making it possible to alleviate the sufferings even of the majority. The problem with this argument is that it is difficult to envisage a successful outcome of the programme. In the first place there is no credible strategy for industrialisation on the basis of the full development and use of local raw materials and skills. Nor does it create the political and social conditions for the effective motivation, mobilisation and organisation of the whole nation behind the development drive - indeed, it can be argued that it does the precise opposite, at least in the short-run.

Secondly, financial flows on the scale required are unlikely to be forthcoming even on the most optimistic assumptions. As estimated by African leaders, the total resource requirements needed to sustain the APPER over the period 1986-1990 amount to \$128,1 billion, of which \$45,6 billion (35,6%) must come from outside (*Submission*, 1986, para. 100). Assuming that Africa is able to raise \$82,5 billion out of her domestic resources - the record over the first two years gives no cause for optimism - what are the chances of her securing financial inflows averaging \$9,1 billion over and above debt service obligations conservatively estimated at \$14,6 billion (*Abuja Statement*, 1987, para. 12) each year for five years?

Even if these resources were mobilised, and the correct industrial policies followed, without substantial exportation of *manufactures*, the strategy is sure to founder. Where are the markets for these manufactured products: within the African region? in other underdeveloped countries? in the developed industrialised countries? Does anyone need to be reminded about the strong protectionist pressures in those countries against imports from the more "successful" Third World countries? (Payer, *South*, Jan., 1987, 44)

Even if a few SSA countries could overcome all these handicaps and make a breakthrough, can anyone expect this to be generalisable at the same time to other SSA countries? Again, structural change of the sort needed to make such developments occur and continue will take no less than ten to twenty years to be fully established. What are the prospects of political stability in any SSA country holding long enough for this to happen?

Given these circumstances, in particular, the one-sided dependence on international capitalism, the stifling of productive *national* capital and the failure to develop industry which would productively absorb surplus labour and provide for national needs in the medium to long-term, are we not faced with prospects of austerity without end?¹⁴

The future would appear to promise:

(a) The immiseration of increasing numbers of increasing proportions of the populace without exciting sustained, effective and militant resistance,¹⁵ because of the absence of truly national capital and a developed and organised working class - the very classes needed to spearhead the resistance to domination by foreign capital.¹⁶ But for the reasons given, the economy will not develop because the full development of the productive forces is not possible under the structural adjustment measures. The crisis will, therefore, persist. Continuing political instability will result in the replacement of one repressive fragment of the ruling group or military junta by another - a form of political musical chairs - with the mass of the people becoming essentially interested but demoralised observer-victims.

(b) As a decline in productive capacity occurs in one Third World country after the other, the repercussions for the international capitalist economic order would become critical. Can the Western industrialised countries move out of deep recession under conditions of the near-collapse of the Third World economies? Are we in for a 1930s-type depression, a development which has

so far been successfully held back by the manipulation of monetary and fiscal measures, and the shifting of the burden of recovery on to the Third World countries? How can the many contradictions in contemporary capitalism be resolved? A Third World War, perhaps?

Adjustment "With A Human Face"

The account given above of the African economic crisis and the attempts by the SSA countries to resolve it, especially the impact of the adjustment measures on the poorer sections of society, makes very sombre reading. In recognition of this, the question has been posed, both within Africa and by the international community: can the adjustment measures considered necessary to resolve the crisis be carried out in such a way as to remove, or at least minimise, the harshness of its effect on the people of the SSA countries - in particular the most vulnerable groups?¹⁷

The concern to put a "human face" upon the various SAPs has taken many forms:

(a) the introduction of special arrangements to cushion the impact of the adjustment measures on the most vulnerable groups in society - an example is the introduction of nutritional support programmes for special target groups such as children under five years old, and lactating and nursing mothers, with UNICEF playing a very active role;¹⁸

(b) the expansion of public services and an increase in resource flows into the social services - education, health, rural water and sanitation, etc. - specially directed at the poorer sections of society;

(c) "food-for-work" schemes aimed at putting unemployed and under-employed people, especially the young, to work on projects of special community value, such as improved water supply, schools, clinics and feeder roads; and

(d) schemes aimed at increasing income-generation among lower-income households.

It is to be noted that the objective of these programmes is to alleviate the traumas that fall upon the vulnerable target groups as a result of the full implementation of the SAP programmes. These schemes are, therefore, qualified by the following considerations:

(a) They must be compatible with the ideological and theoretical basis of SAPs in general, and specific packages in each country. This poses some serious problems. For instance, how do we reconcile the concern to extend the social services to the weaker elements in society with the insistence upon limiting public spending and ensuring cost-recovery for public services? If the answer is that this is to be done by redirecting public spending away from the privileged and in favour of the underprivileged, given present political and social alignments how promising are the prospects?¹⁹ To take another example, the notion of providing special help to retrenched workers in a situation where the national economy is being effectively de-industrialised -

at best kept industrially stagnant - will require considerable public expenditure to sustain them and help set them up in new occupations. How does this square with the drive to cut public spending and remove subsidies and handouts.

(b) The fact of the matter is that the proposals outlined above run counter to the basic thrust of SAPs, namely, the market-determination of prices and allocation of resources, and the reduced role of the state in the specific management of the economy. Consequently, the measures aimed at ameliorating the harshness of the SAPs must be seen as short-term, to be removed, as the economy "adjusts" and market forces smooth over the rough edges of the adjusted economy.

(c) The expectation that the fully "adjusted" economy will have no need for ameliorating measures of this sort rests on assumptions about the prospects of successful adjustment and the character of the "adjusted" economy. In particular, it presupposes real growth within the economy combined with equitable distribution of the benefits of such growth. Even if the correct policies were adopted and followed and the appropriate political and social conditions maintained *within* SSA countries, it would take a great deal of optimism to anticipate the attainment and maintenance of an adequately supportive external environment to ensure the development of SSA economies to the point of self-sustaining growth.²⁰ But were one to make that leap of faith as well, it would still not be realistic to expect SSA countries to raise themselves from their present depressed and ill-sustaining growth in less than ten, more likely twenty, years. Some crucial questions, therefore, need to be answered. Is it possible to maintain the internal political and social stability required to give the programmes time to work? Put another way, what assurance is there that such growth as is generated will be accompanied by enough equity in the distribution of its benefits to create the conditions necessary for maintaining the required social cohesion and dynamism? What political conditions exist, or are in prospect, to enable the genuine mobilisation of the full range of national talent and human resources needed to sustain a SAP? Without the development of a strong locally-sustainable industrial base, what prospects are there in any SSA country for true development of a self-reliant, self-sustaining economy, sufficiently flexible to withstand difficult economic conditions without going into reverse gear? In the absence of such prospects, is it conceivable that the harshness of the SAP will ever abate?

(d) It should be clear from what has been said throughout the paper that it would not be enough to adopt the correct internal policies nor would it be possible to create and sustain the appropriate internal conditions, without radical adjustments of the international environment within which SSA economies are so deeply embedded. In the restrained language of the 1986 UNCTAD Report:

While the formulation of an adequate long-term strategy for growth and development is of critical importance for any developing country, given the present international economic environment a change in strategy alone is

unlikely to raise growth rates to the extent required. (Trade and Development, 1986, 136)

Concluding Remarks

The burden of the above comments is not to counsel despair. It is to indicate that whatever policies are adopted, they should take full account of the very real limitations of the individual SSA economies, and should form part of a realistic agenda for the effective transformation of the SSA economies, no matter how difficult the path, or how distant the prospect of success. Unless the correct agenda is mapped out, the short-term steps could easily be seen as the unavoidable answer to the problem, rather than what they are, at best, steps necessary to create the conditions for addressing the fundamental issues.

Against this background, it may be noted that it is possible, even today, for SSA countries to have greater influence on the terms of their relationship with international institutions than they do now. We have seen that the position of SSA countries is weakened in part by the fact that they are compelled to deal individually with the international community. It is true that this weakness is recognised and steps are being taken to remedy it. It remains the case, however, that for several reasons SSA countries, like other Third World countries, are unable to resist the temptation to reach out for individual advantage in their dealings with the Western industrialised countries, rather than hold out for collective action and collective benefit.

Again, where one of their number makes the attempt to reject external dictation, the failure of support from other Third World countries is disheartening. The example of Tanzania's effort to formulate an alternative indigenously-determined adjustment programme consistent with its national goals, is instructive both in itself and the conditions for its failure. Much has been written about the details of this experience as well as that of Jamaica under Prime Minister Manley. All we would say here is that if more countries had taken a stand similar to that of Tanzania, and if more Third World countries had been prepared to insist that countries in the position of Tanzania or Jamaica then be not trampled into surrender by the IMF/World Bank and the donor community, a beginning might have been made in the battle for adjustment programmes that stand any chance of bringing true development to SSA.

There are, clearly, major difficulties posed by the political reality of the present international economic order which stand in the way of collective *action* of the sort suggested above, as distinct from collective pronouncement. But the argument here is that, as present arrangements fail in one country after the other, as conditions in individual countries and the region as a whole worsen, such collective *action* would come to be recognised as being no longer simply desirable, but indeed a condition *sine qua non* for true development. Fortunately, there are straws in the wind pointing to the increasing realisation by many countries that this has to be the direction of movement.²¹

Even before we reach the stage of such collective action, however, individual SSA countries could do much better in negotiations with the IMF/World Bank and the TNCs. Instead of pretending that SAPs worked out with the IMF/World Bank are their own creation, the leadership in SSA countries could be more honest about these programmes, acknowledging them as perhaps necessary evils by means of which they expect to be able to get needed international help. To be sure, this would mean that the regime in power would have to face vocal and active local opposition to the measures. but, could we not agreed with President Nyerere that,

when they understand the problems, our people will respond to these economic challenges as they have responded to other challenges in the past. I believe they will bear the further sacrifices, and further burdens, which pressing conditions impose upon us, just as long as they are assured that we are doing our best to share the burdens equitably and continue to pursue our own policies. (Nyerere, 1980, 9) (emphasis supplied).

In sum, where the leadership is able to take the people into its confidence because it is genuinely reflecting their interests and wishes, there is greater assurance that the sacrifices required for adjustment will be forthcoming from the majority of the people.

Another consequence of such openness about negotiations with the IMF/World Bank and the investor community would be that both the Third World leaders and the international community would be fully aware of the limits of tolerance of the people who will have to put up with the proposed measures. This would put Third World negotiators in a position somewhat similar to that of those with whom they are negotiating. For neither the SSA negotiators nor the representatives of the IMF/World Bank are ever in any doubt about the interests and the wishes of the industrialised countries and their TNCs. Similar clarity about true SSA positions can only strengthen the bargaining hand of SSA negotiators *vis a vis* the IMF/World Bank and the investor community.

The point here is that true democratic discussion *within* SSA countries about the real options open to them is an indispensable condition for effective confrontation with the IMF/World Bank (see *Abuja Statement*, para. 33 (b) and (g)). This is because not only will this help mobilise people for the necessary increases in production and productivity and predispose them to bear the sacrifices, but also because it would bring more fully into the arena the disenfranchised majority of the people in most SSA countries, the social groups best able to sustain a confrontation with the interests represented by the IMF/World Bank.

What all this means is that, inspite of well-meant palliatives, the present adjustment programmes would continue to work unconscionable hardship on the majority of the people, and still fail to achieve their long-term development objectives, without political struggles, *within* each country, and *between* the peoples of the underdeveloped world and the ruling interests in the industrialised capitalist world. It is only in the context of this two-level political

struggle that one can contemplate the full emancipation of the peoples of Sub-Saharan Africa, and the liberation of their productive capacity and genius, not just from the current crisis, but from domination by international capital and an unending cycle of such crises.

Footnotes

1. By the end of May 1987, 28 African countries were implementing SAPs. (*Abuja Statement*, 1987, para. 7).
2. The latest at the time of writing were (a) "Africa: The Challenge of Economic Recovery and Accelerated Development", held at Abuja, Nigeria in June 1987 (see "The Abuja Statement", 1987), (b) "The Impact of IMF and World Bank Policies on the People of Africa", organised by the Institute For African Alternatives, in London in September, 1987.
3. For a similar approach see Sutcliffe, 1986, 18; and Szentes, 1978, 15-17 ("tropical Africa").
4. This is true of those countries that have espoused scientific socialism and aligned themselves with the socialist bloc as of the others.
5. This is succinctly set out in *Submission*, 1986, paras. 27-32; *Trade and Development*, 1986, 32; Sutcliffe, 1986, 19-20; OECD, 1987, 8-13.
6. It has been estimated that a two-and-half percentage drop in U.S. interest rates implied a saving of \$13 billion on the debt service burden of developing countries: *Trade and Development*, 1986, II.
7. Moreover, it is an open secret that in most cases the draft SAP documents are worked out and approved by the staff and management of the IMF and/or World Bank, before they are submitted to officials of the country to which the programme was to be applied for in-depth discussion. This does not, of course, mean that those officials make no contribution. But it does mean that the framework for the discussion is preset by the IMF/World Bank.
8. See "The Arusha Initiative", 1980, para. 8; Girvan, 1980, 73.
9. For useful accounts see Abdalla, 1980; Harris, 1986, 92-95; and Hayter and Watson, 1985, Chap. 7.
10. The cases of Jamaica after Prime Minister Manley and Tanzania after President Nyerere are well-known - see Manley, 1980, 5; Girvan et al., 1980, 113 Malima, 1986; and Biermann and Wagao, 1986.
11. It is noteworthy that out of the total IMF credit committed worldwide under stand-by or extended facilities tied to conditionality, Africa accounted for 30% in 1979 and 1980 - the comparable figure for 1970-78 was 3%: (Harris, 1986, 83). Again, the World Bank is reported to be attempting to raise up to \$2 billion per annum to be put into a special fund available only to SSA countries pursuing acceptable adjustment programmes: Loxley, 1986, p.101; *Abuja Statement*, para. 13. On the general question of leverage, see Hayter and Watson, 1985, Chap. 6.
12. A notable, perhaps pathbreaking, exception is the recent announcement by Canada that it was cancelling debts owed it by Francophone and Commonwealth African countries.
13. Examples of so-called "IMF/World Bank riots" (Hayter and Watson, 1985, 139) abound in the recent history of Africa: Egypt (1977); Tunisia, Morocco (1984); Sudan, Zambia (1987), to name but a few.
- 13A. Referring to the development of repressive regimes throughout Asia, Africa and Latin America in the course of the 1970s, Frank makes the following observation: "This repressive political policy has very clear economic purposes and functions to increase the competitiveness of these economies on the world market by lowering wages and to suppress those elements of the local bourgeoisie who are tied to the internal market." (Frank, 1984, 64).
14. In its submission to the UN General Assembly in 1986, Africa's leaders could not avoid "the overall conclusion... that the adjustment packages so far adopted by African countries have not been particularly successful in realising their overall objectives of restoring internal and external equilibrium and effecting a resumption of steady growth". (*Submission* para. 109) The OECD, speaking of financing prospects for the developing countries generally in 1986, observed that "[T]he light at the end of the tunnel has yet to appear". (OECD, 1986, 8)

15. The periodic strikes and "bread riots", ferociously put down by the state, do not qualify as "effective militant resistance".
16. A panel of representatives of US government and business is reported to have said in 1971 about developments in the Philippines:
"As Filipino enterprises have grown and moved into new activities, Filipinos and American businessmen have become competitive and the former . . . have taken political action to minimise the threat of American competition. As the most influential political group motivated to limit access to Philippine resources and markets, they have provided a respectable nucleus around which diverse nationalist elements have coalesced . . ." (quoted in Bello, et al. 1982, 137)
17. In an address to the UNCTAD, Michel Camdessus, Managing Director of the IMF, had this to say: "Growth-oriented adjustment does not have to lower basic human standards. Indeed . . . the more programmes give proper weight to social realities - especially their implications for the poorest - the more successful they are likely to be." *IMF Survey*, July 27, 1987, 234.
18. UNICEF reports successful vaccination drives in Burkina Faso, Sudan and Mozambique: *UNICEF*, 1987, 22, 42 and 48.
19. A notable instance of exactly this redirection is Indonesia's success in increasing spending on immunization even while making cuts in overall health spending - mainly by postponing the building of new hospitals: *UNICEF*, 1987, 4.
20. UNCTAD reports that, "[T]he outlook for Africa is far from encouraging. Growth rates remain at relatively low levels throughout the period [1985-1995], and this was accompanied by a substantial worsening of all the external financial variables . . . The examination of regional situations . . . reveals the potential for the emergence of a debt situation in Africa that can only be described as alarming". *Trade and Development*, 1986, 121-122; see also *Abuja Statement*, para. 8.
21. The OAU is reported to be planning a summit meeting on the debt question for December 1987, to keep up the momentum towards an international conference on the whole issue of Third World indebtedness.

Bibliography

- Abdalla, I. (1980), "The Inadequacy and Loss of Legitimacy of the International Monetary Fund", *Development Dialogue*, 1980: 2, 25.
- Abuja Statement, (1987), ECA/CERAD/87/75.
- APPER (1985), Africa's Priority Programme for Economic Recovery 1986-1990, OAU.
- "Arusha Initiative: A call for a United Nations Conference on International Money and Finance", *Development Dialogue* 1980: 2, 10.
- Bello, W., D. Kinley and E. Elinson (1982), *The Development Debate: The World Bank in the Philippines*, San Francisco: Inst. for Food and Development Policy.
- Biermann, W., and J. Wagao (1986), "The IMF and Tanzania - a Solution to the Crisis?", in Peter Lawrence (ed.), *World Recession and the Food Crisis in Africa*, 140, London: James Currey.
- Frank, A. G. (1984), "Economic Crisis, Export Promotion and Political Repression in the Third World", in Ngo Manh-Lam (ed.) *Unreal Growth: Critical Studies in Asian Development*, Vol. 1, 54, Delhi: Hindustan Publishing Corp.
- Girvan, N. (1980), "Swallowing the IMF medicine in the seventies", *Development Dialogue*, 1980: 2, 55.
- Girvan, N., Bernal, R. and Hughes, W. (1980), "The IMF and the Third World: the case of Jamaica 1974-80", *Development Dialogue* 1980: 2, 113.
- Hansohm, D. (1986), "The Success of IMF/World Bank Policies in Sudan", in Peter Lawrence (above), 148.
- Harris, L. (1986), "Conceptions of the IMF's role in Africa", in Peter Lawrence (above), 83.
- Hayter, T., and C. Watson (1985), *Aid: Rhetoric and Reality*, London and Sydney: Pluto Press.
- Loxley, J. (1986), "IMF and World Bank Conditionality in Sub-Saharan Africa", in Peter Lawrence (above), 96.
- LPA (1981), *Lagos Plan of Action for the Economic Development of Africa 1980-2000*, OAU.

- Manley, N. (1980), "Message to South-North Conference on the International Monetary System and the New International Order", Development Dialogue, 1980: 2, 5.
- Nyerere, J. K. (1980), "No to IMF meddling", Development Dialogue 1980: 2, 7.
- OECD (1987), Financing and External Debt of Developing Countries: 1986 Survey, Paris: OECD.
- Payer, C., South, Jan. 1987, 43.
- Sawyer, A. (1984), "The New International Economic Order: What's in it, for whom, and where is it going?" in A. Sawyer (ed.) Economic Development and Trade in Papua New Guinea 292-303, University of Papua New Guinea Press.
- Submission (1986), Africa's Submission to the Special Session of the United Nations General Assembly on Africa's Economic and Social Crisis OAU/ECM/2XV/Rev. 2; E/ECA/ECM.1/1/Rev. 2.
- Sutcliffe, Bob (1986), "Africa and the World Economic Crisis", in Peter Lawrence (above), 18.
- Szentes, T. (1978), "Tropical Africa", in J. Nyilas (ed.), The Changing Face of the Third World: Regional and National Studies, Pt.1, Leyden and Budapest, A.W. Sijthoff and Akademiai Kiado.
- Trade and Development (1986), Trade and Development Report, 1986, UNCTAD.
- UNICEF (1987), The State of the World's Children. 1987 (Report by J.P. Grant, Executive Director of UNICEF).
- Un-PAAERD (1986), United Nations Programme of Action for African Economic Recovery and Development 1986-1990, UN General Assembly, A/RES/S-13/2, 13th June 1986.
- Westlake, M. (1987) South Jan. 1987, 39.
- World Development Report (1986) World Development Report 1986, World Bank, OUP

Table 1
Growth of GDP per capita for Selected Groups of Developing Countries, 1960-1984
(Annual average of percentage increase over previous year)

Developing Countries	1960- 1969	1970- 1974	1975- 1979	1980- 1984	1980	1981	1982	1983	1984
By Region									
Latin America	2,4	3,9	2,5	-2,7	2,5	-1,8	-3,5	-4,6	0,7
North Africa	3,1	2,9	6,1	-1,0	2,3	-3,0	-0,5	-1,2	0,7
Other Africa	1,6	2,9	-0,4	-4,1	0,4	-2,8	-2,7	-6,2	-4,3
West Asia	4,6	7,3	2,4	-4,7	-6,4	-5,6	-0,8	-8,4	-3,7
South Asia	1,3	-0,9	1,7	2,4	4,7	2,9	0,0	4,6	2,1
East Asia	4,0	6,2	6,6	3,3	3,6	4,6	1,5	3,9	3,8

Source: UNCTAD, *Trade and Development Report 1986*, p.151

Table 2
Sector Growth Rates, 1965-84

Country Group	Industry		
	1965-73	1973-80	1980-84
Developing countries	8,5	6,0	2,2
Low-income countries	8,7	7,3	7,7
Asia	8,8	7,6	8,0
India	3,7	5,0	4,2
China	12,1	8,6	9,3
Africa	8,1	1,3	-1,2
Middle-income countries	8,4	5,6	0,3
Oil exporters	8,3	5,2	-2,3
Oil importers	8,5	5,9	1,8
Major exporters of manufactures	9,2	6,4	2,1
High-income oil exporters		2,9	-16,4
Industrial market economies	5,1	2,3	1,0

Source: World Bank, *World Development Report, 1986*

Table 3
Net Resource Flows to Sub-Saharan Africa

		Current \$billion						Per cent of Total	
		1979	1981	1983	1984	1985	1986 ^P	1980	1986 ^P
I.	Official Development Finance (ODF)	8,9	10,8	11,4	12,7	12,9	15,9	67,7	85,0
III.	Total Export Credits	2,0	1,9	1,1	0,2	1,1	0,4	11,6	2,1
III.	Private Flows	4,9	4,6	2,3	0,3	2,5	2,4	20,7	12,8
	Direct Investment	1,5	1,5	0,9	0,4	0,3	0,4	0,6	2,1
	Int. Bank Sector (including short-term)	2,0	2,0	0,5	-1,0	0,8	1,0	12,2	5,3
	Other Private ^a	1,4	1,1	0,9	0,9	1,4	0,9	7,9	4,8
Total Resource Flows (I + II + III)		15,8	17,3	14,8	13,2	16,5	18,7	100,0	100,0

^a Including grants by Non-Governmental Organisations (NGOs).

^P Provisional

Source: OECD, *Financing and External Debt of Developing Countries*, 1986 Survey.