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Retreat of the State: Political Consequences and Social Implications for Zambia

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In this year's World Development Report *the World Bank declares that "Development without an effective state is impossible" and finds that "it is in sub-Saharan Africa that the deterioration in the State's effectiveness has been most severe – the result is eroding civil service wages, heavy dependence on aid and patronage politics". To some this may be obvious, to others perhaps it is a striking insight. Peter Henriot emphasises that building a capable state concerned with development during a period of adjustment requires not only that it set limits to inflation along with appropriate macroeconomic targets, but that it also places top priority on human and infrastructural investment. Political participation in which communities gain control over their lives and resources should be the key ingredient in the setting of these targets.*

Taking Zambia as a case study, after assessing the background and current experience of structural adjustment, the premises underlying the retreat of the state are examined. The political consequences of this retreat and their associated social implications are explored in six areas. The article concludes with a critique of the approach taken and suggests a framework for alternative policies which draws on an analysis of Catholic Social Teaching (CST) and United Nations Development Programme (UNDP) proposals.

The structural adjustment approach is more long-term and much more complex and comprehensive than just the monetary and balance of payment measures related to the founding mandate of the IMF (International Monetary Fund). It involves structural reforms which are no longer merely economic — the state itself becomes a key target, and with it the sovereign power of the state to design macroeconomic policies.[1]

Introduction

The dominant model of economic development being pursued in Africa today — indeed in most other parts of the world — is the neo-liberal model of free market capitalism. Guided by this model, a set of macro-economic reforms to promote monetary and budget *stabilisation* and market and trade *restructuring* is put in place in order to re-orient the national economy to become more integrated into the emerging global economy. Since the 1980s, most African states have adopted the Structural Adjustment Programmes (SAPs) proposed (and often *imposed*) by the major international financial institutions, the International Monetary Fund (IMF) and the World Bank.[2]

Central to structural adjustment is an *economic* philosophy of liberalism. However, there is also operative a *political* philosophy of the minimal state. This political philosophy posits that the instruments of government should be reduced in both size and influence in order to let free market forces become the prime determinant of national policies in both economic and social spheres. The ability of governments to set priorities, implement policies, and direct resources is thus severely limited.

This "retreat of the state" is more than simply a restructuring or a redefinition. It does indeed include some new structural arrangements (e.g. disengagement from economic functions such as state ownership of major industries) and some new definitions of the state's role such as creating an enabling environment for private entrepreneurship. But it goes much further in making the state "a key target" by not only criticising its inefficiency but questioning its legitimacy. One need not hold a naive view of the unlimited goodness of government to recognise that the ideology behind efforts to restrict state action holds that "the government is best which governs least", rather than "the government is best which governs best — whether or not it is large or small".

The situation in Zambia

Upon gaining independence from Britain in 1964, Zambia was considered one of the economically most advantaged nations in Africa, largely because of its great copper wealth. But the collapse of copper prices in the 1970s, coupled with the quadrupling of petrol prices, dealt a severe blow to Zambia's apparent prosperity.[3] The socialist economic model, heavily influenced by political ideology, was incapable of adjusting quickly and effectively to global economic changes. By the mid-1980s, Zambia was borrowing heavily and falling deeper into external debt. Total debt stock grew from US$3.25 billion in 1980, to US$4.05 billion in 1985, to US$ 7.2 billion in 1990.[4]

Unable to meet debt servicing requirements and with foreign exchange drying-up, the government reluctantly agreed to begin the economic reforms insisted upon by the IMF and World Bank as conditions for further assistance. The one-party rule of President Kenneth Kaunda began some reforms in 1984, but followed them up on a very irregular basis. Severe social suffering increased Kaunda's unpopularity, as did his increasingly authoritarian regime, e.g. censorship, detentions, activities of the secret police. This led to his United Independence National Party (UNIP) losing power in 1991. With the return to multi-party politics President Frederick Chiluba and his Movement for Multi-Party Democracy (MMD) took office with the support of almost three-quarters of voters.

At the transition, the economy was in ruins. Over 80% of the economic activity was in the hands of the state, ranging from the gigantic copper mines to local dry cleaners, from national banks and insurance companies to travel agents and supermarkets. Industrial capacity was operating at about 30%. External debt had risen to US$7.2 billion, or almost US$1,000 for every Zambian man, woman and child. Severe shortages of basic commodities were constantly experienced, accompanied by triple-digit inflation. Social services were cut, per capita education and health spending declined and infrastructure deteriorated.

During the 1991 elections, both UNIP and MMD endorsed the need for economic reform along the lines of greater liberalisation and submission to free market forces. While UNIP was more cautious, in keeping with its original socialist orientation, it nevertheless spoke of the need for self-reliance and a commitment to "sound economic management... with the freeing of the entrepreneurial spirit of the Zambian people in a business environment that is stimulating rather than suffocating."[5] The MMD used similar words (e.g., "new era of opportunity for economic policy realism which rewards and motivates individual initiative"), and was also very explicit in its support for structural adjustment: "The MMD is committed to creating an enabling environment for economic development in Zambia by implementing a balanced structural adjustment programme specifically suited to Zambian conditions."[6]

Though the MMD was very clear in its 1991 Manifesto that it would move to implement a strict approach to SAP, the general voting public did not have much of an idea what this would mean. The central issue in the 1991 election was simple: Change the government. Kaunda had lost popularity and a vote for Chiluba was not necessarily a vote for all the details of the SAP but for rejection of Kaunda. Once the impact of the SAP began to be felt — in rising prices, loss of employment, closing of industries, imposition of fees in health and education services — the MMD government's popularity waned. But no viable and credible opposition had developed, and the 1996 elections (which were boycotted by the major opposition groups) returned the MMD for another five years. The end result is a relatively popular government implementing a seriously unpopular policy.

The new MMD government moved swiftly with major macro-economic reforms, removing subsidies from basic commodities such as maize meal, imposing a strictly balanced budget, devaluation of the kwacha (Zambia's currency), beginning the privatisation of para-statals, imposition of service fees for health and education, reform (down-sizing) of the civil service, and undertaking trade liberalisation. These SAP reforms have continued, and the 1996 MMD Manifesto pledged that the government "will continue to pursue private-sector-led, rational, market-oriented policies" which will enable the country to meet World Bank/IMF benchmarks.[7]

Some positive achievements have been recorded, as inflation has declined from over 200% in 1992 to 35% in 1996, foreign exchange markets have been opened up, and more consumer goods are available (mostly from South Africa). But SAP measures have had extremely harsh effects on the socio-economic situation of most Zambians. Price increases, civil service retrenchments and the imposition of user fees hit those who already are suffering most.[8]

Zambia is a nation of poor people. A major World Bank poverty assessment in 1991 found that close to 70% of the population lived in households with inadequate resources to meet basic needs.[9] The figure today is estimated to be 80%, and over 90% for rural areas.[10]

Table 1 shows the levels of human deprivation in Zambia with some comparison of trends in selected poverty indicators over the past few years.

Table 1: Poverty indicators[11]

INDICATOR	1991	1993	1995	1997
Life expectancy at birth	54.4	54.4	48.9	42.6
Infant mortality rate (per 1000 live births)	78	85	104	110
Under-five mortality rate (per 1000 live births)	125	122	203	203
Daily calories supply per capita as % of requirements	92	87	–	–
Access to clean water (% of population)	59	59	53	50

Given the situation described, it is clear that the government faces a serious political choice: should it be an *activist* government involved in directly promoting public well-being through a mix of economic and social policies, or should it be a *minimalist* government helping to create an "enabling environment" for private business with some minor social safety nets for those most vulnerable under the structural economic reforms underway?

As will be clear in what follows, the Zambian government has chosen the second alternative. It provides a classic case of the "retreat of the state" to a minimalist involvement. Such a choice has clear political consequences and significant social implications.

Retreat of the state

It is ironic that the two major competing political-economic philosophies, Marxism and capitalism, both argue for a retreat of the state. It is true that for Marxism the "withering away" of the state comes only after the full establishment of a communist society. Prior to that, the state is especially active in a "commandist" economy. Under capitalism, the philosophy of *laissez-faire* restricts government activities considerably and promotes a free market, private-sector oriented economy.

A recent study from Latin America speaks of the extreme form of neo-liberalism as being

> a radical conception of capitalism that tends toward an absolutist view of the market, transforming it into the means, the method, and the end of all rational and intelligent human behaviour. Based on this conception, people's lives, the function of society, and government policy are subordinated to the market. This absolute market disallows regulation from any source. It is unfettered, with no financial, labor, technological, or administrative restrictions.[12]

In such an analysis the state is of secondary if not insignificant importance in the operation of society. The market comes first, assuming in such situations the status of an absolute institution directing the course of history. This description may seem exaggerated or overdrawn. Yet in the author's view, it is an accurate description of the operation of economies that have fully embraced structural adjustment programmes.[13]

What are the political consequences of neo-liberal measures? From a Latin American perspective,[14] some of the consequences can include:

- Economic growth — and not the fulfilment of all men and women in harmony with creation — is considered to be the nation's reason for being.
- State intervention is restricted to the point of stripping it of its responsibilities to provide the basic goods that all citizens deserve by virtue of being human.
- Comprehensive programmes to generate opportunity for everyone are eliminated and replaced by incidental assistance to specific groups.
- Business is privatised with the assumption that the state is, in every case, an inefficient administrator.
- Multiple demands upon the public treasury (including social demands) are subordinated to the adjustment of macroeconomic variables: a balanced budget, lower inflation, and achieving a stable balance of payments position.

- Legislative barriers which aim to protect workers are eliminated in an effort to create incentives for private investment.
- Powerful groups are exempted from taxes and environmental regulations in order to accelerate the industrialisation process, leading to greater concentration of wealth and economic power.
- Political activity is placed at the service of neo-liberal economic policy, removing obstacles to the free market while imposing political and social controls, for example, on the bargaining activities of free trade unions.

The retreat of the state demanded by neo-liberalism does more than *reduce* the size of the state. It *delegitimates* the state's role. That is, the mechanisms of government are deemed illegitimate means to promote the common good of society. Rather,

> ...only the market has the ability to efficiently assign resources and establish different income levels for different social actors. Therefore, efforts are eschewed to achieve social justice through a progressive tax structure and social spending allotment favoring the most disadvantaged; further, attempts to democratize equity or conduct comprehensive agrarian reform are discarded.[15]

It is important to note in general (and in the specific case of Zambia which follows) that an analytical critique of the retreat of the state neither idealises the state nor ignores its failings. Corruption by political elites, mismanagement by untrained civil servants, misguided choice of priorities based on political expediencies, and lack of popular engagement in the design and implementation of programmes: admittedly all these factors lead to inefficiencies and failures in socio-economic development. But the point here (one experienced in Zambia's case) is that reform of the state is not generally held out as an option by proponents of neo-liberalism. According to their views and actions, one can only conclude that their position is: "The state is beyond redemption."

Zambia's experience

Looking at Zambia's experience of SAPs over 13 years, and especially during the past six years of more active participation, several consequences of the retreat of the state can be seen. These are *political* consequences which have *social* implications. Of the many areas which could be explored, six have been chosen which typify these political consequences.

1. *Macro-economic policy decisions*: A common myth espoused by the IMF and the World Bank is that all of the major decisions involved in designing, adopting and implementing SAPs are made by *national* governments. This myth is even propounded by some governments, when it is to their political advantage to emphasise the integrity of their national sovereignty. But the experience of Zambia shows the falsity of this myth.

In 1984 due to its external debt problem, Zambia had no choice but to enter into the first phase of a SAP agreement in order to receive balance of payments loans. Two years later serious riots broke out on the Copperbelt after subsidies were withdrawn from the basic food commodity, maize meal. Threatened by this civil unrest, President Kaunda retracted this measure. In May 1987 he formally withdrew from the IMF/World Bank programme, promising to take adjustment steps on his own and appealing for continued international assistance. But all aid — loans, grants, — immediately dried up except for a few minor exceptions. By June 1989, faced with a collapsing economy, Kaunda had to return to the IMF/World Bank and negotiate for a resumption of a SAP. Donor assistance was resumed. The government resisted backing down on a maize meal price increase in June 1990, despite further bloody riots and an attempted military coup. But in late 1991, as elections drew close, Kaunda again pulled back from implementing some unpopular SAP measures (e.g., civil service reforms). This resulted in donor assistance being frozen once again. When the MMD government came to power it re-entered into the SAP agreements and assistance immediately resumed.

Moreover, pressure to meet pre-assigned targets (e.g. on inflation reduction, the monetary supply, and expenditure) has on several occasions forced the MMD government to take unpopular measures such as wage restraints and the imposition of user fees. Furthermore, failure to meet the targets or to handle satisfactorily "governance" issues (e.g., constitutional reforms, the crackdown on corruption) has at times meant curtailment of assistance such as occurred with the suspension of balance of payments support in May 1996. Only when some satisfactory progress was demonstrated (or at least more strongly promised) was assistance again offered in July 1997.

What does this "checkered" history of Zambia's experience show? It demonstrates the point made in this article's opening quotation about the sovereign power of the state to design macroeconomic policies being under attack. The government's role in choosing the timing and design of the various stages of SAP has been minimal. The social implication of this is that what should be the normal priority concerns of government, such as the health, education and well-being of its citizens, are subordinated to the mechanical formulae of SAPs (see section 5 below – Social Reform).

2. *Industrial Policy*: It is without question that economic reform had to happen in Zambia's industries. Major inefficiencies in operations, failure to maintain capital, and lack of new capital investment have led to low capacity utilisation. The huge parastatals controlling the bulk of Zambian industry — ZIMCO (Zambia Industrial and Mining Corporation), INDECO (Industrial Development Company of Zambia), — had to be reformed if the economy was to move forward. But following the strict logic of the neo-liberal SAP approach, the only available option for reform was *privatisation* which meant selling off government shares to the highest bidder.

It is hoped by many, and argued forcibly by the MMD government, that as the state retreats from being a major actor in the industrial sector, there will be a marked improvement in economic activity. Privatisation in Zambia today has gone forward at a remarkable rate under the aegis of the Zambia Privatisation Agency, with over one hundred companies being sold in the past five years.[16]

Privatisation is not simply a financial, technocratic, bureaucratic activity. Nor is it merely an economic reform measure. It is profoundly a political process, with significant social implications. Nowhere is that more evident in Zambia than in the sale of the so-called "crown jewel" of Zambia's economy, the copper mines.[17] A major factor in the struggle for Zambia's independence in the 1960s was national control over the copper mines and the enjoyment of the profits by the Zambian people. Zambia Consolidated Copper Mines (ZCCM) has been the largest earner of foreign exchange in the country (between 75% and 85%). But it is also a major social force in the Copperbelt and not simply because of its strong economic presence as an employer and purchaser of supplies. ZCCM has established and maintained housing, schools, hospitals, clinics and sports clubs, — all significant factors in the quality of life of local people.

Questions have been raised about the social implications of the privatisation of ZCCM. For example, will purchasers be required by government to take over, at least during a transition period, some of the social institutions previously owned and operated by ZCCM? To demand this would certainly require government activism. But under the drive of the neo-liberal ideology, the state has retreated from being anything more than a promoter of the private sector facilitator of an "enabling environment" for free market activities in the industrial area.[18]

In contrast to such a limited role the UNDP, in advocating creation of "people-friendly markets," has noted "seven sins" to be avoided in the privatisation process.[19] Table 2 lists these.

Table 2: Privatisation's seven sins

1. Don't only maximise revenue — create a competitive environment.
2. Don't replace public monopolies with private monopolies.
3. Don't sell through discretionary, non-transparent procedures, which invite allegations of corruption and nepotism.
4. Don't use sales proceeds to finance budget deficits — retire national debt.
5. Don't "crowd" financial markets with public borrowing at a time of public disinvestment.
6. Don't make false promises to labour — retrain them for new industries.
7. Don't rely merely on executive orders — create a public consensus.

It is unfortunate that Zambia has experienced the social effects of several of these "sins." For example, allegations of corruption abound, as some government and ruling party officials seem to be able to take advantage of their positions to purchase privatised firms; labour has felt the strong effects of retrenchment (as described below); and creating public consensus has been only minimally attended to (largely through advertisements in the government media extolling the benefits of privatisation).

3. *Agricultural Policy*: Key to the centrally-planned economy of Zambia's Second Republic was complete state control of the agricultural sector. Government institutions from Ministry level down to local co-operatives were involved at every stage of

agricultural production and distribution, especially of the basic food commodity, maize. This was especially significant given the government's decision to subsidise consumption of maize meal. Artificial pricing schemes were designed and maintained. The government was the key player in providing credit, supplying agricultural inputs (e.g., seed, fertiliser, ploughs), purchasing and storing maize, distribution throughout the country, and the designation of wholesale and retail outlets.

It is not surprising that serious problems hampered the efficient operation of such a system. Bureaucratic and logistical difficulties and political interference meant that each year there were shortages, waste, and various managerial crises. Annual agricultural growth averaged only 2% between 1970 and 1988, well below the rate of population increase of over 3.5%.[20] Reform was certainly necessary in the agricultural sector.

But did effective reform call for the immediate and complete retreat of the srate? Almost overnight, the agricultural sector was liberalised and the government no longer ran grain boards, or set the price of maize, distributed inputs, guaranteed loans. The private sector was expected to take up all these tasks. The problem was that no adequate and established private infrastructure existed to immediately step into the gap created by the government's withdrawal. This meant that inputs arrived late or not at all, peasant farmers in distant areas could not find markets for their produce, loans were not available, farmers became discouraged about planting more than their own household food security needs, and overall production fell. All of these problems were compounded by the recurrence of extremely serious droughts in three of the first five years of these policies.

It is fair to say, however, that under the liberalised regime, Zambian agriculture has suffered the consequences of two droughts. The first is the *natural* drought of a lack of sufficient rainfall. The second is the *policy* drought of a lack of effective government programmes. An example of the latter is the situation which prevailed in the country at the end of 1996. Mixed signals were given almost every day as to whether the government would assist farmers in securing fertiliser. Inadequate quanitity and quality of fertiliser meant lower production for the 1996-97 season and Zambia had to import maize from Zimbabwe and South Africa.[21] This problem was intensified by extra heavy rains in some parts of the country, especially the Southern Province, which washed away some of the crops.

This insistence on the retreat of the state was neither realistic nor efficient in the Zambian agricultural context. What a Tanzanian economist says about Africa in general is certainly applicable to Zambia: "Commercialising existing marketing boards and introducing competition is a more appropriate strategy than abruptly abolishing existing marketing boards, which is likely to cause more chaos and disruption."[22]

4. *Employment Policy*: A significant consequence of the retreat of the state in Zambia's recent economic history has been the negative impact on employmenr. With the privatisation of parastatals and civil service cutbacks, major job retrenchment has occurred. Formal sector employment as a percentage of the labour force has been declining steadily as shown in Table 3.

Table 3: Formal labour employment[23]

Year	Labour Force	Formal Employment	Percentage
1975	1.5 million	393,000	27
1986	2.7 million	526,000	19
1991	3.2 million	544,000	17
1994	3.6 million	503,000	14

The government does not have an official employment policy and appears to leave the issue of job creation solely ro market forces. A major study done for the UNDP and ILO states: "Government regards employment creation as a function mainly of sustained economic growth. The focus, therefore, would be on policies that will ensure sustained economic growth. Policies aimed more directly at employment promotion would at best be of secondary importance."[24]

The study further notes that there is a danger of what the UNDP has called "jobless growth," which implies that employment growth will lag well behind economic growth.[25] This is an issue in Zambia especially as the government does not play an active role in encouraging labour-intensive industries.

5. *Social Reform*: In most parts of the world, the state is normally the major supplier of basic social services such as education and health care. The private sector may provide some of these social services, but the prime responsibility is seen to rest with the state as part of its duty to promote the common good. In Zambia, as in many other African countries, free education and health care were offered to the population during

the first decades of independence. Under structural adjustment, the retreat of the state has meant privatisation and user fees. Parents have to pay for schooling, and those attending hospitals or clinics are charged set fees for examination, treatments and drugs. The state no longer assumes major responsibility in providing such basic services.

This curtailment in service provision has particularly serious social implications in a very poor country such as Zambia.[26] With over 80% of the population living in households with inadequate resources to meet basic daily needs, living standards have deteriorated rapidly. The Ministry of Community Development and Social Welfare faces a chronic shortage of funds and has not managed to attract top-rate personnel, either from political appointees or from the civil service. Various "safety nets" to protect the vulnerable who feel most strongly the effects of structural adjustment are inadequately designed, funded and administered and de facto cannot work as envisaged where the majority are poor.

It is true that under the agreements signed between the Zambian government and the World Bank and IMF, about 15% of the national budget must be designated for education and another 12% for health services.[27] However, whether or not the money officially *allocated* is ever actually *disbursed* is another question. Local research carried out under the "SAP Monitoring Project" of the Catholic Commission on Justice and Peace (CCJP),[28] as well as many reports from various parts of the country, indicate that educational and health facilities are chronically under-funded, with resulting lack of essentials such as books and drugs. Moreover, imposition of fees has meant fewer people avail of these services. There has been an overall decline in school enrolment, particularly among girl children — an especially dangerous trend.[29] Studies indicate that more than 50% of school age girls are out of school and illiteracy rates for women are double that of men. People are also staying away from hospitals and clinics.[30]

With the decline in social services, women and children are particularly hard-hit.[31] Agricultural reforms have limited the role of local markets and had an impact on women's small-scale income-generating projects, e.g. groundnut production. Declining household income because of para-statal retrenchments has exerted enormous pressure on women to take up informal economic activities such as vending, even though they already have multiple roles to perform in the family and in the wider community.

6. *The Political Arena*: A very encouraging development in the multi-party era of the 1990s in Zambia has been the growth and vitality of a large number of non-governmental organisations (NGOs). This fact is encouraging because it is a sign of a maturing "civil society" which is a necessary condition for sustainable multi-party democracy.[32] These NGOs perform two major functions: (1) *service*, in directly assisting people in meeting various needs (e.g., street children associations, women's groups); and (2) *advocacy*, in pressuring government for just policies to fulfil its responsibilities to the people.

Throughout Africa, the NGO sector is growing and is receiving substantial donor funding. But the implications of this growth need further analysis, especially in the light of the neo-liberal emphasis on the retreat of the state. According to one critical commentator on recent NGO activity in Africa:

> That the rapid growth in the NGO sector in Africa parallels the era of structural adjustment and the roll-back of the state is no mere coincidence. ...[T]he burgeoning NGO sector fits perfectly into the thinking of anti-statist structural adjustment driven by a free market ideology. They are private organisations, allegedly less corrupt and more efficient and democratic than the state, are often "entrepreneurial" in nature, and provide social welfare services in areas from which the state has withdrawn. Their piecemeal and unco-ordinated approach to social welfare provision is the exact opposite of centrally-planned state provision. As such, they are proving to be at the centre of current debates on democratisation, civil society, economic liberalisation, the role of the state, and the nature of national-state sovereignty. In many ways the emergence of the NGO sector presents a direct threat to a weakened African state.[33]

One need not be as critical as the cited commentator to acknowledge that the expansion of the NGO sector means that politics itself is being affected by the retreat of the state. For as state activity declines, many development agencies (including the World Bank) see NGOs as key institutions in providing relief for vulnerable groups affected by the harsh agenda of structural adjustment. The problem is that in a market-driven society such as is developing in Zambia, the NGOs themselves then enter into competitive activity to secure funding for services rather than concentrating on joint advocacy for socio-economic justice. Thus, "politics" continues outside of the political sphere of the state.

Critiques of the retreat

As the above illustrates, there are major social implications following on from the political consequences of the retreat of the state. One does not have to be a proponent of a socialist ideology which emphasises a strong central government and bureaucratic controls over the economy to raise a serious critique of this retreat of the state. Indeed, the neo-liberal philosophy which would leave the management of the economy to free market forces is rejected by the social teaching of the Catholic church and by policy recommendations of institutions such as UNICEF and UNDP.

In Zambia itself, there is increasing public debate over the effectiveness and desirability of a strict adherence to the SAP approach to economic reforms. The MMD government, re-elected for a second term in 1996, continues to hold firm to its policies, though acknowledging that the benefits have not come as quickly as expected and that the majority of people are suffering greatly. But the government argues that things will improve over time. Other sectors of Zambian society are not so benign in their appraisal. Trade unions have critiqued employment consequences, business leaders have lamented the decline of local industries and NGOs have pointed to disastrous social consequences. By far the sharpest critic has been the church especially the Catholic Church.

According to the Zambian Catholic bishops' pastoral letter, the church's social teaching (CST) does not view the institutions of the state negatively. In a list of relevant principles drawn from the CST which they see as applicable to the restructuring of the Zambian economy, the bishops note:

> The state has a legitimate positive role in the economy, not simply in enabling private enterprise but also in promoting more human conditions for workers and consumers alike (e.g., the government should regulate industries and commerce to protect workers' rights and to curb exploitation of the poor and weak).[34]

To back up this proposition, the pastoral letter cites the teaching of John Paul II in his 1991 encyclical letter, *One Hundred Years*:

> Economic activity, especially the activity of a market economy, cannot be conducted in an institutional, juridical or political vacuum....[A] task of the State is that of overseeing

> and directing the exercise of human rights in the economic sector....The State has the further right to intervene when particular monopolies create delays or obstacles to development. In addition to the tasks of harmonising and guiding development, in exceptional circumstances the State can also exercise a substitute function, when social sectors or business systems are too weak or are just getting under way, and are not equal to the task at hand.[35]

That the bishops chose to emphasise this point in the Zambian context of economic reform is particularly important given the MMD government's almost "religious" commitment to the free market and the retreat of the state. Indeed, the key economic actors in the government today seem to have succumbed to what Erskine Childers called "the most dangerous fundamentalist religion on earth — that which worships 'the magic of the market'...."[36] According to this approach, there really are no legitimate alternatives to the free operation of the market, and adherence to structural adjustment offers hope of future (often very far future!) economic salvation. The neo-liberal ideology assumes almost a sacred character of the "Book," and dissenters are dismissed as non-believers at best, and heretics at worst.[37]

In their 1993 critique of the implementation of the SAP, the Zambian bishops stated:

> SAP is not a fixed law of nature that cannot be modified. It is a human creation, a product of theory and practice. As a human creation, it needs to be continually subjected to ethical consideration a well as to economic analysis. It must not be blindly accepted as the only possible answer to Zambia's problems.[38]

It is of course important to note that the exaltation of the market and the retreat of the state came into particular prominence with the collapse of the Soviet Union at the end of the 1980s. The argument was made that centrally-controlled economies had been totally discredited by the demise of communism and that free market capitalism had won the day. Therefore this capitalist model should be adopted worldwide as the answer to all economic ills, and was particularly relevant to poor countries like Zambia which had tried a centrally planned model with disastrous consequences. But John Paul II cautions against such a simplistic approach, warning against an unfettered free market approach, with a "radical capitalistic ideology" which dismisses government attempts to meet the serious social problems of the day.[39]

But religious criticism of the neo-liberal ideology of retreat of the state is not the only voice raised today. Indeed, a very sharp critique is coming from the development community. The annual *Human Development Reports* commissioned by the UNDP have repeatedly highlighted the fallacy of relying only upon macro-economic indicators to show the success or failure of development efforts. Concerned with human improvement as measured by social indicators of health, education, access to services, women's empowerment, environmental sustainability, these reports have challenged over-reliance on market-led reforms and the under-valuing of state activities.

The 1997 *Report* on the theme of poverty eradication, notes the need to look more critically at simplistic rejections of the role of the state.

> During the cold war era the threat of communism was an important force in motivating non-communist regimes — whether or not they were democratic — to improve the conditions of poor people.... With this motivating force removed, it has now become even more critical to find ways to build political commitment to poverty eradication. The fall of communism has left only one prevailing economic ideology in the political marketplace. Does the lack of competition mean that the concerns of poor people are forgotten?[40]

Indeed, it is precisely the goal of eradicating poverty that brings into focus the importance of a more positive view of the role of the state. As the 1997 *Report* notes, "Ending human poverty requires an activist state to create the political conditions for fundamental reform."[41] Markets cannot be expected (and indeed, are not able) to promote a *pro-poor growth* that expands the opportunities and life choices of poor people. Growth that is labour-intensive and employment generating, budgets that allocate public resources for human development, programmes which pay special attention to improving gender equality: these and other socially responsible approaches all require an activist state.

An alternative framework

A detailed analysis of *alternatives* to the neo-liberal ideology of the retreat of the state is beyond the scope of this article. But by way of conclusion, several points can be drawn from the analysis of the Zambian experience.

1. The structural adjustment programmes promoted by the major international financial institutions must be recognised for what they are, that is, more than mere economic plans but in reality major political initiatives. Their impact on the state, the delegitimising of ordinary government activities to promote the common good, and the predominant reliance upon the free market: these emphases have as many political consequences as they do economic consequences. And the political consequences have social implications.
2. Given that over 80% of Zambia's population live in extreme poverty, an over-reliance on market-driven solutions is not acceptable. A defence of the free market emphasis is that it creates economic growth which will benefit the entire society. But to say that a focus on economic growth is a poverty reduction approach is simply not accurate, as demonstrated again and again in a variety of countries both rich and poor. While economic growth may be a *necessary* condition for dealing with poverty, it is not a *sufficient* condition. Questions must be asked: What sort of growth? Who participates in the growth? Who benefits from the growth? And is the growth sustainable?[42]
3. There are two approaches to dealing with poverty, and both require state activism. The first is poverty *alleviation*, or lessening the impact of poverty on vulnerable groups in the population by providing limited services, emergency hand-outs. The second is poverty *eradication*, or doing away with absolute poverty (the deprivation of basic needs like food, shelter) by structuring society so that there exists at least a minimum standard of living for all. The first is a short-term *welfare* approach; the second is a long-term *development* approach which focuses on the process of impoverishment and tackling its causes.
4. Effective poverty eradication requires pro-poor economic policies which go beyond a market-led model of economic growth. Three sectors are especially important: labour-intensive industries (generating employment possibilities), agricultural and rural development (providing for both food security and rural livelihood security), and human capital investment (focusing on education and health provision).[43] The state must be an vibrant actor in promoting policies and programmes in all three of these areas.

5. In assessing state activity in the economic sphere, for example, in industrial and commercial activities, it is helpful to distinguish between government *intervention* and government *ownership.* Although an understandable reaction to the omnipresence of the state in some socialist economies (such as in Zambia, where 80% of economic activity was in the hands of the government), rejection of government activity on the grounds that it "interferes with the free market" is not valid. Where privatisation is promoted, it need not, and indeed should not, mean total withdrawal of the state. For example, labour, safety, and environmental regulation by the state are necessary for the promotion of the common good.

6. In assessing the role of the state the key issue is its effectiveness. It is a myth that the activities of the state should always be minimal. Unfortunately, the most prominent myth-makers of recent years, Ronald Reagan in the United States and Margaret Thatcher in Great Britain, have their ardent disciples in many of the countries struggling with economic reform under SAP (such as Zambia). But as Lord Keynes noted several years ago: "The important thing for governments is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all."[44] This, of course, is a re-statement of the classic principle of the church's social teaching, that of "subsidiarity": what can be done at a lower level should be done there first, and only where necessary should it be assumed by the higher level.[45]

7. In meeting the needs of the people, the most important challenge is not *resources* but *priorities.*[46] In Zambia, money can be found to purchase new uniforms for the military but not to replace worn-out text books in primary schools. But in the determination of priorities, the market is neither an effective nor a just instrument. Markets respond to *demands* (measured in economic power) and not to *needs* (expressed in human requirements). It is precisely for this reason, meeting the needs of the people in a spirit of the common good, that the state should not retreat but be responsibly active. As Lipumba asks: "Can African countries establish "developmental states" that respect their budget constraints, allocate resources, pursue policies that develop human resources, and encourage private-sector saving and investment to generate productive employment and promote growth?"[47]

That is the question that must be answered if Africa is to move forward with sustainable alternatives. Simplistic calls for a "retreat of the state" will only move Africa backwards.

Footnotes

1 Marcos Arruda, "Neo-liberal Adjustment and Globalization: A southern perspective," *Trócaire Development Review*, 1996, p. 31

2 For an overview of structural adjustment programmes in Africa, see Peter Henriot, "SAP: What for?", in *New People*, July 1995, pp. 13-21. A positive view is presented in *Adjustment in Afriea: Reforms, Results, and the Road Ahead*, A World Bank Policy Researeh Report, Oxford, Oxford University Press, 1994. A critical analysis is offered by Nguyuru H.I. Lipumba, *Africa Beyond Adjustment*, Washington, DC, Overseas Devclopment Council, 1994. See also Harry Bernstein, "Agrieultural 'modernisation' and the era of structural adjustment: Observations on Sub-Saharan Africa", *Journal of Peasant Studies* 18 (1) 1990.

3 For an analysis of thc copper industry's decline and the effects on Zambia's terms of trade see Frank Barry, "Terms of trade collapse and the growth of foreign debt: Zambia's macroeconomic crisis 1970-90", *Trócaire Development Review*, 1991, pp.29-42

4 See Peter J. Henriot, "Zambia: Debt and Structural Adjustment," *The Month*, July/Augnst 1997, pp. 268-73.

5 UNIP, "The Critical Choice: Manifesto 1991," p. 7

6 "Movemcnt for Multi-Party Democracy: Manifesto," 1991, p. 4

7 "Movemcnt for Multi-Party Democracy: Manifesto, 1996: Changing Zambia for Good," p. 4

8 Retrenchment directly affects those with jobs. These are not the poorest of the poor but they in turn are affected as many depend on help from extended families. Even where employees' jobs were redundant they were generating income and thus met private needs. Retrenchcd workers often move into the informal economy or back to rural arcas, where their skills and experience tend to replace the economic activity of thc very poor who lack such skills and experience. Rcgarding user fees, experiencc suggests they have a much grcater impact on access to services, precisely because of their fixcd and universal application, than the hit and miss demands made for "under the counter" fees.

9 World Bank, *Zambia Poverty Assessment*, 1994

10 See notice from Republic of Zambia, Central Statistical Officc, *The Post*, 22 April 1997. A very thorongh and rcadable review of Zambia's poverty situation can be found in the report published jointly by the Governmcnt of the Republic of Zambia and United Nations in Zambia, *Prospects of Sustainable Human Development in Zambia: More Choices for Our People*, Lusaka, December 1996.

11 United Nations Development Programme, *Human Development Report*, published annually, Oxford, Oxford University Press

12 "Neoliberalism in Latin America: Contributions to a shared reflection: working document," paper prepared to accompany statement by Latin American Provincials of the Society of Jesus; see footnote 14.

13 This emphasis on the absolute character of the market derives from the belief that the market cconomy operates undcr the influence of natural laws as resolute as the laws of the universe discovcred by Newton. The best policy for the state, therefore, is to leave these laws to operate by themselves without any regulatory or substitutional interference. See Sixtt K. Roxas, "Principles for institutional rcform" in Jo Marie Griesgraber and Bernard G. Gunter, eds., *Development: New Paradigms and Principles for the Twenty-first Century*, Vol.II of *Rethinking Bretton Woods*, London, Pluto Press and Washington, Center of Concern, 1996, pp.2-3.

The SAP approach incorporates this belief in its dismantling of para-statals rather than reforming them, the removal of tradc tariffs and quotas rathcr than the selected protection of struggling but potentially effective local industries and the reliance only on private institutions for dealing with essential goods such as food rather than allowing more state activity in guaranteeing equitable access to essentials.

14 See "Neoliberalism in Latin America," a Letter from the Latin American Provincials of the Society of Jesus, *The Month*, July/August 1997, pp. 281-84.

15 United Nations Development Programme, *Human Development Report*, 1997, published annually, Oxford, Oxford University Press

16 Monthly reports come from the Zambia Privatisation Agency.

17 See the articles by Theo Bull analysing the sale of ZCCM: "The Copperbelt: Better Prospects as ZCCM Brings in Some Changes," *Profit*, May 1996, pp. 15-18; and "Interesting Times," *Profit*, July 1996, p. 19.

18 At the time of writing, October 1997, negotiations for the final sale of ZCCM were on-going. Therefore it is not yet possible to assess the total social impact of this.

19 UNDP, *Human Development Report 1993*, p. 50

20 Government of the Republic of Zambia, *Sustainable Agricultural Development and Household Food Security*, Lusaka, December 1994

21 See Calvin Kaleyi, "The farming seene: maize shortfall," *Profit*, July 1997, pp. 32-5

22 Lipumba, *op. cit.*, p.75

23 Venkatesh Seshamani, John Milimo, Peter Henriot and Moses Banda, "Employment and sustainable livelihoods in Zambia," report prepared for UNDP and ILO, Lusaka, January 1997, p.25

24 Seshamani *et. al., op. cit.*, p.24

25 See UNDP, *Human Development Report 1993*, pp.35-7

26 In November 1995 the EU re-classified Zambia as a least advanced country.

27 This is under the so-called "Social and Economic Reform Credit" agreements that Zambia has negotiated with the World Bank since 1993.

28 See Zambia Episcopal Conference, Justice and Peace Department, *The SAP Monitor*, published six times a year.

29 For the negative consequences of declining school enrolment of girl children, see Michael J. Kelly, "Below the poverty line in education: A situation analysis of girl child education in Zambia," a Report for UNICEF-Zambia, Deeember 1994.

30 See "Access of the poor to health eare in Lusaka: Report of St. Ignatius Parish Justice and Peace Committee," 30 June 1996.

31 For further detail see "Gender and the micro-meso-macro linkages of struetural adjustment: Zambia case study", prepared by Econlynnx International, Canada, 1995

32 See Peter Henriot, "How 'political' should NGOs be?", in *Times of Zambia*, 8 October 1996, p. 5

33 Ian Gary, "Confrontation, co-operation or co-opration: NGOs and the Ghanaian state dnring structural adjustmenr," *Review of African Political Economy*, No. 68, pp.149-150

34 Zambia Episcopal Conference, *The Future Is Ours*, Lusaka, 16 March 1992

35 Pope John Paul II, *One Hundred Years*, no.48

36 Erskine Childers, "Reforming global governance — challenges ahead for the UN," *Trócaire Development Review* , 1996, p.92

37 See the well-developed analysis of this cconomic fundamentalism and its implications in John Mihevc, *The Market Tells Them So: The World Bank and Economic Fundamentalism in Africa*, Penang, Malaysia, Third World Network, 1995, especially pp. 21-42.

38 Zambia Episcopal Conference, *"Hear the Cry of the Poor": A Pastoral Letter on the Current Suffering of the People of Zambia*, Lusaka, 23 July 1993, p.7

39 Pope John Paul II, 1991, op. cit., no.42

40 UNDP, *Human Development Report 1997*, p.104

41 *Ibid.*, p.105

42 See Peter Henriot, "How to deal with poverty in Zambia," *Times of Zambia*, 30 May 1997. These points were made forcefully in the critical analysis made of the 1997 Budget Address of Ronald Penza, Minister for Finance and Economic Development, presented by the Catholic Commission on Justice and Peace; see Bishop T-G Mpundu and Mr. Martin Kalungu-Banda, *Social Dimensions of the 1997 Budget of the Government of the Republic of Zambia: "A Contribution to the Debate,"* Lusaka, 14 February 1997, p.5

43 See the discussion in Martin Brownbridge, "Policy Options for Economic Adjustment and Poverty Alleviation," paper prepared for the Bank of Zambia Seminar, Lnsaka, 6-8, August 1997

44 Cited in UNDP, *Human Development Report 1993*, p.52

45 See Pope Pius XI, *Reconstruction of the Social Order*, 1931, nos.79-80; and Pope John Paul II, 1991, op. cit., no.48.

46 For an analysis of recommendations on social spending in Zambia see statement of Catholic Commission on Justice and Peace (CCJP), "What are our priorities?", 14 October 1997. The statement notes that recent statistics from the government and the UN show a disturbing picture of social conditions in Zambia. Under-five mortality has gone from 177 deaths per 1,000 children in 1992 to 197 per 1,000 in 1996. An estimated 500,000 primary school age children are not in school. This year massive imports of maize will be necessary to off-set declines in agrieultural production caused not only by too much rain but by too little support for farmers.

Ronald Penza, Minister of Finance and Economic Development, is commended by the CCJP for setting a target to reduce poverty from its present level of over 80% of the population to 50% by 2004. According to the statement, "the 1998 Budget should be set within the framework of that pledge".

Recommeuded Budget priorities for the coming year include: eliminating fees for health services in rural areas and schools fees ar primary level; increased funding and improved management for safety net programmes; creating a special fund to deal with the effects of next year's anticipated drought; provision of tax credits as incentives for businesses to create employment in the formal sector; reduced numbers of military personnel; increased resources for training and salaries in the police service.

The increased social sector funding is realistic, the statement suggests, if priorities are given ro these areas instead of non-essential areas. Examples given by the CCJP include: "provision of school books instead of new ceremonial uniforms for the military; improved training of teachers instead of expensive vehicles and foreign travel; prompt and equitable payment of retrenchees instead of extremely high perquisites for retiring parliamentary officials."

The CCJP bases its non-partisan analysis and recommendations on the principles of social justiee found in the Church's social teachings and in the reports gathered from local participants in the SAP Monitoring Project sponsored by the Justice and Peace Department of the Zambia Episcopal Conference.

The CCJP has urged the Minister of Finance and Economic Development to clarify in his 1998 Budget Address how moncy derived from privatisation has been spent; whar are actual 1997 expenditures in the social sector and not simply allocations listed in the 1997 Yellow Book, and what is the current status and future arrangements for Zambia's external debt servicing.

47 Lipumba, *op.cit.*, pp. 87-88.