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**THE CHANGING ECONOMY OF TANZANIA**

**Patterns of Accumulation and Structural Change**

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### Introduction

Few would doubt that the Tanzanian economy underwent major changes since the policy reforms of the 1980s. The driving force behind these economic reforms was the increased openness of the Tanzanian economy to globalisation. In the process, Tanzania has turned from a low-growth into a high-growth economy. In recent years, for example, the growth rate of the economy has been consistently above 7%, which in combination with population growth at 2.7% leaves a significant margin of 4.3 % or more for growth in income per capita. Economic growth implies accumulation: not just the rate of accumulation, but also the ways in which accumulation fuels the nature of productivity and employment growth across and within the productive sectors of the economy. Accumulation and structural change, therefore, together propel the process of economic growth. It follows that what matters for successful transformation of an economy is not just the rate at which the economy expands (its rate of growth), but also the character of the growth process – that is, the direction in which the economy expands (Wuyts & Kilama, 2014). In particular, ‘growth-enhancing structural change can be an important contributor to overall economic growth’ (Macmillan *et. al.*, 2013: p. 1). Conversely, however, accentuated uneven development of productivities across and within productive sectors of the economy reduces overall labour productivity in the economy, notwithstanding the prevalence of strong growth in selective but significant pockets or enclaves of the economy.

Globalisation per se does not necessarily foster growth-enhancing structural change. Nor does growth necessarily go hand in hand with successful economic transformation. Whether it does so or not depends on the manner in which a country integrates within the global economy and whether or not this implies convergent or divergent patterns of productivity growth and employment growth within and across the productive sectors of its economy (Timmer, 2009; Macmillan *et. al.* 2013; Wuyts & Kilama, 2014). Recently, in Tanzania, the question of economic transformation has become the focal point of macroeconomic policy (Mpango, 2013). Mpango’s focus is on policy formulation based on forward projections using the ‘typical’ middle-income country as a blueprint, and, hence, Mpango makes little or no reference to lessons that could be drawn from the socioeconomic transformations – positive or negative – that already took place under the impulse of economic reforms and, in particular, the experience with a high rate of growth of the economy in the last 15 years. Yet processes of change are invariably context-specific and path-dependent and, hence, cannot necessarily be depicted only with reference to a stylised blueprint. In contrast, this paper takes a different track and seeks to engage in an empirical enquiry of past processes of economic transformation in Tanzania, particularly since the economic reforms of the 1980s. More specifically, this paper seeks to explore the changing patterns of accumulation and structural change that characterised the Tanzanian experience since structural adjustment. The aim of this paper, however, is not just to look backward by engaging in an historical inquiry of past developments, but instead to extract lessons from the past that might be relevant to the challenges of economic transformation in the future. Our aim, then, is to distil some key stylised facts from past processes of accumulation and structural change in Tanzania that hint at possibilities for and obstacles to the challenge to foster growth-enhancing structural change in Tanzania in the future.

In this paper, we are not concerned with the theoretical analysis of the concept of economic transformation since we dealt with this issue in a different but related paper (Wuyts & Kilama, 2014), but we shall nevertheless cross-reference to some of the key premises developed in that parallel paper to enable us to put the empirical explorations in this paper into their analytical context. This paper, therefore, is essentially empirical in nature, with explicit focus on distilling stylised facts from Tanzania’s recent economic developments. The paper does not make use of econometric analysis since our empirical enquiry will be particularly focused on changing patterns of growth and composition of aggregate expenditures on final demand, on the evolution of the saving-investment equality, on the growth in aggregate production and its division across productive sectors in the economy, on the dynamics of population and labour force growth and its changing composition and momentum, and, finally, on the resulting patterns of structural change as revealed by differential growth rates in productivities within and across productive sectors of the economy. This paper assumes familiarity with national income accounting identities, growth accounting and decomposition analysis, basic demographic accounting of population growth, structure and momentum, and employs a simple framework for the arithmetic of structural change. For convenience of reading, techniques used in this paper will be briefly explained before applying them.