

WASHINGTON INTERNATIONAL UNIVERSITY

**FORTY YEARS OF TANZANIA ECONOMIC PERFORMANCE: AN ANALYSIS
OF ECONOMIC GROWTH AND DEVELOPMENT PATTERNS AND CONDITIONS
FOR SUSTAINABLE POVERTY FREE ECONOMIC GROWTH**

Thesis Presented in Fulfillment of
Requirements for Doctorate Degree Program of the
Washington International University

By

MARY MICHAEL NAGU

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Berichte aus der Volkswirtschaft

Mary Michael Nagu

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ABSTRACT

Tanzania is one of the poorest countries in the world but it has great potential to develop given its rich resource endowment, political will, good economic policies and commitment. The country has also been receiving enormous assistance in the form of grants and loans from both multilateral and bilateral donors to improve its economic well-being. Yet forty years of economic struggle have not brought satisfactory progress as economic performance has remained dismal.

This study endeavors to establish the primary determinants of economic growth for Tanzania basing on the country's 40 years performance. The study employed the statistical analysis of secondary data covering the period from 1961 to 2000. The variables included in the study are, Gross Domestic Product (GDP), Total public investment in physical capital, Total public investment in human capital (government expenditures in health and education sectors), Trade (Exports & Imports), Population growth, Inflation, Tax distortion (ratio of revenue collection to GDP) and Total government expenditures. The statistical regression analysis used is the simple Ordinary Least Squares (OLS) method owing to its superiority over other methods.

With the aid of E-Views econometric software package, all variables except Tax distortion and Import trade were found to be positively related to economic growth. However the significance and coefficient values differ from one variable to another. In principle, however, the variables were found to have significant relationship with economic growth. At a conversional level therefore, these variables deduced from theoretical foundations highly account for Tanzania's economic growth.

Following the study's findings, policy recommendations are made in the conclusion of this study and of importance is that investment in human and physical capital should be fostered meanwhile tax distortion should be curbed. Moreover an analysis of imported goods should be carried out so as to avoid unnecessary leakages, which in a way stifle economic growth.

DEDICATION

I dedicate this Thesis to the poor particularly the toiling women, children and youth who form the poorest of the poor of Tanzanians.

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This work has benefited from the contributions of many individuals. To all of them I wish to express my heartfelt gratitude. I may not possibly exhaust the list in thanking them all. The few I will name will represent the endless list. First in the list is my thesis supervisor who not only read through the whole text and made a lot of constructive comments but also gave me a lot of encouragement to carry on with the task of completing the thesis. Dr. Michael Busler helped me immensely from the initial stage of proposal preparation to the final text of the thesis.

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The pride I always felt of my President's eloquent speeches on poverty eradication, which shows his commitment towards the fight against it, inspired me to go back to the books and found it to be a cardinal obligation from my part to join him in making a small

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TABLE OF CONTENTS

ABSTRACT.....	I
DEDICATION.....	II
ACKNOWLEDGEMENT.....	III
CHAPTER ONE	1
1.0 INTRODUCTION.....	1
1.1 BACKGROUND TO THE STUDY	1
1.2 STATEMENT OF THE PROBLEM	5
1.3 PURPOSE OF THE STUDY	7
1.4 OBJECTIVE OF THE STUDY	8
1.5 RESEARCH QUESTIONS	9
1.6 SIGNIFICANCE OF THE STUDY	10
1.7 THE SCOPE OF THE STUDY	11
CHAPTER TWO	12
2.0 CONTEXT OF THE STUDY	12
2.1 THE COUNTRY'S GENERAL BACKGROUND	12
2.1.1 <i>Natural resources endowment</i>	13
2.1.2 <i>Income and social development</i>	15
2.1.3 <i>Demography</i>	17
2.1.4 <i>Manpower and employment opportunities</i>	19
2.2 ECONOMIC STRUCTURE	22
2.3 INFRASTRUCTURE	26
2.4 EXPORTS	30
2.5 REFORMS	31
CHAPTER THREE.....	33
3.0 LITERATURE REVIEW	33
3.1 GENERAL OVERVIEW	33
3.1.1 <i>Poverty</i>	36
3.2 THEORETICAL BACKGROUND OF GROWTH AND DEVELOPMENT	38
3.2.1 <i>Neoclassical theories of economic growth</i>	38
3.2.2 <i>Classical theory</i>	51
3.2.3 <i>Linear stage theory</i>	52
3.2.4 <i>International dependence theory</i>	55
3.2.5 <i>Endogenous growth theory</i>	59
3.3 EMPIRICAL STUDIES	60
3.4 GOVERNMENT ECONOMIC POLICY CONTRIBUTION ON GROWTH AND DEVELOPMENT	66

CHAPTER FOUR.....	70
4.0 RESEARCH METHODOLOGY AND MODEL SPECIFICATION.....	70
4.1 CHOICE OF VARIABLES FOR THE STUDY	71
4.1.1 <i>Total investment in human capital</i>	72
4.1.2 <i>Total public investment in physical capital</i>	73
4.1.3 <i>Population</i>	73
4.1.4 <i>Inflation</i>	74
4.1.5 <i>Tax distortion</i>	75
4.1.6 <i>Total trade</i>	75
4.1.7 <i>Government expenditures</i>	76
4.2 TIME SERIES PROPERTIES OF THE DATA AND ECONOMETRIC ANALYSIS.....	79
4.2.1 <i>Unit root test</i>	79
4.3 THEORETICAL FOUNDATIONS OF THE MODEL	82
4.3.1 <i>Conceptual framework of the model</i>	83
4.4 DATA TYPE AND SOURCES.....	87
4.5 ESTIMATION TECHNIQUE	89
CHAPTER FIVE	90
5.0 EMPIRICAL RESULTS.....	90
5.1 INTRODUCTION.....	90
5.2 DATA ANALYSIS	91
5.2.1 <i>Preliminary problems encountered in the analysis</i>	91
5.2.2 <i>Normality Test and Correlation Matrix</i>	93
5.2.3 <i>Testing for Unit Root</i>	96
5.3 ESTIMATION RESULTS AND INTERPRETATION	97
5.3.1 <i>Summary of the findings</i>	103
CHAPTER SIX	108
6.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	108
6.1 INTRODUCTION.....	108
6.2 SUMMARY OF THE STUDY	108
6.3 POLICY IMPLICATIONS AND RECOMMENDATIONS OF THE STUDY	112
6.3.1 <i>Revisiting the research questions</i>	117
6.4 LIMITATIONS OF THE STUDY	118
6.5 AREAS FOR FURTHER RESEARCH	119
APPENDICES:.....	127
APPENDIX 1: RESULTS OBTAINED FROM ESTIMATING TWO SEPARATE EQUATIONS AFTER EXHIBITING STRUCTURAL BREAK. 127	
1.2 RESULTS OBTAINED AFTER DISAGGREGATING THE TOTAL TRADE VARIABLE	130
1.2 PLOTTING THE LGDP RESIDUALS.....	130
2.0 APPENDIX 2: EXAMINING THE BEHAVIOR OF THE VARIABLES BY GRAPHING THEM	131

2.1 PLOTTING THE GDP	131
2.2 PLOTTING THE LOGARITHMIC VALUES OF GDP I.E. LGDP	131
2.3 PLOTTING THE DIFFERENCED LOG OF GDP I.E. DLGDP.....	132
2.4 PLOTTING THE INFLATION	132
2.5 DIFFERENCING THE INFLATION AND POTTING ITS GRAPH.....	133
2.6 PLOTTING THE TPI GRAPH.....	133
2.7 PLOTTING THE LOG OF TPI	134
2.8 PLOTTING THE DIFFERENCED LOG OF LTPI.....	135
2.9 PLOTTING THE TIH	135
2.10 PLOTTING THE LOG OF TIH	136
2.11 PLOTTING THE DIFFERENCED LOG OF TIH.....	136
2.12 PLOTTING THE TD VARIABLE	137
2.13 PLOTTING THE DIFFERENCED TD VARIABLE.....	138
2.14 PLOTTING THE POP VARIABLE	138
2.15 PLOTTING THE DIFFERENCED POP	139
2.16 PLOTTING THE RESIDUALS.....	139