

*Full Length Research Paper*

# Economic development and change in Tanzania since independence: The political leadership factor

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The author makes a critical examination of the contribution of political leadership in the economic development and change of Tanzania since her 1961 political independence from Britain. He divides the country's economic development and change into three more or less discrete time epochs. The first epoch is the period from independence to 1967; the second is from the 1967 Arusha Declaration to the mid-1980s and the third is from the mid-1980s reforms to the present time (2007). The outstanding general economic developments and change in each epoch are identified. A critical analysis on the extent to which the developments and change in each epoch can be attributed to the political leadership of the time or even of the past is made. It is found in the work that, the economic developments and change in Tanzania can be highly attributed to political leadership. Interestingly and contrary to the orthodox understanding and narrow scope of some analyses, both the political leadership of the day and that of the past are found to be responsible for economic developments and change in a particular epoch. Interestingly also, it is found that political leadership outside Tanzania, especially among its neighbours, trade partners and the donor community, has far-reaching impacts in the country's economic development and change. It is concluded in the paper that political leadership is an important factor in a country's development and change. It is recommended that policy and decision makers should facilitate a process where adequate political leadership for good development and change is established, improved and maintained. Recommendations for further studies include the need to review this work over time and conduct similar ones in other countries for the purpose of, inter-alia, comparisons and learning lessons.

**Key words:** Economic development and change, Tanzania, political factor.

## INTRODUCTION

Economic development and change in any society and at all times has been a function of many, complex and inter-related factors. These factors include social, technological, climatic, financial, natural and political factors. In some cases, one and the same factor may have been responsible for both positive and economic development and change. In some cases however, some factors may be responsible for either positive or negative development and change but not for both. This work focuses on the political factor as an explanatory variable for the economic development and change in Tanzania since independence.

It is to be understood that Tanzania is a republic with an executive president. It has been a single party state with free elections from independence to 1995. Political pluralism was introduced in the country in 1995 following

a referendum. Since then there have been multiparty major elections after every five years in which *Chama Cha Mapinduzi* – CCM – literally translated to mean Revolutionary Party - has been winning the presidency and majority seats in the parliament. Other major political parties (opposition) include *Chama Cha Demokrasia na Maendeleo* – CHADEMA – literally translated to mean Party of Democracy and Development; Civic United Front (CUF); Democratic Party (DP); Tanzania Labor Party (TLP) and United Democratic Party (UDP).

After her political independence in 1961, Tanzania has experienced three major epochs of economic development and changes. The author argues that the changes were mainly due to political factors mainly within Tanzania. The three different epochs are outlined in this work and a discussion on the political factor behind the

observed economic development and change is done.

## ORGANISATION OF THE REST OF THE PAPER

After the introduction, follows the following main sections: methodology; conceptual and theoretical issues; three main epochs in the economic development and change in Tanzania and the influence of the political factor; conclusions and implications; and recommendations for future studies.

## METHODOLOGY AND APPROACH

This work is based on the review and analysis of secondary data sources. It takes a historical perspective of the economic development and change in Tanzania from 1961 to 2007. The observed economic development and change are then attributed to the political factor mainly within the country.

## CONCEPTUAL AND THEORETICAL ISSUES

The key conceptual and theoretical issues in this paper are briefly described in this section. The aim is to contextualize and locate the work within specific conceptual and theoretical frameworks. The main conceptual and theoretical issues in this work are development and political leadership. These are briefly described in what follows.

### Development

The academic literature on development in general and economic development in particular is rich of discourse. The concept of development emanates from the conceptualization of different schools of thoughts. It is a contested, multidimensional and multifaceted concept and thus is looked at from many perspectives.

Chambers (2004) argues that development has been taken to mean different things at different times, in different places, and by different people in different professions and organizations. The dominant meanings have been those attributed by economists and used in economics. In all cases has been normative and it has involved change. Development is equated with economic development, and economic development in turn with economic growth. The underlying meaning of development has been good change in the realm of ecology, economics, society, politics and indeed in all spheres of life.

For Seers (1972), development is creating conditions for the realization of human personality, reduction of poverty, social inequalities and improvement in creating employment opportunities. Todaro (1985) views development as a multidimensional process involving major changes in social structures, popular attitude, national institutions, acceleration of growth, and reduction of inequality and eradication of absolute poverty.

In as far as UNDP (1997) is concerned; development is about enlarging people's choices. The range of choices is context-specific. It varies depending on the individuals concerned and the country in question. The UNDP (ibid) points out that there are four major elements in the concept of development, particularly human development. These are productivity, equity, sustainability and empowerment.

Zdeck (1994) narrows down the term economic development to economic and community development, which according to him are not separate agendas. Economic development is a process and approach used to create jobs, assets, and an investment climate in distressed neighborhoods and cannot be separated from community development. Economic development impacts and is impacted by key social and political factors in a community ranging from access to quality education and social services to the availability of decent and affordable housing.

Needless to say, the description of the concept of development above is far from exhaustive. With so many varied views on the concept, the need for a working definition of the development concept is clear.

In the context of this paper, the term development is taken to mean the process of moving from a low to a higher and more advanced stage in various contexts – socially, politically, economically, legally, morally, administratively etc. it is acknowledged here that there may be negative development too. For the purpose of this paper the focus is on economic development.

Economic development is one of the many dimensions of general development. The author perceives economic development as a process of moving from a bad to better economic variables like national income; economic growth; primary commodity production to industrial and services sector production; employment; investments; balance of payment; inflation and other economic fundamentals.

According to Pass et al. (2000), economic development is an upward movement of the entire social system and attainment of a number of ideals of modernization such as rise in productivity, social and economic equalization, modern knowledge, improved institutions and attitudes and rationally coordinated system of policy measures that can remove the host of undesirable conditions in the social system that have perpetuated a state of underdevelopment.

Economic development involves growth and change. It includes improved performance of the factors of production and improved production techniques. It also involves development of institutions and change in attitudes and values. Economic development, as is the case for many other aspects of development, is a process. It is a dynamic and fluid not static and solid process.

It should be noted that economic development is not necessarily equal to increased social welfare. Issues of what is produced, who produces it, how is the growth dis-

tributed, how is the environment protected and quality of life in general are some of the more important dimensions of social welfare and improved living standards more than just a mere increase in output.

**Development indicators:** Development indicators are parameters (measures) that can be used to assess whether there is development in a given area at a particular time and whether this development is increasing, stagnant or decreasing over time. Such indicators include macro-economic variables like Gross Domestic Product (GDP); Gross National Product (GNP); inflation rate; levels of investment and national debt. They also include birth and death rates (measured by infant and maternal mortality rates); morbidity (measured by specific causes of deaths); education levels attained (measured by literacy and numeracy rates and life skills in a population); housing (measured by the material used for roofing); availability of and accessibility to social services and amenities like hospitals, health facilities, safe and clean drinking water, school etc (measured by the distance from human settlements to the place where these are found); availability of and accessibility to infrastructure – both hard (traditional) like roads, railways, ports, airports, harbours and telecommunication and soft (modern) like Internet; and life expectance (measured by number of years that one expects to live from time of birth). Applicability and interpretation of the indicators will differ from place to place and time to time.

### Political leadership

According to Soanes and Stevenson (2003), politics relates to ideas and strategies of government or public affairs of a country. In this paper, political leadership is taken to mean the role of politicians in giving vision and strategies and creating conducive environment for implementation of formulated policies. These policies aim at, among other things, bringing about economic development and change.

The literature on political leadership, as is for the concept of development, is widespread. A search for "Political Leadership" in Google Scholar search engine on 7<sup>th</sup> June 2007, gave a total of 690,000 hits. Among the authors that have dwelt on the political leadership question in the literature include Hyden (1999) who worked on top-down democratization in Tanzania and Miguel (2004) who worked on national building and public goods in Kenya versus Tanzania. Lupogo (2001) addressed the question of civil-military relations and political stability in Tanzania while Samoff and Graham (1975) worked on local politics and the structure of power in Tanzania.

Among the few available academic works that somehow attempted to relate political leadership to economic development and change in Tanzania are those by Carney (1977) who worked on Nyerere and the emer-

gence of a socialist strategy; an untitled work with no author's name, (available online at <http://www.empereur.com/tanzania.html>) which is on the agriculture sector during and after Nyerere's Tanzania and Bienen and Herbst (1996) whose work focused on the relationship between political and economic reform in Africa.

Bienen and Herbst (1996) correctly argue that analyses of the relationship between regime type and economic management have not been very illuminating. They acknowledge that there have a number of works that have attempted to understand the relationship between democracy and economic growth. According to the authors, the works have been conducted across a very broad range of countries instead of focusing on specific problems faced by African countries that are trying to democratize.

Now that no known work has been done to systematically attempt to attribute economic development and change in Tanzania to the political leadership factor, this work attempts to fill this serious gap in knowledge. The conceptual framework that guides this work is presented in the section that follows.

### CONCEPTUAL FRAMEWORK

In what follows, the conceptual framework that guides this work is presented. The main focus of the work is to discuss the role of the political leadership factor in economic development and change in Tanzania from the 1961 independence to 2007. The discussion is based on attributing economic development and change in the country to political leadership factor. It should be understood that this is not a documentation or evaluation of economic development and change in Tanzania. It is an attempt to describe the role of the political leadership factor in Tanzania's three main epochs of economic development and change.

It is understood that economic development and change in any country is a non-linear function of many variables. The political leadership factor is only one of these. It is argued in this work that political leadership factor is one of the key factors. Economic actors do not operate in a political vacuum. Their actions and omissions are highly influenced and shaped by political decisions that in turn influence the environment in which the actors operate. The kind of political decisions that are made depend largely on the political leadership of the day. Other factors that influence and impact economic development and change include technology; financial, physical and human resources; infrastructure; forces of nature and a combination of these.

### THE ROLE OF POLITICAL LEADERSHIP IN TANZANIA'S ECONOMIC DEVELOPMENT AND CHANGE

Tanzania has experienced three main epochs of econo-

mic development and change since her independence in 1961. The epochs are presented here, along with discussion of the role of the political leadership factor in defining and shaping these major developments and changes.

### The 1961 – 1967 epoch

Some background information to introduce this epoch is necessary. Before the political independence in 1961, Tanganyika's (Tanzania's name before its union with Zanzibar in 1964) economy was under its colonial masters. It was first under the Germany colonialists (1885 – 1918) before being under the British colonialists up to the independence. Colonization of Tanganyika, as it was for other countries, was mainly a result of political decisions in the colonial countries. It was a result of, among other things, the political leadership factor in those countries that aimed to expand their empires. This can be evidenced by, inter-alia, the Berlin conference on dividing Africa between European political powers.

Colonialism made a profound impact on the economic development and change in the colonized countries. The general economic motives of colonization were acquisition of raw materials for economic development in the colonial countries. Colonialism brought cash economy with it. Colonies, including Tanganyika, became suppliers of raw materials like minerals and agricultural commodities and buyers of processed manufactured goods. The economic structure that was established by the colonial powers has had many and far-reaching implications almost fifty years after the independence of many African countries. For an account of some of these effects, see Rodney (1972) on how Europe underdeveloped Africa. For German colonial policies and their influence on development and exploitation in mainland Tanzania for the period 1884 – 1914, see Sunseri (1997).

The political decisions to acquire colonies therefore, have been the base for many economic developments and change for many countries. It has been a source of the past and current economic structures; determinant of trade partners and even investments inflows. The political leadership that resulted into colonialism has also been among the sources of conflicts and wars in Africa. This has been responsible for negative economic development and change in some conflict-ridden countries.

After independence, Tanzania concentrated on building an independent nation. The economy continued to be mainly within the hands of the British colonial masters and Asian businessmen, mainly Arabs and Indians. Industries, plantations, banks, mines and relatively large commercial activities continued to be under the British and Asians. The economy continued to be basically a market-oriented one with private sector capitalism dominating. The political structure was characterized by a single party of Tanganyika African National Union (TANU) up to 1964 when Tanganyika and Zanzibar united. The political

party in Zanzibar, Afro Shirazi Party continued to exist along with TANU up to the 5<sup>th</sup> February 1977 when the two parties united to form the current ruling party of *Chama Cha Mapinduzi* (CCM).

According to Kaiser (1996), after Tanganyika's independence, "...efforts were made to implement a programme which depended on foreign investment to support massive, capital-intensive industrialization and agricultural development projects." This was the country's first five-year plan. The political decision just after independence therefore was to continue with the capitalist mode of production inherited from colonial masters. It can be argued therefore that the relationship between political actors (TANU leadership) and economic policy was one in which the leaders followed more or less the policies inherited from colonial masters. The interests of colonialists were continued in this epoch.

As expected from the key tenets of capitalism that include private ownership of major means of production and market oriented economic practices, a number of imbalances were observed by the mid 1960s. The political decision to embrace capitalism after independence led to a number of market failures as the state did not intervene in the economy. The expected "fruits" of independence were not realized by the majority of people. Poverty continued to dominate and the common man and woman did not see the benefits of independence from economic point of view. They continued to toil for the same colonial masters they had toiled for before independence. This unfortunate situation was observed by the political leaders of the day. A new political decision to address the imbalances brought by capitalism was made. The decision has had many and far-reaching impacts in the economic development and change in the country's economic development and change process. This is discussed in the section on the second epoch of the country's development and change process.

### The 1967 – mid 1980s epoch

The political and economic landscape of Tanzania changed dramatically in 1967. This was a result of a political decision that gave birth to Arusha Declaration that was proclaimed in this year. This was a blue print that declared that Tanzania would be following *Ujamaa* (This is a kind of African socialism) policy. The policy implied that the country would be following socialist oriented economic and political policies. The capitalist, private sector market-led economy that was inherited from the colonial power at independence was replaced by state owned, centrally planned and controlled economy. All the major means of production in the country (industries, plantations, commerce, mines etc) were nationalized and put into government hands. The state became the major owner, controller and manager of the state owned enterprises (SOEs). These are parastatals that were formed following nationalization of private property. The political

decision that gave birth to the Arusha Declaration made the end of capitalist mode of production in Tanzania. This was a major and dramatic change in Tanzania's economic development that the country has to live with for many years after 1967.

The Arusha Declaration has received substantial citation in the academic literature. Author's search for "Arusha Declaration" in Google Scholar search engine on 9<sup>th</sup> June 2007 gave a total of 2,930 hits. Among these include Nyerere (1967) in which the declaration in general and *Ujamaa* doctrine in particular is described as Tanzania's outline of its policy on socialism and self-reliance.

Kaiser (1996) correctly attributes the emergence of the Arusha declaration to the failures of the first five year plan that was adopted by Tanzania just after independence. The plan was not yielding the anticipated results. Rural-urban development differentials increased, local expertise remained inadequate and land and labour resources were underutilized. According to Kaiser (1996), "Given these imbalances, President Julius Nyerere presented an alternative vision in 1967 as outlined in the Arusha Declaration". Kaiser (1996) argues that the then ruling political party of Tanganyika African National Union (T.A.N.U) called into question the benefits of modernization policies by challenging the basic tenets of capitalism.

In Stein (1985), it is pointed out that the political party of T.A.N.U "...called the Government to exercise control over means of production and move away from over-reliance on foreign assistance in development...Finally, T.A.N.U called for changes in the party to ensure that it contained only committed socialists". Stein (1985), correctly points out that "In the wake of this announcement, the Government nationalized private banks, took over major ownership of the seven largest firms, and acquired complete control of the National Insurance Corporation". Levin (2001), correctly points out that Arusha Declaration "...came to change Tanzania's policy environment dramatically. The Declaration ushered in a new policy direction for the country, a break from the fairly orthodox economic policies followed during the first years after independence". Emphasis was on public ownership and individual initiatives and the role of the private sector were sidelined. The objective was to build a socialist egalitarian society with public ownership of the economy.

The Arusha Declaration is described by Lonsdale (1968) as a socialist experiment on "...Socialism and Self-Reliance and the nationalizations of the banks, the export-import houses and some of the major manufacturing enterprises".

Good-intentioned as it might have been, the political decision to practice centrally planned economy with public ownership and government intervention did not work well. The nationalization of the productive sectors of the economy has been among the major reasons for poor economic development in Tanzania. The hither-to private

sector owned and managed enterprises became public enterprises. They were typically characterized by inadequate managerial and technical skills; embezzlement; capacity under-utilization; reliance on government subsidies; non-payment of taxes; over-employing; protected from imports; and monopolistic in nature. As a result they became loss-making entities that depended on government subsidies for their survival. As public enterprises, they did not pay tax to their owner either. It is not surprising therefore that most of these SOEs came to a virtual verge of collapse. They became heavily indebted and employees were now and then sent into long unpaid leaves.

The *Ujamaa* policy did not give any incentive to the private sector enterprises. Private sector entrepreneurs were looked upon as exploiters and "enemies of the state". Given the acknowledged roles of the private as opposed to public sector in economic development process, this epoch can be said to have been a lost period in Tanzania's economic development process. The superiority of the private sector over the public sector in the economic development process lies mainly on the former's greater efficiency, effectiveness, vibrancy, dynamism, innovativeness, flexibility and profit orientation. See details in, among others, Ngowi (2006).

It is not the purpose of this work to evaluate Tanzania's economic performance under the Arusha Declaration. It is worth mention however that, according to Levin (2001), during the period of Arusha Declaration per capita incomes grew by 0.7% per year. This was led by the public administration sector with a sizeable contribution from agriculture and manufacturing. Exports stagnated due to the policy environment that was hostile for exports. Government had monopoly on marketing of goods and services. Inefficiencies drove down producer prices and there was high effective protection of the import-substituting industrial sector. Trade controls, instead of exchange rate adjustment, were used as a means of adjusting to external shocks. Suppression of private business limited opportunities for entrepreneurship.

Control of prices, exchange rate, interest rate, imports and exports added to the already hostile business and investment climate.

On the social services front however, it should be acknowledged that it is in this epoch that the state struggled to provide highly subsidized (up to 100% subsidy for some services) social services. Education (from primary to tertiary level), health and water were among such services. Looking at the role of these services for economic development, especially education, the epoch should be seen as an era for investment in human capital. The investments in social services that took place at this epoch are among the current and future driving forces of economic development and change in Tanzania. These include all levels of education and health facilities. The political decision that led to nationalization and practice of a state planned and controlled economy therefore, has

had profound impacts in the economic development and change in Tanzania. The impacts stretch far beyond the epoch itself. Most of the senior and middle-level public and private sector officials contributing to Tanzania's economic development today, for example, are products of the 1967 political decision to provide highly subsidized education and health services. The relatively infant, small and weak private sector in Tanzania today however, is a mirror image of the socialist past of the country.

### **Political leadership factors outside Tanzania and their impact on economic development**

There are other political leadership factors outside Tanzania that influenced and shaped economic development and change in the country in this epoch. Some of these were direct and others indirect positive and/or negative impacts. Among those that had positive impacts include political decisions from the donor community to give development assistance to Tanzania. Development assistance is basically given based on political ideological sympathies. It depends largely on the political leadership of the political party that is in power both in the donor and recipient countries. Traditionally, left wing political parties with some socialist orientation (for example Scandinavian countries) have been more inclined to give development assistance to developing countries than right wing parties were. In this epoch Tanzania gained moral, material, technical, technological and financial support for its economic development mainly from socialist oriented countries like China, the then United Soviet Socialist Republic (USSR), Canada and Scandinavian countries of Norway, Sweden and Denmark.

The epoch was, coincidentally, the era of cold war between the capitalist West and socialist East. Tanzania chose to be in the Non Aligned Movement, making it possible to get development assistance for its economic development from the capitalist block too. This is an important political decision that influenced the country's economic development which has mainly been dependent on donor financing.

A substantial political decision that negatively impacted Tanzania's economic development in this era was the 1978/79 war with Uganda. The dictatorial political leadership of Iddi Amin in Uganda resulted into war over border in Kagera region of Tanzania. The costs of waging war can be seen as the economic development opportunity cost. The financial, human and time resources that are devoted to war can not at the same time be used for economic development. Destruction of infrastructure and properties, time that civilians are unable to work optimally and lives that are lost because of war, impact economic development immensely.

The literature on the impacts of war on economic development is abundant. Among these include Ades and Chua (1997) who found that regional instability and domestic political instability have strong negative effects

on a country's economic performance. This takes place through lowered trade within and between unstable regions and countries; increased military and defense expenditure; they also found that government expenditure on education was lower in countries with politically unstable neighbours. Barbieri and Levy (1999), similar to Ades and Chua (1997) found that wars have negative impacts on international, regional and national trade. Glick and Taylor (2005) studied the effects of war on bilateral trade for almost all countries with available data extending back to 1870. They found a large and persistent impacts of wars on trade, and hence on national and global economic development and welfare. Similar findings are documented in Anderton and Carter (2001), who studied the impact of war on trade for 14 major power dyads and 13 non-major power dyads.

No known work has documented the economic development impact of the political decision that led to the 1978/79 war in Tanzania. It is known by the author (through observation and experiential knowledge) however that the war had serious negative economic development impacts. Among the economic infrastructure that were destroyed in the 1978/79 war is the Kagera River bridge and sugar factory at Kyaka in Bukoba district. Other economic impacts of war are the reconstruction costs after the war. Due to data problem, these economic costs of the 1978/79 war could not be quantified in monetary terms. However, it is uncontested and widely documented in the literature that, wars in general and the war under discussion in particular, have huge negative economic impacts to the countries that are directly and indirectly involved. The ammunition industry though benefits from wars.

Political leadership decisions and practices in some African countries negatively impacted Tanzania's economic development in this epoch. These include colonial occupation in such countries like Zimbabwe (Southern Rhodesia), Mozambique and South Africa. Tanzania's political belief has been that it cannot be free before the whole of Africa is free. This was operationalized by sharing its already very meager resources to support liberation movements in these countries. It also supported freedom fighters and refugees from these countries that were based in Tanzania, including South Africans at the then Mazimbu camp in Morogoro region. This move necessarily drained the already very limited resources for the country's economic development.

Data problem limits quantification of the pecuniary value of resources diverted from economic development in Tanzania to supporting the noble course of fighting for freedom in Africa. What is clear is that the political decisions to colonize Africa and practice apartheid on one hand and political decision by Tanzania to support freedom movements on the other, has resulted into the necessary short term evil of lower economic development in the country. In the long run however, the cost of the support may be offset by business and economic rela-

tions that may have their foundation on the ties established and strengthened at freedom movements.

Political leadership in one country therefore, has potential many and far-reaching impacts on other countries. A mere observation shows that instability in one country is likely to have some negative impacts on other countries' economic development and change. Political leadership in a country that leads to such instabilities therefore, has impacts beyond the borders of the country in question. The role of regional and global stability, which is mainly a function of political leadership, on economic development and change in any country cannot be overemphasized.

### **The mid-1980s epoch to date**

From the mid-1980s and especially from 1985, another major political decision was made in Tanzania. Following the wind of change across the globe, the country is in the midst of some major and far-reaching reforms in the management of its economy, *inter-alia*. This epoch therefore, can be referred to as the reform era. Generally, the reforms are the opposite of the 1967 political decision to embrace socialism. In this epoch, Tanzania's political decision has been to embrace the capitalist economy which is market-oriented and private sector led. The relatively free interplay of the market forces of supply and demand, and correctly so, is now the major defining characteristic of the country's economic development and change.

Among other things, the epoch is characterized with major reforms. Among the elements of reform in Tanzania include privatization of the SOE that were nationalized in the aftermath of the 1967 Arusha Declaration; relaxation of entry restrictions in virtually all economic sectors; deregulation in various industries; abolition of price controls; independence of the central bank; elimination of import licensing; removal of: foreign exchange-, exchange rate- and interest rate controls; easing of controls over mergers and acquisitions (M&As); public sector service reform; and political reforms in form of allowing multiparty democracy.

All of the above reform elements that are in place in Tanzania today would not have been possible without the 1985 political decision to depart from the 1967 political decision to embrace Marxist-Leninist political and economical philosophical orientation. The reforms are having profound impact in the economic development and change in Tanzania.

It is not within the scope of this work to evaluate and document the impacts of these reforms in Tanzania's economic development and change. This has been done elsewhere in the author's earlier works. See, among others, Ngowi (2007, 2006, 2005, 2002). Other impacts are documented in BoT et al. (2002, 2004) mainly on FDI inflows; Kanaan (2000) on success of trade liberalization;

Muganda (2004) on what has and what has not worked on reforms' aims to reduce poverty and sustaining growth; Wangwe (1995) on economic reforms and poverty alleviation; Randa (1999) on the reforms and the stability of the demand for money in Tanzania; Temu and Due (2000) on the business environment in Tanzania after socialism and challenges of reforming banks, parastatals, taxation and the civil service; Bigsten et al. (1999) on aid and reform; and Morrissey (1995) on tax policy reform.

Among the key impacts of the reforms that are documented in the works cited above include substantial inflows of foreign direct investments (FDIs) in form of mergers and acquisition (M&As) of the former SOE and Greenfield Investments and their associated benefits. Acquisitions of the former SOE that are under divestiture, among other things, relieve the state from the burden of owning and managing these enterprises. Such burdens include payment of subsidies and lost tax incomes, all of which are of critical importance in the economic development and change in the country.

Other FDI benefits include direct and indirect and often better paying employment opportunities; reducing investment capital gap; introducing up to date and state of the art technologies; superior managerial, leadership and marketing skills; increasing government revenues through privatization proceeds, fees, concessions, dividends on profits, and taxes; supporting community social development projects; forward and backward linkages with the rest of the economy and generally increasing to the supply side of quantity and quality of goods and services in the economy.

The political decision of the mid-1980s has some potential negative impacts in the economic development and change in Tanzania. Some of these include introduction and practice of the concept of cost-sharing in key social services.

The services include education, health and water. With 36% of the country's population below the poverty line (URT, 2005); investments in human capital in form of education and health may be threatened. In the long run therefore, demand for adequate human resources needed for economic development and change may be short of supply.

The current capitalism in Tanzania differs somehow with the one in 1961 – 1967 epoch. Among the differences include the fact that the earlier one was a direct continuation of the colonial system. The colonial masters had more economic power in terms of ownership of major means of production compared to endogenous. It can be argued further that the former capitalist system was involuntary and imposed to Tanzania.

The current capitalism however involves endogenous in the ownership of the major means of production. As opposed to the earlier one, the current capitalist system is a result of deliberate decisions by Tanzania's political system.

## Conclusion

Tanzania has experienced three major epochs in its economic development and change process from the 1961 independence to 2007. Political leadership has been the key factor in creation of the epochs. It has been the main defining factor of the nature and paths of economic development and change in each of the epochs. Contrary to the generally held and simplified views, it is more than the political leadership and decisions in Tanzania that have impacted and influenced economic development and change in the country. In this work, some political leadership and decisions outside and inside Tanzania have been identified as among the key factors that impact economic development and change in the country. It is recognized however that there are other factors than political leadership that have impacted, are impacting and will be impacting economic development and change in Tanzania, as is the case for many other countries.

## POLICY IMPLICATIONS

The role of the political leadership factor in economic development and change in countries should receive the attention it deserves in the policy and decision making process. Understanding that political decision within a country are likely to impact other countries' economic development and change both in the long and short run is essential. The need to cooperate and coordinate relevant political decisions among countries cannot be over-emphasized.

## RECOMMENDATIONS FOR FUTURE STUDIES

There are a number of knowledge gaps that need to be filled in this work. These include quantification in monetary terms, of economic developments and change due to various political leadership and decisions. These may include cost-benefit analysis of the various political leadership and decisions identified in each of the three epochs. Data problem is however predicted due to a number of factors. The factors include none-availability, inadequacy, inaccuracy and inaccessibility of the key data to make a comprehensive cost-benefit analysis.

The mid-1980s – to date epoch is essentially open-ended as it is not known for sure on how long it will continue. There is a need therefore to update this study in the light of the impacts of various political decisions on the economic development and change in Tanzania. These are the political leadership decisions that have been made and are being made both within and outside Tanzania. Similar studies can be conducted in other countries for, among other things, comparison and experience sharing.

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