

## Review

# Unbalanced growth and dependency theory in Zambia: A post-independence survey

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**This paper outlines the trajectory that Zambia's economic development followed after the country's independence in 1964 up until the full onset of privatization in 2000. This is presented in terms of both dependency theory and Hirschman's 'unbalanced growth theory'. After providing a brief overview of Zambia's economic history, the article argues that Zambia's undue reliance on mining exports afforded a classic instance of unbalanced growth which proved to be too much of a high-risk strategy to be sustainable. This is followed by an analysis of where, in the centre-periphery ordering posited by dependency theory, Zambia found itself situated. It demonstrates that Zambia provides one with a textbook case of a country that proved to be highly vulnerable to the volatility and vagaries of global capitalism.**

**Key words:** Zambia, unbalanced growth theory, dependency theory, mining, economic development, modernisation.

## INTRODUCTION

Zambia provides a relatively straightforward case study of a southern African country whose development or the lack thereof can be usefully mapped against a distinctive theory of growth and modernisation, on the one hand, and an identifiable theory of political economy, on the other hand. The polarities that these theories might represent find an echo in the dramatic extremes that have characterised the Zambian economy since 1964.

In attempting to determine which of the many theories of growth and modernisation best 'fits' the development experience of a particular country it is necessary to draw a distinction between what a country set out to do, what it actually did and what the outcome of its efforts was. One may therefore, discern the traces of many different theories in the developmental history of a country, but Hirschman's unbalanced growth theory seems to provide the best match to what actually transpired in Zambia. There is of course no suggestion that Zambia set out consciously to give effect to this theory. Similarly, with the examination of Zambia through the lens of dependency theory, no claim is made that it provides a full and exhaustive account of Zambia's experience; although, it does look as though Zambian policy makers in the 1960s

were influenced by the thinking of the early dependency theorists.

This article after providing a short orientation regarding the Zambian economy since independence, presents a brief sketch of some of the key tenets of each of the aforementioned two theories. This is followed by ideas as to how they found expression in the Zambian experience.

## A BRIEF OVERVIEW OF ZAMBIA'S ECONOMIC HISTORY

At independence in 1964, Zambia was "one of the richest and most urbanized of the newly independent developing countries in Africa" (Bigsten et al., 2010). Zambia was the renamed northern component of the Federation of Northern and Southern Rhodesia. Northern Rhodesia had been a British Protectorate since 1924 and had largely served as a reservoir of cheap migrant labour for the farms and mines of the more powerful economies to the south of it, namely, Southern Rhodesia and South Africa. There had been no attempt to integrate the indigenous people into the local cash economy. In fact,

according to Reed (2001), various taxes were levied with the express purpose of promoting outward migration, and the integration of the people into neighbouring economies.

Other than its most salient industrial feature, the rich (and famous) Copperbelt region adjoining the border with Zaire, Zambia was very poorly served with physical and social infrastructure, had virtually no manufacturing capacity, and very limited managerial resources. But the copper price was booming and this, "... generated unanticipated and abundant revenues for public expenditure. In essence, Zambia was geographically isolated and economically and socially insecure, while also being extremely rich" (Reed, 2001).

The United National Independence Party (UNIP), headed by the country's new president, Kenneth Kaunda (born of Malawian parents), implemented a variant of African socialism it called 'Humanism'. As given expression by Kaunda, this unfortunately came to manifest itself in the suppression of political opposition (in the form of the African National Congress interestingly enough), the de jure establishment of a one-party state in 1972 and the nationalization, over time, of the entire economy including the land and all its natural and mineral resources (Reed, 2001; Salih, 2003; Bigsten et al., 2010).

While Zambia was booming economically, this concentration of power in the hands of the president seems to have gone largely uncontested and it is noteworthy that, other than the occasional food riot towards the end of UNIP's tenure in the 1980s (Bigsten et al., 2010), Zambia has remained relatively free of serious internal conflict while virtually always surrounded by instability emanating from its neighbouring states. Zambia thanks to copper, found itself in the 'fast lane': "Throughout the 1960s and most of the 1970s... Zambia was not reckoned an African 'basket case', but a 'middle-income country', with excellent prospects for 'full' industrialization and even ultimate admission to the ranks of the 'developed' world. In 1969 its per capita gross domestic product (GDP) was... significantly higher than that of such 'up-and-coming' middle-income nations as Brazil, Malaysia, South Korea, and Turkey [as well as being] one of the highest in Africa" (Ferguson, 1999).

Even as late as 1987 these are the two United Nations Development Programme (UNDP), Zambia came very close to being classified as a 'medium human development' country in the United Nations' human development index (HDI) (UNDP, 1990). By the year 2000, however, Zambia had fallen well down in the selfsame HDI to rank 153rd out of 173 nations (UNDP, 2002).

The catalyst though by no means the sole cause for the decline was set in motion in 1974 when the copper price began to falter, largely as a result of technological innovation in the global telecommunications industries and the worldwide oil crisis (Bigsten et al., 2010). This set off a calamitous collapse in the demand for copper

since when its price has continued to exhibit extreme volatility (Bigsten et al., 2010; Collier, 2010). Copper had historically accounted for as much as 90% of Zambia's exports and the much reduced price, coupled with the oil crisis of the 1970s, had a catastrophic impact upon Zambia's terms of trade as the cost of imports rose. Copper production dropped in response to the low price and this only went to aggravate the situation even further as "the buying power of the nation's exports declined even more rapidly than did the terms of trade" (Ferguson, 1999).

As its economy shrank, Zambia's debt ballooned to the point where it had to be rescheduled with the help of the International Monetary Fund (IMF) in 1984. In 2000 Zambia's total external debt stood at 626% of exports of goods and services (the comparable figure for South Africa was 65%) (World Bank, 2003; Bigsten et al., 2010).

The mid to late 1990s saw the emergence of Zambia's privatization programme and by the end of 1997 "as many as 224 companies out of a total privatization portfolio of 275 had been privatized" although Zambia Consolidated Copper Mines (ZCCM) - a "state within a state" according to Collier (2010) with 65 000 employees at one point - was only finally privatized in 2000 (Bigsten et al., 2010).

Since 2000 the Zambian economy has staged a very slow recovery although critics of the privatization programme argue that, as a result, "Zambia has had one of the largest reductions in industrial capacity ever observed. Factories have closed down, unemployment has risen and poverty is pervasive" (Morabe, 2008). Certainly privatization did not prove to be the 'magic bullet' many might have hoped for (Collier, 2010) but latterly there has been cautious optimism about Zambia's future economic prospects (Bigsten et al., 2010; Beuran et al., 2011; World Bank, 2011).

The outlook for copper is promising and Zambia stands to benefit provided it can bring its taxation of the industry into line with international best practice (Bigsten et al., 2010; Beuran et al., 2011; World Bank, 2011). Zambia is fortunate in that it "ranks 26th out of 79 jurisdictions worldwide for mineral potential. In Africa, only the Democratic Republic of Congo (DRC) and Burkina Faso have appreciably higher mineral potential scores" (World Bank, 2011). Collier (2010) also points out that "half the land area of Zambia... is arable yet uncultivated" suggesting enormous scope for agricultural development.

## HIRSCHMAN'S UNBALANCED GROWTH THEORY

Hirschman postulated that because developing countries tended to suffer from a lack of human capital in the areas of management and entrepreneurial skills, it made little sense for them to disperse these scarce human resources over a number of economic sectors.

Hirschman argued that, in any event, were developing

countries to possess the necessary capacity to apply a balanced 'big push', across the sectoral board so to speak, this capability would, ipso facto and by definition, qualify them as developed countries (Martinussen, 1997).

Thus, by definitional sleight of hand in support of his theory, Hirschman claimed that developing countries could not do other than to promote certain sectors to the deliberate neglect of others, if they were to continue to qualify as 'developing'.

Advocates of unbalanced growth theory were not unduly perturbed by the maintenance, or emergence, of inequalities of income that might arise out of the implementation of their theory. Simon Kuznets while acknowledging that an initial divergence in incomes was likely once economic growth had taken root, was of the opinion that as the economy matured, this tendency would flatten out to the degree that a measure of convergence in incomes would reassert itself. Extensive empirical studies were conducted in India to test Kuznets' thesis and the (rather minimal) conclusion was that, a higher rate of growth benefited rich and poor alike, except for the poorest of the poor whose economic status seemed to be impervious to any 'trickle down' effect that might be ascribed to growth rates (Martinussen, 1997).

Nafziger (1997) points out that 'unbalancing the economy' is something that is done intentionally, hopefully in line with an overarching development plan, so as to stimulate investment in 'lead' sectors with powerful linkages that might carry other sectors with them - in their slipstream as it were.

## **UNBALANCED GROWTH AS IT PERTAINED TO ZAMBIA**

Zambia in the first decade (the 'fat' decade) after independence staked its all on the copper mining industry with the intention that these revenues and royalties should be used to establish commercial state farms and co-operatives, and to invest in agri-processing industry (Reed, 2001). At first this worked well. The income from resource rents was steady and considerable and rural living standards rose accordingly, given the investments in agriculture. This also entailed that the increasing authoritarianism of the Zambian state was accomplished with virtually no repression because while people were materially well off they were content to give the state free rein with its increasingly centrist policies.

A policy of import substitution was pursued with respect to staples such as soap, cooking oil, maize meal and so forth, and these were subsidized by the state. Once all major sectors of the economy had been nationalized by the late 1960s, the two largest parastatals – the Zambian Industrial and Mining Corporation (ZIMCO) and the National Agricultural Marketing Board (NAMBOARD) – accounted for about 30% of the country's output (Reed, 2001).

The government's redistributive policies bore fruit in

increased life expectancy, better nutrition, rising average levels of income and increased school attendance. Most importantly a middle-class emerged. More affluent mine workers purchased motor cars, were able to afford to eat meat regularly and were even in the habit of ordering tailor-made suits from London (Ferguson, 1999; Bigsten et al., 2010).

Unfortunately this rush to modernise was predicated on the assumption that copper would continue to carry the day. The clumsiness and increased corruption accompanying the state's control of the agricultural sector meant that this sector was in no position to cushion the blow from the loss in resource rents when the copper price cracked. There had not been enough time to strengthen the nascent manufacturing sector either. The reversal for Zambia was as cruel as it was swift. The loss of national pride was devastating: "the promises of modernisation had been betrayed... [Zambians] were being thrown out of the circle of full humanity, thrown back into the ranks of the 'second class', cast outward and downward into the world of rags and huts" (Ferguson, 1999).

The moral of the story must be that unbalanced growth is a high-risk strategy upon which to base development plans. Whether Zambia had any real option, other than to stake its all on mining in the 1960s, is however, open to question. Zambia in effect inherited an economy anchored in unbalanced growth which it was unable to balance in time.

More outspoken commentators would say that, by accepting independence so unconditionally, countries such as Zambia had been deceived into accepting the 'poisoned chalice' of an inherently unviable economy although they could not have been expected to know this at the time (de Rivero, 2001).

## **AN OUTLINE OF DEPENDENCY THEORY**

Dependency theory had its origins in a phenomenon that was observed of economies in Latin America in the 1960s. This was that, notwithstanding many of them having been independent since the early or mid-1800s, many of them exhibited almost identical symptoms of 'underdevelopment' to the newly independent African states. This led the dependency theorists, pre-eminent amongst whom was Andre Frank, to re-examine the notion of 'underdevelopment' and to conclude that it was something that contact with the capitalist world had done to these states. In other words 'underdeveloped' was not an adjective ('undeveloped' was the more appropriate term) so much as it was an outcome of some process (Nafziger, 1997; Smith, 1996). This does not however imply that 'underdevelopment' was a conscious activity performed by some malign human agency – it was more of an outcome inherent in the workings of impersonal global capitalism, a kind of determined subordination

**Table 1.** Copper prices 2000 to 2002 – Annual percentage change.

	2000	1Q2001	2Q2001	3Q2001	4Q2001	1Q2002	2Q2002	3Q2002
Copper	15.3	-1.7	-5.0	-21.4	-22.9	-11.7	-2.5	3.0

Source: United Nations (2003).

**Table 2.** Zambian exports from (as % of total merchandise exports) 1975 to 1982.

Year	1975	1976	1977	1978	1979	1980	1981	1982
Agric	0	0	0	0	0	0	0	0
Food	1	1	2	0	1	2	5	4
Fuel	0	0	0	1	0	0	0	0
Manufacturing	1	0	1	1	16	1	3	2
Mining	98	98	97	98	82	96	92	93

Source: World Bank – World Development Indicators <http://publications.worldbank.org/WDI>.

(Haque, 1999). Frank denied that the so-called developing countries were embryonic developed states, waiting in the wings to make their debut on the world stage. He developed the notion of satellite states who are in the orbit of (or are clients to) metropolitan centres. This centre-periphery model is a useful one although Frank seems to have become infatuated with its 'elegance' by extending the hierarchy and making it all-inclusive, from the humblest peasant to the most powerful financial institution, thereby over-elaborating it and making it needlessly susceptible to attack from his critics (Nafziger, 1997; Smith, 1996).

Essentially, dependency theory is about the progressive 'creaming off' of surplus value from economic agents as one approaches the centre, or metropolis, such that this value eventually accrues at the centre. Capitalism is posited as the 'contagion' by which this process is transmitted and in this sense, perhaps performs the very antithesis of the putative 'trickle down' effect espoused by unbalanced growth theory. It must be understood, in this context, that, "dependency is a continuing relationship not confined to an imperialist past but continuing in the neo-imperialist present" (Smith, 1996).

### DEPENDENCY THEORY AS IT PERTAINS TO ZAMBIA

As Richard Haines (Beer and Swanepoel, 2000) has remarked: "The ideas of dependency theorists have found policy application in those countries which have undergone socialist-inspired revolutionary change. However, those Third World countries which attempted to delink from world capitalism and applied socialist central planning had generally rather disappointing results to show for it".

Thus UNIP, after having endorsed the IMF's reform package in 1985 and then subsequently broken its ties with the IMF to "articulate its own reform programme and

pursue 'growth with (its) own resources'" (Reed, 2001), had to endure the humiliation of seeing the newly elected movement for multiparty democracy (MMD) invite the IMF back into the country in 1991 to sort out its finances. This was because "by 1990 the Zambian economy had collapsed" (Reed, 2001).

But if ever there was a country that found itself drowning in the backwash occasioned by the frenzy of the global capitalist system, that country was Zambia. Fatally wedded to the vagaries of the commodity markets as it was (and still is), Zambia was effectively held hostage by global capitalism and by its inability to diversify its economy fast enough and widely enough. The gyrations in the copper price reflected in Table 1 are a good indication of why this was the case.

The impact that this volatility had can be guessed at from the longitudinal data presented in Table 2 and that, notwithstanding the unreliability and paucity of data from Zambia, the ratio of ores and metals to total exports fell to roughly 70% at the close of the millennium (World Bank, 2003). This is an improvement but it is still far too high.

It is not known what the anomalous surge in manufacturing exports in 1979 represents but Zambia's extreme exposure and vulnerability, to fluctuations in raw materials prices and mining is well illustrated in Table 2.

According to Mbiba and Huchzermeyer (2002) "If one takes dependency from a world systems viewpoint, there is an unequal economic relation whose origins are global and which is replayed at the local level". This phenomenon is corroborated by Reed (2001) who finds that, "In Zambia the potential gains of some entrepreneurs [arising out of IMF-dictated reforms] are eclipsed by the loss of control experienced by villagers and traditional authorities...[there] is a growing collusion between the ruling party and private business that centres on the country's extensive natural resource wealth". This natural resource wealth has increasingly attracted the attentions of international tourist operators,

hoteliers and a new breed of commercial farming companies.

Reed (2001) also found that Zambia's rural populace was being systematically dispossessed of its land due to economic programmes designed by the ruling MMD, in concert with the World Bank, to give effect to structural reforms. A cornerstone of this approach was the 1995 Lands Act which sought to "establish landholdings as an asset with cash value that could facilitate investment".

The idea was to convert customary tenure to leasehold tenure. Unfortunately these leasehold titles needed to be ratified by the then-President Chiluba (subsequently arrested for theft and corruption) in whom ownership was still nominally vested by virtue of his position.

There was widespread confusion as to how local communities should go about obtaining title to the land which had been under their *de facto* control for decades. Certain parties would seem to have benefited handsomely from this confusion (Beuran et al., 2011) as in the unfortunate case of Chief Kaindu who discovered that "by means unknown and without his approval" some 56000 ha of his had been allocated to companies who were evicting his villagers on the grounds that they were trespassing (Reed, 2001). This is but one example of the 'drainage of surpluses from the periphery to the centre which became such a feature of the Zambian economy in the 1990s.

## CONCLUSION

This discussion has attempted briefly to map the contours of Zambia disappointing economic development with reference to dependency theory and the unbalanced growth theory espoused by Hirschman. Zambia, with its extreme reliance on copper exports, presented what was an almost caricatured version of an unbalanced economy. Zambia served as a textbook case of a country which due to its highly peripheral positioning on the world economic stage, was engulfed by the perturbations at the centre of that system. According to Haines (2000) "A heterogenous perspective known as post-development emerged in the later 1980s. Also known by the terms 'anti-development' and 'beyond development', practitioners within this broad perspective reject both development theory and practice. However, as critics point out, despite a stringent critique of developmental discourse, no coherent and viable alternatives to development are offered... perhaps one can detect a growing sense of weariness and cynicism and a diminishing sense of hope over the years."

As regards the "diminishing sense of hope", Ferguson (1999) said of Zambia, in 1999 "Everywhere I found an overwhelming sense of decline and despair... The signs and symbols of modernity had been abruptly yanked away... As one man expressed it, 'from now on, it's just down, down, down...'. Zambia's experienced having had its economic sovereignty effectively usurped by its

creditors. Haines's "coherent and viable alternatives" were, it seems, sorely needed in Zambia, for growth and modernisation theories had failed it.

Since the turn of the century and the consolidation of the privatization programme, the Zambian economy has, however, seen a modest recovery (Bigsten et al., 2010). According to the World Bank (2011) starting in 1997, with a few false starts along the way, the privatization of the (copper mining) industry has led to a revival in production. Driven by rising copper prices, investment in the existing mines increased, new mines were opened up in the north-west and new processing capacity established. The increased investment in mining led to a sharp increase in foreign direct investment (FDI) flows into Zambia". The Bank goes on to say that, "the re-emergence of a strong appetite to invest in Zambia is undoubted." Provided Zambia can avoid some of the pitfalls and errors of the past, analysts are guardedly optimistic that its economic recovery can be sustained well into the future.

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