

# The Relationship between Democracy and Economic Development: A Case of Tanzania

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**Abstract-** This paper seeks to model the relationship between democracy and economic development in African countries, Tanzania being the case study. Most of the African countries are endowed with abundant resources, but since their independencies mainly in 1960's they have failed to translate their wealth resources into economic wellbeing of their people especially of the rural population. By using Tanzanian development model which has two phases: phase I being the process of getting leaders and phase II being utilization of resources, it proves the positive relationship between democracy and economic development. The study concludes that the problem rests on phase I of the model which is about the process of getting leaders who have dominant influence in policy making and implementations which have multiplier effects on phase II of the model which is about utilization of resources and surprisingly the country is struggling to improve phase II of the model. Therefore there is a need for Tanzania and most African countries to fine-tune their democratic process to get disciplined leaders who are committed to country's interests rather than party or personal interest in order to be able to guarantee the economic wellbeing of majority citizens who form the rural population in Africa.

**Index Terms-** Democracy, Economic development, Leadership and Resources.

## I. INTRODUCTION

Tanzania is one state and is a sovereign united republic which consists of Tanganyika (Tanzania main land) and Zanzibar (Tanzania islands). It is democratic, secular and socialist state which adheres to multi-party democracy (Act No.15 of 1984 & act No.4 of 1992 of the constitution of the united republic of Tanzania of 1977).

Since independency Tanzania has been enjoying its political stability as well as reforming its democratic process as per constitution of the united republic of Tanzania specifically the presidential office been limited to two five-year terms from 1985. It has successfully managed to transfer power from one elected leader to another peacefully in five government regimes.

Under all five presidential regimes, Tanzania has been undertaking economic reforms in order to bring about economic development through fostering its economic growth. Although Tanzania is endowed with many economic resources such as land, labor and capital, it has failed to translate these resources into the well-being of the majority Tanzanians.

Many economists have tried to establish the relationship between democracy and economic development and most of their empirical results from 1980's to date have reviled that multi-party democratic state have better economic policies than autocratic one.

Therefore this study aims at modeling the relationship between democracy and economic development in African countries Tanzania being the case study.

## II. METHODOLOGY AND APPROACH

This study is based on the review and analysis of the secondary sources of information. It considers historical perspectives of both economic development and political leadership epochs in Tanzania from 1961 to 2019. The relationship between democracy and economic development is demonstrated by the Tanzania development model.

## III. THEORETICAL ISSUES AND CONCEPTUAL FRAMEWORK

This section of the paper provides brief description of key conceptual and theoretical issues. The aim of this section is to conceptualize and draw the focus of this work into a specified conceptual and theoretical framework. The main conceptual and theoretical issues in this study are economic development and democracy.

### 3.1 Theoretical issues

#### 3.1.1 Economic development

Chambers (2004) said that development has been considered 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 it has been normative and 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, and politics and indeed in all spheres of life.

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.

Pass et al (2000) argued that 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.

According to Ngowi (2007), 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 defers from economic growth as many get confused when it is announced that Tanzanian economy is one among the fastest growing economies in the world. The difference relies on the fact that economic growth is necessary but not sufficiency condition for economic development implying that how many natives are involved and contributed in the attained growth of which will dictate the distribution of the national cake and there by brings about economic development.

There are a good number of economists who have tried to identify the indicators of economic development and the applicability and interpretation of these indicators differs both in place and time. The following are some of the indicators which will be used in an analysis of this study; inflation rate, level of investment, national debt, quality education levels attained, quality health care services, life expectancy and availability and accessibility to infrastructure.

### 3.1.2 Democracy

Democracy has been defined by many scholars and it is still take central part of analysis among many scholars but in this context we shall take earlier definitions of democracy which are categorized as minimalist definitions and later definitions which are categorized as substantive definitions.

At its most basic and procedural level democracy can be defined as institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote' (Schumpeter 1942). This definition is regarded as minimalist definition.

Since the 1980s, there has been an emerging of new democracies in different regions across the world which characterizes democratization process with transition and consolidation to formal democracy. This being the case minimalist definition became insufficient to grasp the challenge facing new democracies under transition and consolidation situation. Therefore democratization experts came up with a more substantive definition of democracy that incorporating democratic accountability.

Under substantive definition there were three dimensions of accountability democracy which are: firstly, Vertical accountability, this enables citizens to hold their leaders accountable through electoral mechanisms under specified point in time; Secondly, Horizontal accountability, which refers to institutional arrangements within the government system which authorize state institutions to oversee, control, redress, and, if need be, sanction unlawful actions by other state institutions (O'Donnell, 1996); and Thirdly, Social accountability, which refers to the (ongoing) watchdog functions of civic associations, other NGOs, and an independent mass media over the actions of the state (Schedler, et al. 1999).

According to Dahl (1971), there are seven key indicators of democracy as follows: Control over governmental decisions about policy constitutionally vested in elected officials, Relatively frequent, fair and free elections, Universal adult suffrage, The right to run for public office, Freedom of expression, Access to alternative sources of information that are not monopolized by either the government or any other single group, Freedom of association (i.e. the right to form and join autonomous associations such as political parties, interest groups, etc). Most of these indicators which were also identified as polyarchy, will be used in an analysis of this study.

### 3.2 Conceptual Framework

This section presents the conceptual framework that guides the analysis of this work. It focuses on explaining the relationship between economic development and democracy by expanding the Tanzania's Economic Model as derived from the work of Mlambiti, (2013) as follows:

This model assumes economic development to depend on the country's political set up, type of leaders in power, policies and natural resources the country has.

## IV. THE PROPOSITIONS OF THE MODEL

<b>D = f (R)</b> .....	<b>i</b>
<b>R = f (P)</b> .....	<b>ii</b>
<b>P = f (L)</b> .....	<b>iii</b>
<b>L = f (C)</b> .....	<b>iv</b>
<b>C = f (S)</b> .....	<b>v</b>

Where:

**D** = Economic development

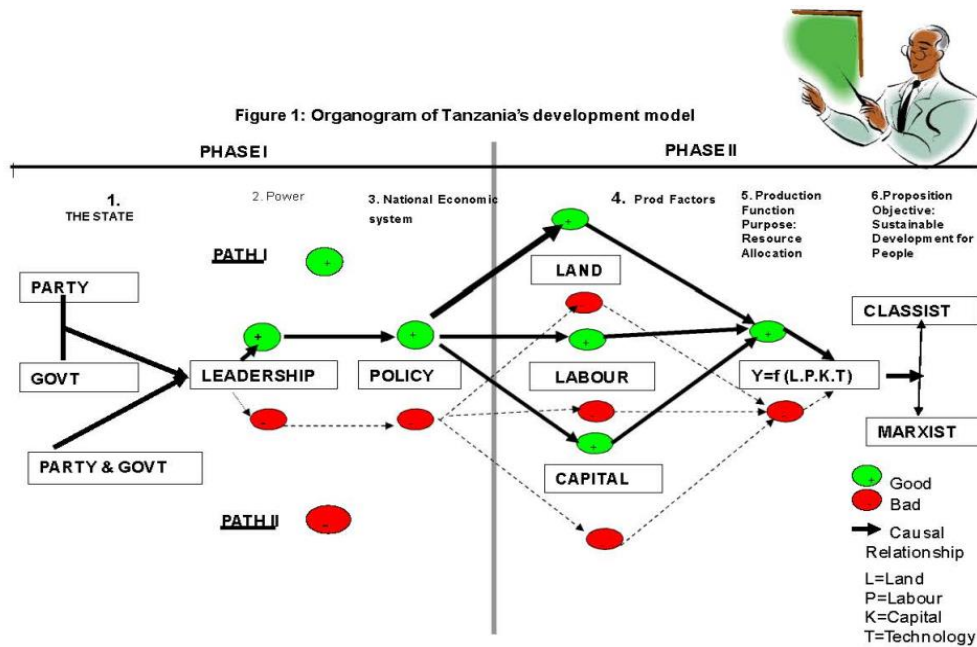
**R** = Rate of resource utilization

**P** = National policies

**L** = Leadership (power wielders or governance)

**C** = Societal involvement (state/degree of democracy)

**S** = The State (ruling party or politics)



Note: Leadership has significant role to play in determining pattern and pace of economic development. If the leadership is committed to the development, it will opt and implement suitable economic policy therefore offer a positive impact. And on the other hand if it is not committed, development won't be attained. The choice of leadership is therefore important in the development process.

#### 4.1 Phases of the Model

##### 4.1.1 Phase I of the model

This phase is comprised of the three key components including the State, the Leadership and the National Policy. Whereas at the state component we are having Government and for the case of Government of united republic of Tanzania, the Government is formulated from a ruling party as per current ruling party is Chama Cha Mpinduzi (CCM). On the other hand Leadership component is solely depends on the politicians who have been elected from their parties and for Tanzanian case currently all of the leaders are from the ruling party CCM while the policy component being the result of the type of leaders especially members of the parliament (majority being CCM members of the parliament) of which they are responsible for county's policy formulation.

##### 4.1.2 Phase II of the model

This phase includes main three components as follows; Factors of Production, Production Function and Propositions. Factors of production are the aids to production or the inputs that are used in production of goods and services which includes Labor, Land and Capital which account for resource endowment of Tanzania. The production function refers to the technical relationship between input and output in a given place and time and rationale for this component is to describe the resource allocation.

#### 4.2 Paths of the model

Depending on the form of government adopted and type of leaders elected/selected, the country may have either Positive Development outcome or Negative Development outcome. When a country adopts democratic way to get her leaders will result into

good leadership who will formulate good policies that will ensure proper allocation of resources thereby brings about positive development outcome. While a country adopts undemocratic way to get her leaders will result into bad leadership who will formulate bad policies that will cripple proper allocation of resources that guarantees negative development outcome.

#### V. FIVE EPOCHS OF TANZANIA UNDER THE LIGHT OF DEMOCRACY AND ECONOMIC DEVELOPMENT

As per this paper the aim is to tress democracy under the way the leaders are obtained who will be responsible in decision making that will dictate resource allocation thereby influencing economic development of the country. It should be noted that it's not the purpose of this paper to criticize the leadership for five epochs but to shed light on the elements of democracy and economic development as per model proposition. Since independence, Tanzania has experienced five leadership epochs that has influenced major means of production of the entire economy as follows;

##### 5.1 Mwalimu Julius K Nyerere epoch 1961-1985

He came in to power from a nationalistic movement of Tanganyika called Tanganyika African National Union (TANU) which became popular through their campaign for independence as well as majority rule. Through the multiparty election held in 1960, TANU won the election due to its popularity. The new government under Mwalimu Julius K Nyerere as a prime minister and UK government agreed to full independence for Tanganyika at a constitutional conference in 196. In 1962 there was a first presidential election which brought TANU leader to the

presidency and Tanganyika became a republic. Also Zanzibar attained her independence in 1963 as a sovereign nation followed by Sultan overthrown in a revolution in January 1964 and in April 1964 Tanganyika and Zanzibar united to form the United Republic of Tanzania and Mwalimu Nyerere became the first president of united republic of Tanzania. In 1965 there were constitutional amendments advocating for one party system and the electorate voting yes or no to single presidential candidate. Since then, elections were conducted under one party system and Mwalimu Nyerere remained in power until 1985 when he voluntarily stepped down and make a history of the first African president to step down voluntarily.

Mwalimu Nyerere epoch policy wise can be grouped in to two main categories which are; 1961-1967 epoch and 1967-1985 epochs. Whereas 1961-1967 epochs was the period whereby his policies were much influenced by system of colonial power that was capitalist mode of production in which the major means of production were owned mainly by British colonial masters and Asians. So the political decision in this epoch to use capitalism brought about number of market failures as the state couldn't intervene directly in the market. Political leaders of the day observed that the perceived fruits of independence are illusions for majority of Tanzanians which necessitated elimination of capitalism in this epoch.

1967-1985 epochs this was the period of time through which Tanzania had drastically changed her political decisions from capitalist system inherited from colonial power to her own special kind of socialism and self-reliance commonly known as "*Ujamaa na kujitegemea*" adopted and officiated under the so called "*the Arusha Declaration-1967*" implying that the country is to follow socialistic oriented economic and political decisions. Under this epoch all major means of production were owned by the state through nationalization of all private property as well as decisions for the resources allocation were made by the government.

The good intents of establishment of socialism and self-reliance policy and nationalization of private entities didn't lead the nation to realization of the fruits of independents as there were a number of challenges clouded the system. Among many challenges these are some of which were so much pronounced by many scholars; Embezzlement of public fund, capacity underutilization, non-payment of taxes, reliance on government subsidies, over employing, imports protection for local firms, emerging of monopolistic firms, as well as inadequate managerial and technical skills. See details in Ngowi, (2007). Given the fact that private sector has a remarkable role to play in propelling economic development, this epoch has considered private entrepreneurs as enemies of state leading to stagnation in economic development by that time.

Despite the fact that this epoch had faced some drawbacks it has historically said it was the time whereby the state has invested so much in provision of social services such as education, health and water. And its undeniable fact that this epoch has invested so much in the human capital in which its beneficiaries have contributed to the economic development of Tanzania to date.

## 5.2 Ali Hassan Mwinyi epoch 1985-1995

He began his presidency in October 1985 just after voluntarily retirement of Mwalimu Julius Nyerere. Ever since it was single party era, the ruling part CCM under the chairmanship of Mwalimu Julius Nyerere nominated Mr. Mwinyi to be the presidential candidate. He served as a president of United Republic of Tanzania for two terms of presidency from 1985-1995 as per constitution. It was during his second term of presidency in 1992 where there were major constitutional reforms for the reinstallation of multiparty system in the country in which there were establishment of different opposition parties such as Chama cha Demokrasia na Maendeleo (CHADEMA), National Convention for Construction and Reform-Mageuzi (NCCR-Mageuzi), United Democratic Party (UDP), Civic United Front (CUF). Although multiparty democracy was reintroduced in this epoch, there were some challenges that set drawbacks of its efficiency constitutionally some of which are there were no clear separation of ruling party and the government, electoral committee autonomous and freedom of association for independent candidates.

It was in this epoch that there were other significant policy changes that embrace capitalism mode of production which advocates private sectors and market oriented economy (*laissez-faire* policy) as essential element to bring about economic development to majority population in Tanzania. These policy decisions came after the acknowledgment of the failure of socialist and self reliance policy which was advocated by his predecessor. Mr. Mwinyi's epoch is considered to be the epoch of significant economic reforms as he was referred to as *Mzee Rukhsa* such as Privatization of the state owned enterprises that were nationalized under the Arusha Declaration, autonomy of the central bank, obliteration of price controls, abolition of import licensing, reduction of entry restrictions in almost all economic sectors, deregulation in various industries, easing of controls over mergers and acquisitions (M&As), removal of foreign exchange, exchange rate- as well as interest rate controls.

Despite the fact that these reforms provided Tanzanians with sustainability growth which guaranteed positive economic development, there were some negative aspects of economic development that were observed for instance; introduction of cost sharing in education, health and water. All these threatened the investment in human resource and healthy services leading to 36% of Tanzanians population to live below the poverty line URT, (2005).

## 5.3 Benjamin William Mkapa epoch 1995-2005

Mr. Mkapa won the nomination from his party Chama Cha Mapinduzi (CCM) for presidential candidacy in 1995 mainly due to his ant corruption campaign just after the end of Mr. Mwinyi two presidential terms as per constitution. It was in the year 1995 when the first multiparty presidential and parliamentary election started for the United Republic of Tanzania through which Mr. Mkapa won the election by 62 percent of the total votes. Mr. Mkapa served as president for two presidential terms as per constitution.

His main political and economic agendum was Privatization. It was through this agendum the following positive economic development were observed; macroeconomic stability through cash budget and increased aid Restores government credibility to donors debt cancellation, Privatizes state enterprises

(except public utilities), Increases foreign direct investment in mineral sector (yet narrow tax revenue for the state), Increases primary school enrollment. Although there were positive economic development this epoch failed to fulfill its anti corruption policies and there were number of corruption scandals reported which retards the economic development of the country.

#### 5.4 Dr. Jakaya Mrisho Kikwete epoch 2005-2015

Dr. Kikwete emerged victorious within the party's nomination for presidential candidacy among 11 contestants from his part CCM. After the general election of December 14, 2005, he was declared the winner and he was sworn in as president of united republic of Tanzania on December 17, 2005. After his first term in the office he was reelected for the second term and he served as the president of united republic of Tanzania for ten (10) years from 2005-2015 where he was required to retire as per constitution. In his epoch there was high degree of democracy as it was observed that there was freedom of speech and expression, parliamentary autonomous and also political parties were allowed to operate freely.

Dr. Kikwete's policy agenda aimed at increase production and improve distribution through mechanized agriculture famously known as "*kilimo kwanza*" in order to bring about quality life for every Tanzanian. This policy was a very good move to bring about economic development for majority of Tanzanians but it lacked strategies on its effective implementation thereby failure. It was during this epoch where there were major scandals for corruptions by high profiled government officials such as IPTL, Richmond and Tegeta Escrow scandals (Cooksey, 2017). All of these seized back the good intentions of this epoch to bring better life for every Tanzanian as the national cake was distributed among very few. Apart from corruption scandals, this epoch demonstrated good international trade relationship with many countries, increase in foreign direct investment which propelled the economic growth and raising the minimum wages for workers through which there was slight increase in economic development.

#### 5.5 Dr. John Pombe Magufuli epoch 2015 to date

From so many potential and legends of CCM members who contested within the party Dr Magufuli won the nomination of CCM's presidential candidate for the 2015 election. In this general election he faced strong competition from opposition's candidate Edward Lowasa and Dr. John P Magufuli won by 58 percent of the votes. According to commonwealth report 2015, General Elections, perceptions of the credibility and integrity of the National Electoral Commission (NEC) remained a challenge. This challenge was a consequence of the professed and concrete influence of the executive and ruling party on the NEC. A point worsened by abrupt employees' changes within the NEC, for which no obvious rationalization was given. For example, the Director of Elections was replaced just months prior to the elections. Moreover, the Commission's sustained use of local government executives as NEC election officials multifaceted the perceptions of the lack of independence and objectivity on the part of the Commission which cripples NEC from functioning autonomously.

The policy agenda for this epoch is industrialization commonly known as "*Tanzania ya viwanda*" in order to deliver

Tanzania in to the middle income economy. Since the beginning of this epoch there have been remarkable efforts to eradicate corruption and increase accountability in public offices. Despite the fact that this epoch has demonstrated many positive side of economic development there are some challenges such as direct intervening of the government in business activities (for example purchase of entire cashew nut harvest in 2018) and centralized decisions on resource allocation and reallocation which contradicts the free market principle.

## VI. CONCLUSION

Democracy as defined in this study is considered to play a significant role in influencing economic development of a country. As demonstrated by the model in this study, phase I of the model which is about the process of getting leaders who have dominant role to play in policy formulation and executions which have multiplier effects on phase II of the model which is about utilization of resources. Astonishingly the nation is under pressure to improve phase II of the model while the problem is in phase I of the model.

## VII. RECOMMENDATIONS

Tanzania and most of other African countries should work on improving their democratic processes of obtaining their leaders in order to get disciplined leaders who are committed to make good policies for country's interests' to a certain extent than party or personal interest in so as to be able to guarantee the economic development of majority citizens who form the rural population in Africa.

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