Growth, Inequality, Poverty, and Extraction in Tanzania, 1961-2019

Sascha Klocke, Department of Economic History, Lund University

September 1, 2019

Abstract

A common theme in research on long-term trends in inequality, especially concerning the Global South, is that of path dependence; specifically that high levels of present day inequality and low levels of economic development are rooted in the establishment of extractive institutions and high inequality under colonial rule. This paper seeks to address this theme by investigating the long-term trend in inequality in Tanzania using original Gini estimates for colonial inequality levels, about which very little is known to-date, as well as re-evaluated estimates for post-colonial inequality. Tanzania is an interesting case: like in other former British colonies in sub-Saharan Africa, inequality at the time of independence in 1961 was relatively high. In contrast to most of the other colonies, however, inequality fell significantly in the post-colonial period, and remained at low levels even during the structural adjustment period and the recent growth spurt starting at the turn of the millennium.

It will be argued that this drop in inequality was driven by institutional reforms – especially those concerning land and the public sector – which accompanied the process of radical decolonisation through the implementation of “African socialism” (1967-1984). While the effects of these reforms on economic growth are still contested, they created an underlying framework which helped to keep inequality stable and at low levels, even during structural adjustment in the “neoliberal period” from 1985 to 2000, which generally has been linked to increases in inequality. Inequality also remained low throughout the current period of sustained growth which started in the late 1990s, indicating that this growth was inclusive and pro-poor. Overall, the Tanzanian experience suggests that with sufficient political will to initiate and sustain institutional reform, high levels of inequality are not an inevitable legacy of colonisation and not necessarily self-reproducing and path-dependent.
Introduction

Questions surrounding growth, inequality, and poverty have been part and parcel of the “development agenda” from its inception after World War 2 up to the current Sustainable Development Goals, around half of which are directly linked to one of these themes. Initially, growth took centre stage, while poverty reduction was assumed to follow from it and inequality trends were more of a by-product. In recent decades, however, many of the old assumptions have been questioned.

The case of sub-Saharan Africa illustrates this well. We are currently seeing what has been termed the “African miracle”: more than twenty years of uninterrupted growth across the continent. Despite this record, serious questions have been raised concerning the impact of that growth on poverty reduction and inequality (Fosu, 2018a, 2018b; Rodrik, 2018). For, despite the impressive growth record and reductions in the relative share of people in extreme poverty, their absolute number has not decreased significantly, and the continent is home to some of the countries with the highest income inequality in the world, overall second only to Latin America.

As such, the question of how this growth, inequality, and poverty reduction interact is a pertinent one, and their relationship has been revealed to be more complex than thought. First, poverty and inequality can be a barrier to growth (Easterly, 2007). Second, inequality mediates between growth and poverty reduction by being a determinant of the growth elasticity of poverty (i.e. to what extent growth leads to reductions in poverty) (Okojie & Shimeles, 2006; Thorbecke & Ouyang, 2018; van de Walle, 2009). What, then, determines inequality? An early explanation was provided by the Kuznets hypothesis, arguing that with sectoral change and urbanisation, which accompany economic development, inequality tends to increase initially up to a certain point, after which it will fall again, leading to the famous Kuznets curve (Kuznets, 1955). This hypothesis, focusing primarily on market forces as the cause of inequality, has increasingly been questioned, however. Recent literature has highlighted the path-dependent nature of inequality and its ostensible tendency to naturally increase perpetually if not countered by political intervention (Piketty, 2014) or major crises (Scheidel, 2016). Another important aspect is that of the role of institutions and historical – or more specifically, colonial – legacies in determining inequality levels and trends in the Global South, including sub-Saharan Africa. Acemoglu, Johnson, and Robinson (2001, 2002, 2004), Acemoglu and Robinson (2010, 2012), and van de Walle (2009), for example,
argue that extractive institutions established in colonial times lead to low levels of economic
development in the present, Odusola, Cornia, Bhorat, and Conceição (2017) argue for a link
between colonial land distribution and present-day income inequality in sub-Saharan Africa, and
Bigsten (2018), following earlier arguments on distribution in sub-Saharan Africa, argues for the
establishment of the “dual economy” in colonial times as a driving force. Despite these advances,
there is still “substantial room for analysis of distributional effects of institutions [inherited by
postcolonial states from colonial powers]” (Amendola, Easaw & Savoia, 2013).

One problem with such studies is that they take either a short-term view, or engage in what
has been called the “compression of history” (Austin, 2008), that is, they claim to establish a causal
connection between a data-point in the (distant) past and a data point in the present, while
overlooking developments in between. Austin (2008) discusses this extensively for the work by
Acemoglu, Johnson, and Robinson, but it is similarly evident in the study by Odusola et al., who
draw a straight line from land distribution at the time of independence to more recent inequality
measurements beginning in the 1990s. Similarly, van de Walle inadvertently highlights the short-
termism of many studies by pointing out that as “more income distribution data on African
economies have finally become available during the past two decades, the relatively high
inequality throughout sub-Saharan Africa has provided a major surprise” (2009, p.308). This
surprise is in itself surprising, for many studies on inequality in the Global South and sub-Saharan
Africa have been conducted from the 1960s to the 1980s, and while the data quality is debatable,
they did not show low levels of inequality on the continent. This short-termism also bleeds into the
debate on the recent “African miracle” – as noted by, amongst others, Jerven (2010a, 2010b), there
have been recurring growth periods in sub-Saharan Africa, and the post-independence growth
spell mirrors the more recent one in both length and coverage.

The aim of this paper is to overcome the short-term views and decompress history through
an analysis the trends in growth, inequality, and poverty as well as the impact of colonial legacies
and institutional changes. As has been noted, a number of studies and surveys that can be
employed to this end exist for the oft-overlooked period of the 1960s through 1980s. However, the
quality, validity, and comparability of the data as well as measures such as the Gini coefficients
drawn from them have been questioned. Consequently, the data is often, and perhaps too hastily,
discarded – as Deininger and Squire argue in their presentation of their widely-used dataset on
inequality, the “paucity of observations available to study distributional issues causes each
individual data point generally to acquire considerable importance”. The goal here is to make use of existing sources by revising the post-colonial data and surveys and (re)constructing estimates for inequality and poverty.

The focus will lie on a single case study: Tanzania from independence in 1961 to the present day. Tanzania provides an interesting and suitable case, as the coverage of household surveys is comparatively good (comprising a number of partial-coverage surveys for the 1960s, national household budget surveys for 1969 and 1977, and further partial surveys for the 1980s). In addition, Tanzania is a country which had relatively high levels of income and land inequality at the time of independence, but managed to ostensibly overcome these legacies and now has one of the lowest levels of income inequality in sub-Saharan Africa. How exactly this was achieved, and during which institutional regime is, as will be explained in more detail below, still a matter of debate, and the economic history of growth, inequality, and poverty in Tanzania is one of many conflicting views and ostensibly paradoxical developments.

Given the emphasis on reducing inequality in the present development debate, answering these questions can provide useful insights into potential policies to achieve reductions in inequality elsewhere on the continent.

Tanzania Since Independence

Periodisation is, of course, crucial for the analysis of the impact on institutional and policy regimes on growth, inequality, and poverty. Often, analyses identify the colonial, postcolonial, and neoliberal periods as frames of references and analysis. The major turning points here are independence (for most countries in the 1960s) and the adoption of structural adjustment programmes (in the 1980s, even though many analyses of economic factors only start with the early 1990s when the coverage of World Bank development indicators becomes more comprehensive).

In this paper, I will adjust the periodisation somewhat, guided by significant changes in institutional and policy regimes. In Tanzania, we can identify four distinct periods since the end of World War II, some of which can be sub-divided into different phases. These are: 1) what Cooper (2002, p.130) calls the “development era”, covering the period from 1945 to 1967, and divided within itself by Tanganyikan independence in 1961; 2) the period of African Socialism (in the form

---

1 Cooper himself gives the timespan of this period as 1940-1973.
of ujamaa) and economic nationalism from 1967 to 1985 (when Nyerere stepped down as Tanzania’s president), which is divided into two periods by the implementation of forced villagisation from 1973; 3) the period of structural adjustment from 1985 to ca. 2000; and 4) the period of re-emerging economic nationalism, from ca. 2000 to the present. The second period also aligns with the ideas of Fieldhouse, who “argued that the economic nationalism of the late 1960s and 1970s was in effect a delayed economic decolonization” (Decker, 2008, p.609).

The society and economy of colonial Tanganyika was characterised by a three-tiered hierarchy, with Europeans at the top, Asians in the middle, and Africans at the bottom. Traditionally, Tanganyika was a poor colony, and heavily affected by the World Wars and the inter-war crises, and it was only with the beginning of the development era that moderate but steady growth led to economic improvements across the board. Income inequality during that period was relatively high, with... .1% of the population, which comprised virtually all Europeans in the Territory as well as the elite of Asian merchants and public servants, earning around 8.5% of total income in 1950. Over the course of the decade, this share decreased to around 5%. While ambitious development projects such as the groundnut scheme ended in failure, real wages grew for African labourers, and the colonial government pursued a strategy of Africanisation of the public sector, providing opportunities for higher-income jobs to the African population.

Independence did not radically alter the trends sketched out for the late colonial period. Top income shares continued to decline, but so did the share of Africans in the formal labour force. The three-tiered hierarchy began to erode, but full Africanisation was still a continuous process due to shortages in African labour supply when it came to qualified civil servants, and even traders (Rothermund, 1965). However, growth continued almost uninterrupted and quite strong, driven importantly by smallholders and rural elites (Cooper, 2002, pp.92–96), but also by the expansion of the manufacturing sector (Jerven, 2014).

While independence was not accompanied by sweeping changes in the economic structure and economic trends, the new government did gradually move towards a more radical path of (economic) decolonisation, which it embarked upon properly with the Arusha declaration and the implementation of African socialism in its Tanzanian variant, ujamaa. The overarching aim of ujamaa was to achieve development, economic self-reliance, and security (both in terms of national security and food security) (Lal, 2010; Nyerere, 1967). A central feature of this policy was villagisation – the resettlement of dispersed populations into government-designed villages, which
were based on already existing agricultural collectives like the Ruvuma Development Association (Schneider, 2014; Scott, 1998, pp.233–234). The resettlement had several objectives. First, it aimed at modernising agricultural production, and it was intended that Tanzanian peasants would farm not only their allotted private plots, but also grow food and export crops on communal land as a way to achieve the ujamaa goals of development and self-reliance in food security. Second, villagisation was intended to make the provision of basic public services such as health and education more efficient (Schneider, 2014; Scott, 1998, pp.229–231, 239–243). This latter aim was important, given the underdeveloped state of infrastructure, which already provided major hurdles to development in the colonial era (Ehrlich, 1964; Twining, 1951), and the lacklustre success of combating poverty since independence.

Villagisation was not met with widespread enthusiasm, however, and the slow progress of the programme led the government to implement forced villagisation from 1973 onwards. Increased coercion, however, was equally ineffective, and villagers resisted by refusing to farm collective plots, and abandoning the ujamaa village at the first opportunity (Green, 2003, pp.27–30; Lal, 2010; Scott, 1998, pp.231–237). In addition to villagisation, the government also expanded the role crop marketing boards, which were common also in colonial times and across sub-Saharan Africa [and enacted a number of other policies]. These boards faced the usual challenges – subversion of fixed prices in good times, fiscal burden in bad ones, etc. – and eventually, these policies were rolled back.

The impact of the ujamaa period on economic growth, inequality, and poverty is, however, contested. On the one hand, numerous authors argue that the policies enacted during the time, coupled with general mismanagement, led to a decline of agricultural production, a return of peasants to subsistence farming, and a heavy debt burden which the government had to shoulder (Cooksey, 2011; Green, 2000; Jayne, Mather & Mghenyi, 2010; Putterman, 1995). According to one estimate, this period saw living standards in an already poor country drop by 50% (Cooper, 2002; Hyden & Karlstrom, 1993; ed. van Ginneken, 1988). However, the impact of policy is difficult to disentangle from external shocks, of which Tanzania suffered four in within the decade from 1973 to 1983 [Bevan et al 1988:63: “In 1973/74 the terms of trade deteriorated because of the rise in oil prices. In the period 1976/79 Tanzania received a large windfall when coffee prices rose sharply (more than trebling between 1975 and 1977). In 1979 Tanzania was engaged in a war in Uganda which used much foreign exchange. In 1979/80 there was the second oil price increase. Finally,
around 1980 Tanzania's access to aid began to be reduced as donors became disillusioned with the country's policies.”].

This period is also one where little is known in detail about trends in inequality – all we can say based on the existing literature is that it was, as mentioned, relatively high before ujamaa was implemented, and that it had fallen by the time of the structural adjustment programmes. Whether this was a consequence of the general economic decline experienced in Tanzania during the period is debated – Bevan et al. (1988) argue that incomes dropped across the board, whereas Sarris and van den Brink (1993) argue that the middle and upper classes lost relatively more and the poor remained at the same level. This issue will be re-examined below, as will the question of the impact of the reforms undertaken during the same period.

- 3rd period: SAPs – Ferreira and growth, poverty reduction and increase in inequality; anti-SAP narratives, etc.

- 4th period: new economic nationalism – authoritarianism, return of planning, but apparently good results
  - cf. Maddison growth rates (rgdp): 73/74 yes; 76/79 boom not visible at all (in any series); 79/80 negative, but more negative in 81 (lag?) – similar decline in the national series – stronger decline in Maddison cgdp and in Penn;

- paradoxes: growth without rising inequality or poverty reduction (Atkinson 2011(?); growth with poverty reduction despite an extremely strong rise in inequality (Ferreira 1996); different levels and trends of inequality and poverty in the recent HBSs and NPS (Belgith et al.) – note also need for triangulation as differences in inequality measurements noted by Belgith et al. 2018 cannot be resolved, apparently; issues with different growth series

- disagreements: effects of ujamaa – Jerven (2014, 2011/12) versus Hyden & Karlstrom (1983) and Cooper (2002) on very negative impact, based on Bevan et al. 1988: negative impact overstated; Ferreira (1996) on positive impact of SAPs (see also Cooksey 2011, Easterly recently more general) versus the “normal” view of extreme negative impact of SAPs (e.g. Arrighi 2002)
Theoretical Considerations

A seminal paper in the research on the relationship between growth and inequality is Kuznets’ (1955) study, in which he hypothesised, based on limited amounts of data for a small number of then already developed countries, that this relationship takes the form of an inverted U-curve, with inequality rising in the early stages of growth up to a peak, and then declining back to lower levels once countries reach a high stage of development. Further, he speculated that income inequality in “underdeveloped” countries would be higher than in the developed countries at similar levels of per-capita GDP due to higher income shares of the top groups and smaller middle classes. These two hypotheses have inspired a lot of the early research on growth, inequality, and poverty. Indeed, the Kuznets curve has over time taken on the status of a law of history (Thorbecke & Ouyang, 2018), which authors still seek to refute today.

Due to the paucity of longitudinal data in the mid-20th century – which would be necessary to test the hypothesised relationship between GDP per capita and levels of inequality – many researchers sought to employ cross-country comparisons to see whether the inverted U-curve does indeed exist. Earlier research did indeed seem to find ample evidence for this existence (see, for example, Adelman & Morris, 1971, 1972; Cromwell, 1977; Ferreira, 1996; Kravis, 1960; Paukert, 1973). However, both the data quality and the general attempt to employ cross-sectional data to test longitudinal relationships has been questioned, however, as has been the general validity of the Kuznets hypothesis, and in the present, there exists “mounting evidence against it” (van de Walle, 2009). Hickel (2017), argues that the trend observe by Kuznets did indeed happen, but was mostly due to the post-World War II reduction in inequality, and not a general law, and as such, is not applicable any longer. More generally, studies on very long term trends on inequality such as Piketty (2014) and Scheidel (2016) argue that inequality tends to rise more or less continuously if not countered by political intervention (Piketty) or catastrophes such as wars and epidemics (Scheidel).

Two shifts have taken place in recent research that looks at inequality in ways different from the classical Kuznets story. One is to not treat growth as necessarily poverty-reducing and inequality as a side-product of this process, but to see inequality as a major factor influencing the growth elasticity of poverty, that is, in how far growth does actually lead to a reduction in poverty (in other words, in how far it is pro-poor), and whether inequality itself has an impact on growth. Here, the consensus is that, a) inequality does influence the growth elasticity of poverty
significantly (Fosu, 2018b; Ouyang, Shimeles & Thorbecke, 2019; Thorbecke & Ouyang, 2018), and b) that high inequality can indeed lower the actual growth potential of a country (Easterly, 2007).

The newer research thus focuses more on institutional and political factors, or what could be called structural inequality (Easterly, 2007; Rodríguez Weber, 2017), as opposed to the Kuznets-inspired research focusing on market inequality. Here, numerous researchers, sometimes called the “Persistence School”, have argued for the long-lasting impact of historical circumstances, structures, or significant events on both development and inequality. Best-known, and starting this trend, has been the work of Acemoglu, Johnson, and Robinson (Acemoglu, Johnson & Robinson, 2001, 2002, 2004; Acemoglu & Robinson, 2010), who focus on the impact of “extractive institutions” in colonial times on low levels of development in the present day. Others have focused on issues of land distribution (Engerman & Sokoloff, 2002, 2005; Odusola et al., 2017; Sokoloff & Engerman, 2000), ethnic fractionalisation (Alesina & La Ferrara, 2005; Alesina, Michalopoulos & Papaioannou, 2016; Michalopoulos & Papaioannou, 2013), the impact of colonial infrastructure investments (Jedwab, Kerby & Moradi, 2017; Michalopoulos & Papaioannou, 2018) and human capital investment (Bowden, Chiripanhura & Mosley, 2008), the impact of colonial salary structures (Bennell, 1982; Weeks, 1971), etc.

Measuring Growth, Inequality, and Poverty in Tanzania

For the analysis and re-assessment of trends in growth, inequality, and poverty, what is needed are, of course, series on GDP growth, inequality measures, and poverty rates. For Tanzania, as for many African countries, the availability and quality of longer-term statistical data is somewhat problematic (Jerven, 2010b, 2016). Even when certain series exist, their accuracy is not guaranteed, and there are many gaps that need to be filled.

With regard to GDP growth, the two main databases offering long-term data are the Maddison database and the Penn World Tables. In addition, there exists the series from the World Bank World Development Indicators beginning in the 1980s, and the Tanzanian national accounts based on a number of benchmark years (see Jerven (2014) for a discussion of the latter). Already here, some problems are apparent. Notably, both the annual growth rates of the different series as well as the levels of GDP per capita vary widely. Due to constraints of space, and given the extensive treatment of the issue by Jerven (2014), a lengthy discussion of the different issues will
be foregone here. Overall, it appears that the Maddison real GDP per capita series in 2011 US$ is the most reliable, and, based on a correlation matrix, most consistent with the different national series as well as Atkinson’s (2015) income estimates. Crucially, it avoids the large swings in GDP per capita growth recorded in the Penn World Tables between 1986-88, which result primarily from some adjustments to the accounting method and do not actually measure a major economic shock.

In terms of inequality measurements, the Gini coefficient will be employed. While there has been some debate as to whether the Gini or other measures such as the Theil index or top income shares are more important (the latter being promoted by Piketty’s World Inequality project), the nature of the data for Tanzania does not allow to employ these other measures efficiently (tax record which can be used for the calculation of top income shares have not been published after 1970 (Atkinson, 2011)), and it has been argued that Ginis are preferable over the Theil index in the context here (Milanovic, 2016) and that Ginis are equally reliable to top income shares and measures based upon them (Galbraith, 2019).

With regard to Ginis, the data coverage is relatively good for a sub-Saharan African country: there are observations for seven years before the World Bank begins providing Ginis based on national household budget surveys more frequently and consistently from 1993. Most of these, with the exception of 1964 (which is based on aggregated distribution data from Adelman and Morris (1971) which has been disaggregated using lognormal and Pareto distributions, see Paukert (1973)), are also based on household budget surveys. One problem here is that Ginis can for a given year can vary widely depending on the source, and despite being ostensibly based on the same sources, and that the procedure used to conduct the household surveys and the methods used to construct the Ginis are not always clear, which as lead many researchers to throw out certain observations due to their ostensible unreliability. Given the scarcity of longer-term data on inequality in sub-Saharan Africa, however, it seems worthwhile to attempt to reconstruct these Ginis, as it is difficult to analyse long-term trends in inequality and its potential path dependence without them or without resorting to the kind of leapfrogging one can see, for example, in Odusola et al. (2017), who link inequality from the 1990s to the present to their “colonial legacy” via a set of estimates on land inequality at some time in the past. Moreover, two different sets of surveys conducted recently in Tanzania – two household budget surveys in 2007 and 2011 and the national panel survey from 2009 to 2013, have arrived not only at different levels but also at different
trends of inequality (Belghith et al., 2018), raising questions as to how much more reliable data really is.

Another issue is that earlier inequality estimates are based on income, while contemporary estimates are based on consumption. Deininger and Squire (1996) have shown that income inequality calculated based on income measures in household budget surveys tend to be higher than those calculated using consumption measures (as is usually done for developing countries from the 1990s onwards). Recently, Beegle et al. (2012) have, in a study conducted in Tanzania, also found that not only the type of base for calculations (income or consumption), but also the way household surveys are conducted can have a major impact on the resulting inequality estimate, at times as large in magnitude as the difference between income and consumption-based Ginis.

With regard to poverty estimates, the data situation is the poorest, and estimates are only available from the 1990s onwards. These, again, suffer from a number of problems, such as comparability issues depending on which poverty line is chosen, deflator problems, etc. This is illustrated well by the above-mentioned recent round of Tanzanian household budget surveys and the national panel survey, which, as with the levels and trend of inequality, also show opposing levels and trends when it comes to poverty – though here, at least, adjusting the survey results through the use of consistent deflators removes most of the difference (Belghith et al., 2018).

In order to deal with these issues and fill the existing gaps – especially when it comes to poverty estimates – I will revisit the existing household budget surveys for the period before 1990 in order to construct consistent inequality estimates and provide poverty estimates using consumption basket approaches. Directly employing the original surveys to arrive at relative measurements also has the advantage of avoiding a variety of deflator problems, as for this exercise, the nominal figures given in the sources can be used. Nationally representative surveys are available for the years 1969, 1977, and 1983. These will be supplemented by numerous partial surveys, which, in tandem with more contemporary accounts from the periods, can be used to triangulate the existing long-term data series and re-assess the various narratives concerning growth, inequality, and poverty in Tanzania.

In addition to these series, I will also create a series for the inequality extraction ratio. This ratio has been proposed by Milanovic, Lindert, and Williamson (2011) and Milanovic (2016) as a more accurate measure of actual inequality in poorer societies (such as Tanzania). The authors
argue that in poor societies, the maximum level of inequality that can be achieved without causing societal collapse lies potentially far below the theoretical maximum Gini of 1, and as such, low Gini coefficients in poor countries might be misleading and hiding the fact that they actually constitute a very high ratio of extraction (viz., how close inequality is to the inequality possibilities frontier).

Overview of Existing Ginis

• 1964 – from Paukert (1973), based on corrected data from Adelman & Morris 1972

• 1967 – from Jain (1975), based on the 1968-69 Tanzanian annual economic survey, covering population, income recipient, and HHs at national level

• 1969 – from Jain (1975), based on the 1969 Household Budget survey, measuring HH and national level – this Gini is much higher than the one of two years ago, driven by an increase in the share of the top quintile and quite a big drop in the share of the lowest quintile

• 1969 – also van Ginneken and Park (1984) – Gini here for net income, and quite a bit lower than the one from Jain (1975), though both focus on Household Inequality

• 1977 – ILO – “based on national accounts” – haven’t seen the source, and also a bit weird because there was a HH survey for that year, too

• 1983 – Ferreira 1996, based on the Bevan et al. 1983 rural HH survey

• 1991 – Ferreira 1996, based on the Cornell HH survey – while it is income, this seems extremely high, especially given that there was supposedly pro-poor growth during the period, too

• from 1991 – “normal” consumption Ginis based on HH and Panel surveys

Reassessing the GIP Nexus in Tanzania

[The analysis is very preliminary still, and data work not complete, but the progress can be seen in graph 1:}
Graph 1: Growth, inequality, poverty, and extraction in Tanzania, 1960-2015.

As can be seen in graph 1, inequality decreased slightly after independence, and the inequality extraction ratio fell until rebounding during the height of the economic crisis in the late 1970s. Inequality and extraction continued to fall until the 1990s (while one series is income- and the other consumption-based, the drop is steep enough to plausibly assume a real drop in inequality), when the decline in inequality stalled, only to see a slight increase in the mid-2000s, i.e. the period of strong (resource-driven) growth. The inequality extraction ratio, however, continued it’s decline, indicating pro-poor growth, an impression which is also supported by the decline in poverty which followed the return of growth with a slight lag.
The impression of pro-poor growth in recent decades is further reinforced by the trend in income shares which can be seen in graph 2. As can be seen, the share of top incomes declined despite an increase in overall inequality, whereas the share of the bottom 60% as well as the bottom 10% (all of which constitute poor people, even if not any more living in complete destitution below the $1.90 a day line) increase slightly.

**Conclusion**

Income inequality has been falling in Tanzania from independence throughout the period of African socialism, with top income shares decreasing even earlier. This decline was due to a number of factors. First, independence brought with it an Africanisation of the public sector, which was a major source of income and income inequality in colonial and post-colonial Tanzania. Second, the economic decline that set in during the second ujamaa period from 1973 to 1984 disproportionally affected higher income earners, while the bottom shares of the population – already living mostly at subsistence levels, were relatively less affected. This effect was reinforced by major reforms targeted at the elites: land reform and resettlement, reducing the incomes of African rural elites, as well as public sector salary reforms affecting the urban elites.

While a decline of inequality during major crises is not a surprising result, as the work of Walter Scheidel demonstrates, and while the downward trend in inequality was halted with the...
implementation of the structural adjustment programmes, it is remarkable that inequality has remained stable at a comparatively low level throughout the adjustment period and even during the recent decades of resurgent strong growth, which has been in no small part resource-driven, which is conventionally associated with increases in inequality.

Looking at poverty numbers and the inequality extraction ratio, we can also conclude that the recent growth episode in Tanzania has been relatively pro-poor, with poverty numbers and the extraction ratio continuing to fall. The latter also continued its downward trend when inequality saw a small increase, which means that concerns over increases in inequality in and of itself might be exaggerated, as they do not automatically signal an exclusion of the poor from the fruits of economic progress.

The Tanzanian case shows that history does not strictly determine the present, and that, with sufficient political will, it is possible to break from development paths that are sometimes portrayed as night inevitable. However, given the social and economic costs of the reforms undertaken in Tanzania during the ujamaa period, it is crucial to carefully weigh these costs for the generation that has to shoulder against the benefits of later generations who can benefit from lower inequality.
Bibliography


