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ACCUMULATION, SOCIAL SERVICES
AND SOCIALIST TRANSITION IN
THE THIRD WORLD: REFLECTIONS
ON DECENTRALISED PLANNING
BASED ON MOZAMBIKAN EXPERIENCE

by

Maureen Mackintosh and
Marc Wuyts

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CONTENTS

	<u>Page</u>
INTRODUCTION	1
SECTION 1: ACCUMULATION AND TRANSITION IN MOZAMBIQUE	2
1.1 Mozambique as a Case Study	2
1.2 Accumulation and Reorganisation in Early Mozambican Planning	3
1.3 The Development of State-centred Accumulation	8
1.4 Central and Local Initiative in Agriculture and Health	15
1.5 Markets and the Peasant Economy	22
1.6 Deregulation, Market Intervention and Decentralised Planning	27
SECTION 11 LESSONS: DECENTRALISED PLANNING AND THE PROVISION OF SOCIAL SERVICES	33
2.1 Accumulation and the Character of Planning	33
2.2 The Plan-market Dichotomy and the Location of Accumulation	34
2.3 Health Services as a Vehicle of Transformation	42
2.4 Politics, Planning and Information	47
FOOTNOTES	54
REFERENCES	58

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ACCUMULATION, SOCIAL SERVICES AND SOCIALIST TRANSITION IN THE THIRD WORLD:

REFLECTIONS ON DECENTRALISED PLANNING BASED ON MOZAMBIKAN EXPERIENCE

INTRODUCTION

The purpose of this article is to argue for the viability, and the logic, of a distinctive approach to planning economic development and socialist transition in poor economies. The components of this distinctive approach are: more decentralised, and popularly-based, planning and control of accumulation; the close interlinking of investment in social services and in rural production; and an emphasis on intervention in the market as a tool of socialist planning. The article therefore presents an argument about economic planning intended to be relevant to a range of countries with similar general aims and problems. However, the ideas are developed here, as they were in practice, through a reflection on our own understanding of planning and its problems in Mozambique during the first ten years of that country's independence.⁽¹⁾

We have a political as well as an intellectual purpose in writing this piece. We aim to challenge a process of obfuscation and elision of options apparent within the renewed debate on market and plan. Posing the options as plan or market, conservative economists in the West have tended to hail all recognition or development of the market, whatever the context, as evidence of the inherent superiority of capitalism, or "market forces".⁽²⁾ In the current context, economic pressures for deregulation become adjuncts of the intense imperialist military pressure on most Third World socialist states, and there is a danger that any detailed criticism of such a country's planning methods can be read as just more grist to the anti-socialist mill.⁽³⁾ This risk seems worth taking however, since our aim is to argue that there exist viable socialist planning methods which recognise the market where it exists, and intervene to influence those markets and to incorporate them where appropriate, without capitulating to the class logic of the capitalist market.

It is also our thesis that such planning methods are essential in poor socialist countries with extensive peasant farming sectors, for all such Third World countries contain markets which must be recognised and acted upon, not ignored. And all such countries have conducted rich and interesting debates on the problems of planning in this context. While making no claims to summarise that debate in Mozambique, this article aims to demonstrate some of the complexity of Mozambican efforts to adapt planning methods to their own



aims and reality, - thereby refuting some of the cruder critiques of that history (4) - and to explain some of the lessons we drew from our experience of those efforts. The Mozambicans are of course in no way responsible for our interpretations and arguments.(5)

The article is organised in two parts. The first section examines the experience of Mozambican planning, with particular reference to the agriculture and social services sectors, exploring particularly the questions of the pattern of accumulation, the role of markets, and the relations between centre and locality in planning. The second section draws from this analysis a general argument for aiming at a more decentralised pattern of accumulation and economic planning in Third World socialist states.

SECTION 1: ACCUMULATION AND TRANSITION IN MOZAMBIQUE

1.1 Mozambique as a Case Study

This section contains a selective analysis of Mozambican planning experience, focussed on our central theme of the pattern and location of accumulation, its sources and implications. It is in no way a complete assessment of Mozambican planning - for which the data are in any case lacking - but is intended to explain and illustrate what we believe we learned about the central contradictions involved in planning socialist transition in a country such as Mozambique.

First, a brief discussion of concepts. By the location of accumulation, we mean the question of in whose hands, and within what form of organisation of the social relations of production, accumulation and hence development occur. This is a central issue for socialist planning, especially from a starting point at a low level of development, because the location of accumulation will determine over time the relative development of the socialist and non-socialist sectors of the economy, and hence whether a socialist transition occurs at all.(6) We are concerned to analyse in this section the difficulties faced by a socialist state in a poor Third World country in attempting to direct the process of accumulation in ways which support and develop a transition to socialism, in a country where by definition the productive forces are not highly developed, and most enterprise is small scale.

In analysing this question in Mozambique, we shall seek to demonstrate three central points. First, that in such a situation, it is very difficult or

impossible for transition to be pursued by means of accumulation solely within the state sector. Planning which, by design or default, tends to concentrate the accumulation effort on the state sector runs into some characteristic problems, identified here through the Mozambican example.

Second, in an economy dominated by peasant producers, this first point implies that the state must be concerned to influence the pattern of accumulation in non-state hands. If it does not direct such accumulation into cooperative forms, it may be faced with an uncontrolled pattern of private accumulation which will actively conflict with state development aims and with the needs of small producers. What is usually called the parallel market, but might be more properly described as the parallel economy, is the manifestation of this conflict.

Third, and most unfamiliar within the existing literature, social services potentially form a crucial link within the economic planning process. Too often, social services have been planned in isolation from the development of production of goods for exchange. However, in Mozambique social services were at times planned and financed in ways which offer lessons for the planning of goods production including agricultural products. Furthermore, this experience suggests possibilities for creating links between social services development and the production of goods. These links might support a more effective planning of transition, by encouraging a convergence of production with the needs of the producing classes, and by developing socialised local financing of accumulation to support both social services and goods production.

Generally, we will draw out of Mozambican experience a theme of interaction between centralised and decentralised accumulation patterns: both under increasing pressure and destruction from an externally-generated war, which we discuss further below, and its disastrous economic consequences.⁽⁷⁾ We will then use this discussion as a basis for arguing in the second section that decentralised accumulation, and state planning to support decentralised accumulation, is an essential element in planning socialist transition in economies with a large peasant sector, and that this may be most effectively done by linking social service planning to the planning of goods production.

1.2 Accumulation and Reorganisation in Early Mozambican Planning

In the early years after Independence, Mozambican planners placed great emphasis on achieving a rapid rate of development, through a high rate of

accumulation, and hence rising production and productivity. In this effort they were starting from a very low base: at Independence in 1975 Mozambique had a very low standard of living for the black population, and the economy had been further weakened in the short run by the destruction and loss of capital and skills as the settlers, who had monopolised these assets, departed (Hanlon, 1984: 47-49). The economy was dependent on low productivity agriculture, and on labour migration and transit trade payments to and from South Africa and what was then Rhodesia (Wuyts, 1978: 17-59).

In 1977 the Third Congress of Frelimo, the first party congress to be held after Independence, adopted a series of Economic and Social Directives (Frelimo, 1977) which set out the main proposed lines of Mozambican economic planning. The aim of planning was to be a rapid growth in production; the means were to be recuperation and reorganisation of existing production, only then followed by development of productive capacity and of the capacity to invest. The Directives emphasise the immediate importance of raising agricultural production, first to provide food, and then to provide resources for accumulation. Agriculture was to form "the base" and industry the "dynamic sector" of the economy: in other words, agriculture was to be developed to provide resources for industrialisation, a common conception in socialist and non-socialist development strategies.

The initial means for recuperating and increasing production in agriculture (as in the rest of the economy) were seen as essentially organisational. The proposals drew heavily on the experience of the liberated areas in the north of the country which were under Frelimo's control before Independence, and which provided experiences of collective production and service provision. Two major new forms of agricultural organisation were to be created, state farms and cooperatives. This decision reflected Frelimo's general approach to the organisation of the economy: "State ownership and cooperative ownership, which establish new relations of production will form the economic base of Democratic Popular Power" (Frelimo, 1977: 23). It also recognized the de facto result of the necessary takeover of abandoned or sabotaged farms by state or farm workers. In order to promote this transformation, the immediate tasks were, "the political mobilisation and organisation of workers in production units", and an increase in training of managers for these units, and in education and training of the working class as a whole (ibid: 21).

The emphasis on reorganisation and the lessons of the liberated areas were particularly evident in the proposals for communal villages (Frelimo, 1977:

117). In a country with a majority of peasant producers, Frelimo argued in a review of the policy in 1979:

"The communal villages constitute the basis of rural transformation in Mozambique, - they are the political and economic units by means of which collective life will develop. The fragmented organisation of rural life associated with a low productivity of both land and labour is being transformed into new forms of production, of a superior level of political mobilisation, and with the introduction of education facilities and basic health care at the village level." (Provincial seminar on communal villages in Cabo Delgado, quoted in CEA, 1979a: 11).

The communal villages in other words were conceived, not as a form of production, but as political entities which would enable the organised peasantry to participate in shaping the socialisation of the countryside. They were intended to contain, even to be rooted in, collective production developing over time and coexisting with "family" farming, as small scale farming was called. And they were intended to provide the organisational framework for social services and collective investment partly financed by collective production.

In this they drew on Frelimo's history. The collective production in the liberated areas had been developed to provide, not only support for the military effort, but also rudimentary health and education (Munslow, 1983: 141-144). These had been essential to the prosecution of the war: under the Portuguese, Mozambique had a quite extraordinary lack of basic services in the countryside or even for the black population in the towns (Marshall, 1985: 158-162; Barker, 1985: 319-321). The Frelimo fighters needed people able to undertake first aid and basic medical care, and to read and write. For the population, access to such services provided one major motive for people to join and support the military effort.

Partly as a result, Frelimo's initial policies and legislation emphasised the rapid provision of basic social services: "Our People have a fundamental right to health and education" (Frelimo, 1977: 26). To achieve this, communal villages could help overcome resource constraints: "counting on their own efforts, and based on collective work, they will mobilise resources to ensure

the spreading of social benefits through the community" (ibid: 26). This link to communal villages was to be the basis for achieving the tasks set out in the Third Congress Directives on health, including spreading health services throughout the country, especially through the establishment of rural health posts, and an emphasis on preventative care and the treatment of the most common endemic diseases (ibid: 102-107).

Through the early discussions of communal villages and cooperatives therefore there runs a strong theme of "self reliance", and an emphasis on, "the maximal utilisation of the available labour power such that mechanisation is only relied upon if there is an effective shortage of labour". (Eighth Session of the Frelimo Central Committee, February 1976, quoted in CEA, 1979a: 6). This reliance on local labour, plus the concept of the collectively-produced social fund to finance a village health worker or other social activities, meant that socialisation of the countryside was understood as the development of collective life, rooted in a surplus from collective production, and requiring the development of the organisational abilities of villagers to manage collective goods and services: a political process rooted in local material developments (ibid: 5-6).

At the same time as developing these ideas of locally-based rural change, Frelimo also argued that the state must develop its capacity to "direct, plan and control" the economy. The planners argued that this implied the creation and development of a state-owned productive sector: "A strong state sector is an objective necessity of this stage of our revolutionary process. It is therefore essential to develop and consolidate a state sector which determines and dominates the economic process" (Frelimo, 1977: 28). This state sector, created on the basis of abandoned production units, was then to be expanded through new investment.

In these formulations, with their strong emphasis on the one hand on a dominant state sector and state planning, and on the other on local self reliant initiative, there is a clear embryonic conflict. We would argue however that it is wrong to see this as a conflict between two opposed political lines, struggling for dominance within Frelimo. Saul sees such a conflict as the principal contradiction of the Mozambican development process: "It was precisely this dialectic between leadership and mass action which continued to be at the core of Mozambican politics" (Saul, 1985: 88). Far from this being a resolvable political conflict, however, it is hard to

imagine any planning process which could bring about social and economic transformation of the type Frelimo was proposing, which did not contain both these elements of central planning and local initiative. The Third Congress documents make this point clearly.

That there was a tension and potential conflict between these elements of planning was however inevitable. Problems emerged particularly over the generation and use of investment funds. The conflict arose from the emphasis on the central state role in directing the surpluses of production on the national level; from the emphasis on the expansion of the state sector - reiterated in the Directives in the list of the immediate tasks for the agricultural sector (Frelimo, 1977: 34); and finally and particularly, from the lack of clarity about the investment needed to support locally-based cooperative production and transformation in the rural areas.

The discussion of self reliant transformation in the countryside appeared to play down the investment required. In both agricultural cooperativisation and in education and health, there was an implicit assumption that rapid expansion could be achieved with minimal reliance on material investment resources provided by the central state. In the Directives, references to essential investment, for cooperatives and for development of education and health services, were couched in terms of the need for credit for local investment. Education and health were indeed distinguished as "social" rather than "economic" sectors in the Directives. In the context of proposed central planning of investment resources, this raised by implication the question of whether the material resources, necessary to employ such credit, would be made available, and if so, how. The general lack of clarity about how real investment resources were to be both generated and allocated was storing up problems for the future.

The conception of socialist transformation and economic planning embodied in the Third Congress and other early Frelimo documents therefore contains a number of potential contradictions in its approach to accumulation. But the Third Congress documents also contain a potentially creative approach to planning combining central direction and local initiative. The next few sub-sections discuss how the planning system evolved and some of the problems which developed, not in order to assign political blame for mistakes, but rather to see what were the central contradictions which produced the problems.

1.3 The Development of State-centred Accumulation

After the Third Congress, the Mozambican economy was reorganised, and the structures of the new state were created. In large scale production and trade, the state sector became dominant: by 1981 it accounted for 65% of total industrial output, 85% of transport and communications activity, 90% of construction and 40% of commerce (mainly the wholesale trade), according to government figures (Frelimo, 1983a: 30-48). These estimates should be treated with caution, since government data did not include much small scale transport, construction and particularly commerce; similarly, the estimate that in 1981 the state farming sector produced 50% of marketed output in agriculture is likely to be a severe overestimate. Health, education and legal services were wholly nationalised shortly after Independence.

Much of this growth of the state sector was the result of taking over abandoned production units. From the low base of post-Independence economic crisis, the years 1977-1981 were years of renewed expansion in the economy, as capacity was recuperated and reorganised: this conclusion is supported by both data and observation (Wuyts, 1986: 122-134).

TABLE 1: 'Global Social Product' at Constant 1980 Prices
('000 million meticaís)

								% change		
	1975	1977	1980	1981	1982	1983	1984	1975-7	1977-81	1981-84
Agriculture	26.1	30.6	33.4	33.3	32.5	25.0	25.7	+17.2	+ 8.8	-22.8
Industry	26.4	27.8	30.7	31.6	27.2	22.5	15.5	+ 5.3	+13.7	-50.9
Transport	9.1	7.8	8.1	9.0	8.4	6.7	5.3	-14.3	+15.4	-41.1
Other	9.5	8.8	10.0	9.8	9.8	9.7	9.1	- 7.4	+11.4	- 7.1
GSP	71.1	75.0	82.2	83.7	77.9	63.9	55.6	+ 5.5	+11.6	-33.6

Note: GSP includes commerce and construction, but not 'social' service sectors.

Source: CNP, 1985

As the state sector grew, economic planning was developed. The import-export trade was nationalised, as were the banks, with the exception of one minor bank. The non-state sector - still the overwhelmingly dominant user of labour - included the retail trade, (in private hands, and in the towns organised in successful consumer cooperatives), small scale agriculture, with some scattered agricultural cooperatives and collective fields, and an artisanal sector (including small scale fishing) which was far weaker than in most African countries because of colonial repression and forced labour mobilisation.

Economic planning was organised under a National Planning Commission (NPC). The major ministries, such as Agriculture, Internal Commerce, Transport, were responsible for the relevant parts of the state productive sector, as well as planning non-state production, and were hierarchically subordinate to the NPC. The effective mechanism of planning was the state budget, which centralised all state financial resources, and provided for their allocation among the ministries in accordance with the central plans drawn up by the NPC. The Bank of Mozambique became the central bank, state financier and major commercial bank, while the People's Development Bank concentrated mainly on agricultural credit (Wuyts, 1986: 187).

In the late 1970s, the main constraint on the Mozambican economy was not the balance of payments; because of the profits on gold sales from payments for Mozambican mine labour up to 1978,⁽⁸⁾ the balance of payments remained quite healthy until 1980 despite the loss of transit traffic revenue after Frelimo closed its borders with what was then Rhodesia in support of the struggle for Zimbabwe.⁽⁹⁾

TABLE 2: Balance of Payments 1973-1984
 ('000 million meticaïs) current prices

	<u>Balance on Visible Trade</u>	<u>Balance on Invisibles</u>	<u>Current Surplus/ Deficit (b)</u>	<u>% of Import Coverage</u>
1973	- 5.9	3	- 2.9	75
1974	- 4.1	4	- 0.1	95
1975	- 5.4	5.4	0	100
1976	- 4.5	4.9	0.4	103
1977	- 5.7	3.6	- 2.1	80
1978	-11.9	2.9	- 7.1	48
1979	-10.3	1.9	- 6.2	55
1980	-16.6	3.3	-11.7	48
1981	-18.4	3.2	-13.1	46
1982	-22.9	3.4	-16.5	38
1983	-20.3	3.5	-13.2	34
(a)1984	-18.8	1.7	-10.0	25

Notes : (a) Provisional figures.
 (b) Includes grants.

Notes : Import coverage = $\frac{\text{Exports earnings} + \text{balance on invisibles}}{\text{Imports}}$

: The profit on gold is not included in these figures.

Source: CNP, 1985

The initial constraints were low productivity and organisational problems in every sector, compounded by the low levels of literacy and skill of the Mozambican population.(10) Much capital had been destroyed, but the use of remaining capacity was also low, though rising.

In this situation, planning efforts by the government ministries tended to focus on the difficult job of running the state firms, and the rapidly expanding state services, with far too few trained personnel. The state budget was used to allocate recurrent budgets to the state services and ministries, and to distribute investment finance - and the material resources for investment which largely had to be imported - to all sectors of the economy. Material investment planning therefore became a major method by which the state intended to plan the economy as a whole, and to develop the balance between the different sectors.

Government investment therefore constituted virtually all the recorded investment in the economy in the late 1970s and early 1980s. Tables 3 and 4

show its evolution in relation to estimates of GDP, and its breakdown by sectors.

TABLE 3: Government Investments 1978/79-1983
(million meticals), current prices

	1978/79*	1980	1981	1982	1983
Total investment	8,010	9,916	13,962	14,255	10,197
Of which foreign official assistance	3,689	4,470	6,548	7,796	8,180
GDP	-	66,200	70,400	73,000	68,800
Investment as % of GDP	6 or 7**	11	20	20	15

* 1978/79 figures refer to both years taken together

** Estimate

Source: CNP, 1985

TABLE 4: Sectoral Allocation of Investment 1978-83
(millions of meticias) Current Prices

	1978 & 1979	1980	1981	1982	1983
Economic sectors	7,290	8,027	11,827	12,291	14,795
1. Agriculture	1,095	2,271	4,181	4,826	4,345
2. Industry and energy	561	1,227	3,349	3,493	4,332
3. Transport and communications	177	155	345	468	1,203
4. Construction	5,457	3,346	3,270	2,424	4,241
5. Other	-	1,028	682	1,080	674
Social sectors	188	567	458	401	477
State administration	311	660	753	184	100
Local investment	24	127	312	463	600
Other (including military)	197	535	612	916	1,126

Source: CNP, 1985

While government revenues continued to cover current spending up to 1984 (the last available figures), there was only a very small surplus for investment. However, as the tables show, investment rates expanded rapidly, implying increasing reliance on foreign funding, and widening deficits on current account. In 1980, the prospective plan for the decade 1980-1990 defended this rapid investment drive - investment reached 20% of GDP, in a desperately poor economy, in 1981 - on the grounds that foreign finance was available to expand the state sector, and that this would accelerate the development process (Machel, 1979).

Foreign finance was indeed available. As investment rose, it became concentrated on the installation of new capacity in the state productive

sectors. The area under state farms rose to 100,000 hectares by 1978, and 140,000 by 1982. New industrial units especially for consumer goods production were begun - for example in textiles. State transport capacity grew. Education and health facilities also expanded fast, from a very low base indeed, but as Table 4 shows, the call this made on state investment was relatively small as compared to the main "economic sectors".

Agriculture was effectively the priority sector, taking 31% of state investment from 1978-1982, and also a substantial share of the infrastructural investment registered under "construction". Much of this went on equipping and developing a few major state farms, notably the huge irrigated rice farms in the Limpopo valley, inherited from a major colonial settlement scheme which had already been highly problematic before independence. This scheme - CAIL - took 50% of the agricultural capital budget of the country in 1977; mechanising the state farms, sometimes to try to overcome labour constraints, took 66% of that budget in 1978 (Hermele, 1986: 13). The total effect of this spending should be kept in perspective: in the late 1970s there were no more tractors in Mozambique than in 1969 (ibid). Nevertheless, equipping the state farming sector in this way drained the available investment resources from other areas of the economy.

The effects of this investment pattern, as the Fourth Frelimo Congress was to note in 1983, were particularly dramatic in agriculture. Of agricultural investment 1977-1983, 90% went to the state sector, 2% to cooperatives, and virtually none to the small scale "family" farming. And within the state sector, in agriculture and industry, investment was concentrated on what became known as "big projects", rather than smaller scale activities.

This concentration of investments in large projects generated problems of management and productivity. Actual investment was invariably below planned investment, because the economy could not absorb it at the planned rate. Because of long gestation periods, delays, and organisational and material constraints on using the new investment to capacity once installed, productivity of investment was below plan, and therefore the weight of the investment on the economy higher than planned.

How did this imbalance of investment develop, given the emphasis in the Third Congress document on a balanced development of state and cooperative sectors? In part, the state sector emphasis resulted from the concentration of the relatively few qualified planners and managers employed by the ministries on

trying to get the enterprises for which they were directly responsible to function effectively. This left few cadres for developing the cooperative movement. It also resulted in part from the preference of foreign donors of all political stripes for financing big, visible new projects. It substantially resulted, as we explore below, from a serious underestimate of the resources necessary for cooperativisation and the maintenance of small scale production, as well as a misunderstanding of some aspects of the organisation of family farming.

But it also substantially resulted from the fact that many people believed for a few years that it could work: that the big state farms could provide the essential food for the town and cities, as well as some major export crops; that industrial consumer goods production could be expanded fast enough through investment to satisfy demand; that people could be trained and organised fast enough to run the big projects effectively and that a proletariat could be recruited and trained without damaging the rest of the economy. In other words, the essential process was to be one of belt tightening, substituting investment for consumption, as the Ideological Department of the party explained:

"(The large projects) will involve the expenditure of enormous sums by the State, sums which could have been used instead to buy rice - there is a shortage of rice - sugar, maize flour, meat etc. But here there is a question of choice. If we buy these products which we need (and it is true that we need them) then the money we spend is used up and will not be productive. If on the contrary we make a sacrifice in this phase, so that instead of buying rice, flour, meat, fish we use the money for the construction of factories, then in four or five years the sacrifice we are making today will produce all these goods. We think that to escape from poverty and underdevelopment, this sacrifice is necessary" (Frelimo, 1982: 31).

In other words, keep consumption low, and use the saving for import-substituting investment: a very common development prescription, from governments of both left and right.

Why this prescription did not work is a complex story which we explore further below. A substantial part of the reason was the development after 1982 - just as the country was emerging from the economic impact of support for the

Zimbabwean independence struggle - of the war within Mozambique with the South African-backed MNR. The large projects, like the communal villages, were early targets of destruction, and a very large part of the investment effort has been destroyed.⁽¹¹⁾ Recurrent drought has also taken a very serious toll. But there were also other reasons for the problems, many of which centre on what was happening in the rest of the economy, outside the centrally-run state sector.

1.4 Central and Local Initiative in Agriculture and Health

To return to an earlier theme: Mozambican planning principles emphasised local and popular initiative, as well as central direction. And local initiative was widespread in the early years after Independence. In the main cities, the "Dynamising Groups" formed the effective local administration for a period, and the consumer cooperative movement grew rapidly and became the backbone of the effective state rationing system. In the countryside, farm workers took over some small abandoned farms as cooperatives, and as Dolny records (1985: 226) "literally thousands" of collective fields were begun in the first two agricultural seasons after independence. Similarly, a large number of communal villages were set up. In 1981, there were about 350 cooperative and many more collective fields not part of an organised cooperative; the cooperatives involved about 70,000 people, and about one million people were recorded as living in communal villages (ibid: 227, 230).

There was then a genuine cooperative movement in the early stages of Mozambican independence, stimulated by the Dynamising Groups and Party organisers in the rural areas, and resulting in a lot of experiments in cooperative production, whereby people began a collective field or fields, while also continuing to cultivate "family" plots on an individual basis. The nature of the experiments was very various, from taking over abandoned settler farms, through established peasant farmers within communal villages clearing land together to cultivate a common field; in the south, the cooperatives were often formed largely by women farmers, in areas where the men had long been accustomed to seek wage work; in the north, where cash cropping had been established and enforced in colonial times, cooperators were more often men. The class nature of the co-ops also varied: some were groups of relatively successful farmers, seeing a chance to develop cooperative farming on the basis of credit and support from the state; some were groups of impoverished, particularly female farmers, hoping that cooperative farming would give them a chance to increase their production for sale.⁽¹²⁾

This agricultural cooperative movement ran into substantial problems soon after its inception. A large number of cooperatives failed to produce profitably and ran into debt, unable to repay loans from the People's Development Bank (BPD). The numbers working in cooperatives dropped, and they suffered seriously from organisational problems. The relation between communal village and cooperative became problematic in many villages, because a low proportion of villagers worked on the cooperative fields.

There is no doubt that the low level of spending on investment by cooperatives in the early years - already cited - contributed to these problems. But that low level should be seen more as symptom than cause of the problems. The more fundamental cause of the problems were organisational, technical and economic in a wider sense.

The technical and organisational problems were closely related. Literacy in Mozambique was less than 10% of the adult population at Independence (and 300,000 of those literate had been educated by FRELIMO in the liberated areas) (Marshall, 1985: 166), and there were two Mozambican agronomists in the whole of the country in 1975 (Saul, 1985). There was virtually no agricultural research available on Mozambican small scale farming. And there was also no local tradition of self organisation and cooperation in most rural areas because of the repressive colonial administration.

As a result, the cooperatives had enormous difficulty with the organisational tasks implied by cooperative work: making decisions, registering work inputs, solving problems, distributing returns (Habermeier, 1981). And these problems were sometimes compounded rather than eased in the early years by state intervention. The Ministry of Agriculture allocated only a small proportion of its staff to cooperative support; more important, those who worked with co-ops were often unable to provide what the farmers needed. They were slow to develop assistance with simple accounting and organisational problems; more seriously they were often unwilling or unable to listen closely enough to the farmers, or to help them to draw on their own experience to resolve their problems. And state organisational problems meant inputs were often late, spare parts and repairs unavailable, and payment for crops too long in coming, so debt and demoralisation were reinforced.

Helena Dolny documents the enormous creativity of the cooperative farmers, in two areas where she worked, and then describes the problem of technical support as follows:

"One of the romantic notions that dies hard in every revolutionary movement is that getting people to produce collectively will, in itself, generate greater surpluses. What happened in Mozambique shows the opposite to be true: in those cooperatives where basic cultivation methods were the same as on the family farm, the productivity per hectare generally fell. Given existing levels of technology, the gains from a more complex division of labour are offset by the difficulties of initiating collective work".
(Dolny, 1985: 238).

On the other hand, settler technology, based on mechanisation, was too costly to be spread over the country, and was also inappropriate for combining with local small scale farming: hence the continuation through colonial times of coerced farm labour under various guises (Mackintosh, 1987; Habermeier, 1981). The settlers had also been directly subsidised, for strategic reasons, by the Portuguese administration, and without the subsidy, and with fragile technical backup, it was hard to run the old settler farms at a profit. As a result, state support for the cooperative movement needed a great deal of technical assistance drawing on what is often called adaptive research, involving learning from the farmers and developing appropriate improvements which would help them draw on the advantages of collaboration; exactly the same type of research as is now being widely advocated as a response to the needs of small scale African farming more generally.⁽¹³⁾

The other main set of problems for the cooperative farmers were marketing problems in the widest sense. The coops were sometimes treated in effect as adjuncts of the state farming sector. They were limited in their ability to respond to the market by planting the most profitable crops, and instead given production plans which suited the government's crop purchase needs. They were more beholden than small scale or especially larger private farmers to sell at official prices, a constraint which became more serious as a rural parallel market developed in a number of areas. As a result, they responded as if part of the state sector: by further running up debt.

Finally, some of the problems with developing a programme for agricultural transformation came from misconceptions by many about the nature of Mozambican peasant farming. The Mozambican agricultural system had been profoundly transformed in colonial times, from a locally-based system of farms, drawing on

characteristically African patterns of mutual aid and shifting land use, to a system designed to provide the basis for a labour reserve. From peasant farming, labour was drawn for the South African mines, local estates and settler farms, and for forced cash crop cultivation especially of cotton. As a result, the farming families came to depend on cash income for their survival, and in many areas, farming also came to depend on cash earned - especially in South Africa - for inputs to the farming cycle. This was especially true in the South, where the heavier soils needed plough cultivation. Conversely, estates and settler farms came to depend on cheap coerced labour (Wuyts, 1978; O'Laughlin, 1981).

Frelimo's accession to power broke the cycle of coerced labour, but it was bound to take many years to transform the system it had created. Large farms had to try to increase productivity so as to pay a living wage - and hence attract labour - while the peasant sector had to be developed to provide, also, a living through production and sale of a surplus. Meanwhile South Africa was reducing its use of Mozambican miners. What was inadequately realised at first was, the extent to which the small scale sector needed material inputs and investment from outside it simply to keep going: it was perceived too often as a self-reliant "subsistence" agriculture, which it is not.⁽¹⁴⁾ And the scale of transformation required, for non-state farming to support its population, and the investment that would require, was very seriously underestimated. Hence the imbalance of support between the sectors.

As shown above, far more of the rural population joined communal villages in the early years than ever worked on cooperative farms. In other words, the villages tended to develop independently of collective production, despite the original intentions, becoming rather centres of residence and collective consumption of services. Some were chiefly dormitory villages for state farm workers; many others contained large numbers of individual "family" farmers continuing to cultivate their own plots.

Furthermore, as Dolny documents, when attempts were made to spread membership of cooperatives to whole villages, that could cause the cooperative organisation to break down, and its purposes to become confused. In practice cooperativisation in Mozambique was being promoted for two entirely separate purposes: first, in order to increase the productivity of agriculture; and second, to provide, through collective labour, a fund which would be expended on social rather than agricultural investment: a school, a clinic, a meeting

hut, a health worker. These two aims, which could clearly conflict, were often not clearly distinguished, a fact which could lead to bitterness and division.

Although the data for an accurate calculation are unavailable, the implication of this discussion is that Mozambican cooperatives were the site of very little locally generated accumulation. Only a small proportion of central state resources were reallocated to cooperatives, and relatively few of the investment resources acquired by cooperatives were backed by real financial surpluses achieved by the co-ops. Indeed, measured in market prices there was probably increasing surplus extraction by the state in the opposite direction, by holding down official prices.

This accumulation pattern interestingly contrasts with the pattern of investment in what we might call social production: that is, the production of social services. Health services are just as much an economic product - using material resources to produce a service which contributed sharply to the standard of living - as are agricultural goods. In the provision of health services, state investment funds and the material resources to back them appear to have been more effectively redistributed from centre to locality, and locally generated investment and funding seems to have been more effectively generated than in agriculture.

This process of decentralisation meant that in health planning and financing, in contrast to agriculture, resources for investment and service provision were shifted, in relative and at some points in absolute terms, from large to small and from centre to periphery: from central city hospitals towards the provinces, from complex medical intervention to simpler procedures, from doctor's work to that of para-medical staff, and from curative to preventative care. Under the Portuguese, health service resources had been almost wholly concentrated in the cities where the settlers mainly lived (Walt, 1984: 2). By contrast Frelimo before Independence, in the liberated areas of the north, had offered minimal preventative care and first aid, and thereby had learned the value of what could be achieved by base level health workers with minimal training.

Frelimo, furthermore, had learned another lesson: that health service provision was one of the most important ways in which people would judge the revolution Frelimo was seeking, and that involving people in health provision

was an effective way of involving them in the development of their society. As the President later argued:

"The hospital is a state institution where Party policy touches the most sensitive points of the population: health, well being and life itself. It is often in the hospital that the people see reflected the organisation of our state" (Machel, 1979a).

The effect of this emphasis was that health provision was to become one of the most political areas of Mozambique's economy, one where great efforts were made to reform the internal structures of work and control, and to respond to, and even encourage public pressure on the system.⁽¹⁵⁾

Health services were nationalised in 1975, and reorganised by the Law on the Socialisation of Medicine in 1976. This made use of the health service virtually free at the point of use, and set out the principles of a referral system based on local health posts and health centres as people's primary contact with the system. An enormous training effort began, and a major political debate on the content of medical and para-medical teaching.⁽¹⁶⁾

There was from the start an emphasis on training para-medical personnel, and on opening health centres and health posts. The proportion of lower level medical personnel rose, and the proportion of the central health budget going to hospitals fell (Barker, 1985: 335). The pre-liberation experience of base level health workers was developed, and a system was hastily set up whereby the lowest level of health workers, the agentes polyvalentes elementares were to be chosen by the residents of communal villages. These health workers were to concentrate on preventative care and health education, and refer people to health centres as necessary. They were also to be financially supported by the villages - out of cooperative agricultural production to which they would also contribute - after training. Those chosen left the villages for a six month training course; by 1984, 1,369 such village health workers had been trained (Cliff et al, 1986: 16).

These village health workers ran into many problems, and as early as 1980 the Health Ministry estimated the drop out rate at 15%. A number of these problems were those of the communal villages themselves: a number were badly sited and unviable, and as discussed, cooperative production within them was problematic. As a result some health workers could not be financially supported. Also, many found it very difficult to get basic supplies, and discovered that they did not

have the minimum curative knowledge to be truly useful to and respected by their communities (Walt, 1983: 16-17; Barker, 1985: 335-7; Cliff et al, 1986: 16-17). Many too resented their dependence on local communities while primary school teachers and agricultural technicians were paid by the central state. And where there were no villages or fairly dense communities, health workers could not be chosen and supported.

On the other hand, many villages put considerable local resources into providing the physical infrastructure and financing their health worker. Like the agricultural cooperatives, the problems of the health workers were the subject of productive debate, and some communities evolved other ways of paying their health worker, some collecting contributions in cash or kind from each local household (Walt, 1984: 17).

Furthermore, the health workers provided a link with the discussions of health provision at the district level. (The district is the administrative unit below provincial levels). The Health Ministry, more than perhaps any other Mozambican Ministry, evolved a pattern of increasing local participation in drawing up annual health spending plans (Bell, 1983: 88-89). While still patchy and insufficient, this did sometimes reach down to district level and provide an input to provincial and national plans (Barker, 1985: 342). Local participation in Mozambique faced even before the war huge barriers in the lack of transport and roads, one part of the constraints created by desperate poverty. Despite this, it was in the health sphere, especially in the early years, that local debate and collective investment, and the decentralisation of resources, were most effectively promoted. The health service adapted to people's needs - and encouraged people to define and express those needs - to a greater extent than was achieved in other areas of production. And as a result, it benefitted most from an input of locally generated resources.

All this added up to a partial pattern of genuine decentralisation. It has been destroyed in many areas, and very seriously undermined in others, because communal villages, health posts and all such collective facilities and their staff (notably including primary school teachers) have been targets for murder and destruction by the South African-backed MNR. The principle of health care provision on which this decentralisation is based has also been under attack, especially from aid donors: we return to this issue below.

1.5 Markets and the Peasant Economy

We have pointed out above the scale of the Mozambican peasantry's involvement in the cash economy from the colonial period, relying for survival on sale of their labour, or in some areas of their crops, for survival. The Mozambican peasantry, male and female, had in other words long been compulsorily involved in highly managed markets for their labour and their produce. These markets were not abolished - though they changed somewhat in character - after Independence, and the evolution of rural-based markets came by the early 1980s to pose a very serious set of problems to those seeking to promote cooperative production of goods and services in the Mozambican rural areas.

Mozambican economic planning never sought to abolish private trade, which was always regarded as playing a potentially useful role especially in rural areas. The Third Congress Directives (Frelimo, 1977: 61-65) emphasised the importance of recreating the traders networks abandoned and destroyed at Independence. The traders however were to be regulated, through price setting to control margins, state wholesaling to ensure fair distribution patterns, and monitoring of compliance, with the aim of ensuring that the benefits went to farmers and consumers, not chiefly the traders. A network of state shops was set up to supplement private trading, but these were abolished as inefficient in 1980; the consumer cooperative movement was to be promoted, as it was very effectively in the towns, but much less successfully in most rural areas.

It was thus private traders who were to be the chief intermediaries in buying cash crops from small farmers: a task crucial to Mozambique's capacity to earn foreign exchange and feed the towns. After 1977 the private market reestablished itself, though patchily - it never covered the whole country effectively - and a state agricultural wholesaling company, later named Agricom, was established to re-purchase most cash crops from traders and resell to town rationing systems, town traders, large institutions with a labour force to feed, or to state exporters. One or two of the non-food cash crops - such as cotton - had their own buying system in parallel.

After 1980, this rural marketing system gradually escaped from state monitoring and control, as parallel markets for foods developed (Mackintosh, 1986, 1987). Over time, and at very different speeds in different areas, parallel market prices and state administered prices diverged. Goods produced

by small farmers were increasingly sold onto parallel circuits (though not necessarily or even usually by the farmers themselves), while imports and state-produced goods continued to go largely through state channels at official prices. By 1985, a "two tier" economy (Mackintosh, 1986: 664) was operating, with towns-people and rural farmers alike trying to stay alive by balancing between the two. Worst of all, exchange even in the parallel circuits had broken down in many areas, to be replaced with sporadic barter.

The sources of this parallel economy were many. One source was undoubtedly the inflation generated by the financing of the state sector. The pattern of state-centred accumulation traced above had serious internal costs, one of which was the inflationary financing of state enterprise deficits. The financial surplus traced above in the central state's recurrent budget did not reflect the financial position of the state sector as a whole, since this budget centralised actual state enterprise surpluses, but provided finance only for planned enterprise deficits (Wuyts, 1986: 183-198). Unplanned state enterprise deficits, were substantial and growing over time (reaching projected levels of 14 million meticaïs in the 1987 state budget), and were financed by credit from the nationalised banks. These unplanned subsidies were financed on demand through credit expansion. As a result bank credit in the economy, mainly to the state sector, grew well ahead of the Global Social Product, the main measure of the material output of the economy.

Table 5: Internal Credit and Global Social Product
('000 million meticaïs) current prices

	1980	1981	1982	1983
Internal Credit	50	62	73	103
GSP	82	89	91	77

Source: CNP, 1985

The effect of this was to allow the state sector to suck real resources away from the rest of the economy: its command over local resources, already backed by the weight of the state's planning system, was reinforced by easy credit access; its attempts to reach over-optimistic output targets were backed up by

priority access to foreign exchange; and the over-tight and over-expansionary planning of the state sector led to inefficiencies which further raised demand on national resources relative to output.

The impact of this financing pattern on rural markets was complex. The problem was not solely the uni-dimensional one of an imbalance between total state-emitted finance and state production of goods at official prices, although this was the way in which the Mozambican authorities initially tended to specify the problem. As the Governor of the Bank of Mozambique pointed out in 1983(17), the value of money the state was spending on buying cash crops from the peasantry, plus the wage bill, greatly exceeded the value of the commodity supply to wage workers and peasant farmers. This was undoubtedly a problem, and was reinforced by the squeeze just described on the real investment and consumption goods available for rural circulation outside the state sector.

Other factors too were worsening the money-goods imbalance in the early 1980s. The rising financial resources met falling material resources after 1982: reduced by the rapidly growing impact of the war on rural production, and the increasingly serious foreign exchange squeeze. A serious drought in the north in 1982 was rapidly followed by disastrous southern drought. Rural hunger became serious, and food speculation rife in the towns, fuelling the parallel market.

But all this was reinforced by a problem of economic structure with its roots in the colonial period. This was the nature of the impact, or at times lack of impact, of these financial resources in rural areas. The money fell in the rural areas into a situation where it could stimulate only very limited increases in local output through the development of intra-rural, extra-state private exchange.

There were two distinct problems.(18) In certain areas the financial resources fuelled a parallel market which benefitted traders rather than farmers, and changed the pattern of effective accumulation in rural areas away from that sought by the government. In others, more widespread over time, the value of cash collapsed completely; far from circulating in rural-rural exchange, it ceased to have exchange value, and farmers and others reverted to barter.

One root of these problems lay in the virtual absence in rural Mozambique of the networks of rural markets and small scale intra-rural trade so common in

other parts of Africa. Far from building up local trade, the Portuguese appear to have suppressed it in favour of a settler-run trading network, focussed on extracting crop surpluses and run in settler interests. Artisanal industry was broken up or never allowed to develop. A local trading network which could circulate products of small scale agricultural and non-agricultural production, and encourage the expansion of such "small projects", could not be recreated, it had to be created from scratch, as part of building up and reorganising rural peasant production. This fact was insufficiently realised.

As a result, policies in the early stages were not directed to rural market creation. The goods and information were not available to get local small scale production going, and local markets were not encouraged. Partly as a result, rural commercial policy unintentionally reproduced many of the features of the colonial rural trading structure, designed to create one dimensional state-farmer exchanges. And financial thinking followed that same track.

This trading structure interacted with rising credit, with the effects of war, drought and a foreign exchange squeeze, and with the organisation of the control of trade, to reduce the power of the state to manage the economy. In the early 1980s, in areas still producing a large food surplus,⁽¹⁹⁾ a parallel market was tending to develop whereby private traders paid farmers at the official price, while selling at higher prices; to some extent the traders' capacity to do that was enhanced by pricing policies which restricted Agricom's ability to compete with other wholesalers, and by a certain state disorganisation which allowed the traders to play state buyers off against each other to their own advantage. In these areas, traders were bringing in consumption goods to trade for agricultural products and were accumulating substantial financial resources in local currency.

These resources were going into private investment in the means of trade and production. Second hand trucks and maize mills were changing hands at very inflated prices, and warehouses were being built and farm infrastructure set up for larger commercial farms. There was therefore a distinct pattern of private investment challenging the government priorities of cooperative and family farm. Private investment was increasingly the effective competitor with the large scale state sector for investment resources, cooperatives and small farmers being squeezed from both sides.

Elsewhere, where the agricultural surpluses especially of food were not such as to attract such a pattern of trade, the market was breaking down almost completely. Goods were being sucked out of these areas, to those just described. The state did not command enough resources, and control, to counter this. Worse, the lack of inputs to family farming, especially hoes and other small implements, and seeds, was threatening to become a binding constraint on production. Farmers stopped producing through lack of incentives in the form of goods to buy, and rural poverty became increasingly serious. Both farmers and the state reverted to barter: the state selling consumer goods only in exchange, at least in part, for agricultural goods, farmers bartering with other producers where they could.

One institution which suffered particularly seriously from both these opposed situations was the cooperatives. Where the parallel market was expanding at the expense of the state, the cooperatives could find themselves constrained to sell at lower prices than particularly the larger "family" and commercial farmers round about. Frelimo's uncoerced cooperativisation could only be successful as a form of development of farming if the cooperatives were more successful than family farms in the medium term; as the years went by the market became at least as serious a constraint as organisational problems on their development.

In areas where the market had effectively broken down, there was a tendency for people to join production cooperatives particularly to gain access to the consumer cooperatives often attached to them. These cooperatives had some priority of access to valuable state-supplied goods, and therefore helped people to survive; but the weakened state distribution system - weakened by foreign exchange constraints and procurement problems - could not substitute for a thriving local market in providing consumption goods or crop purchase. The cooperative sector became solely an annex of the state sector in this context.

By 1983, when Frelimo's Fourth Congress debated very openly many of these problems, the causes of rural economic crisis had come to be dominated by the impact of war and drought. But as the Fourth Congress discussions made clear, many of the underlying economic problems just outlined remained to be solved if the economy was to be reorganised to support the war effort.

At the most general level, many of the policy problems outlined in this section were rooted in a lack of clarity about the relation between market and

plan. Planning the market had been seen too much in an administrative framework: laying down a set of rules for traders and policing outlaws. It had been insufficiently realised that the rules laid down gave incentives to market participants which were perverse in relation to government economic objectives, and therefore almost guaranteed a parallel market development, whatever the financial structure. Such perverse incentives included uniform pricing which encouraged local flour milling, margins too small to allow small traders to survive on the volumes offered to them, and the allocation of monopoly buying areas to private traders, instead of forcing competition. The implication of this analysis was the need to move away from administrative regulation of the market - on a model of an already socialised system - towards a model of more effective market intervention to further the most important government policy aims.

1.6 Deregulation, Market Intervention and Decentralised Planning

It is towards a model of market intervention, in association with deregulation and decentralisation of some economic decisions, that the Mozambican government has moved since 1983. It has done this in the context of very strong pressure from foreign multilateral and bilateral agencies to move rapidly away from some established government policy aims, and under pressure from war and economic crisis they have been forced to balance their own internal aims against the external pressures.

In 1983, Frelimo's Fourth congress, held against considerable odds because of the spread of the war, analysed the country's severe economic problems. The Central Committee's report to this Congress (Frelimo, 1983a) maintained the overall priorities established by the Third Congress, but severely criticised the failures of support for small scale production, describing support for the peasantry as "almost non-existent". The market, the report said, must be supported and re-established, a formula which acknowledged the effective breakdown of the market in many rural areas. The Central Committee set out the priority of combatting hunger, the importance of the family sector to this, and the strategy of developing local initiative through decentralising economic planning. Private capital was to be encouraged, especially in import-substituting activities. (Frelimo, 1983a: 63-68). The new Economic and Social Directives (Frelimo, 1983b) stated that (official) prices should provide peasant farmers with reasonable incomes and encourage investment in small scale enterprises.

Although the Fourth Congress challenged the over-emphasis on state centred development as an incomplete process of transition, the documents of the Congress remained rather vague with respect to the specific tactics for a socialist strategy based on transforming peasant agriculture. It left room for various interpretations as to what constitutes a policy of aiding small scale production and of allowing more room for manoeuvre for private enterprise. The depth of the economic crisis made the issue of recuperating production one of paramount importance, and the demand for deregulation in order to allow greater space for the unofficial economy became a powerful position within the economic policy discussions.

Hence, for some, the immediate policy necessity consisted of a tactical retreat from socialist transformation, by allowing production to recover under the impulse of private enterprise within the unofficial economy. In other words, the momentum inherent in the parallel economy as structured by the prior process of state centred development, would be allowed to continue and to gather strength. Opposed to this, however, was also the recognition that the imperatives of the war and of preserving the socialist character of development required the continued intervention of the state within the economy. Both of these themes have been evident in economic policy debates and initiatives since 1983.

Since the Fourth Congress, Mozambican economic policy has seen very substantial changes, along the lines sketched at the Fourth Congress. A number of these changes were crystallised in the Economic Recovery Programme (ERP) presented to the People's Assembly in January 1987 (Machungo, 1987). The central ideas of the programme are the crucial importance of revalorising the metical, ("by making the metical a scarce resource we intend to give our currency value") and developing farm production for sale, including family sector production. The main methods proposed are price reforms, credit restriction, reform of state sector management including a wage structure allowing productivity bonuses.

In practice, the price reforms and associated partial market liberalisation have had the sharpest immediate impact. The metical has been cumulatively devalued, between January and July 1987, by close to 1000%. The prices of most food crops except basic grains had earlier been freed, and the producer and consumer prices of basic grains raised sharply. All other main consumer prices have also been raised.

Meanwhile, state sector economic management has been reformed substantially. Decentralisation has given ministries more control over their operational budgets, and these have delegated more powers to state farm and enterprise managers, along with more clearly specified duties on accounting and profitability. Some economic decision-making has been decentralised to the provinces, including some price setting, and provincial governments given more influence on economic policy in support of the prosecution of the war. There has been much public discussion of the relation between the economy and defence: the Prime Minister argued, in presenting the ERP, that, "No war is won just by soldiers on the battlefield, without production. Every country at war finds ways of combining war with production. We cannot separate one from another".(20)

The effective direction in which these measures take the economy is still at issue, and will depend on the evolution of government thinking, on the continuing devastation caused by the war, and on the pressures from the donors on which Mozambique will continue to rely to support the import programme necessary for the recovery programme, and eventually to service the rescheduled debt.(21)

Not all donor organisations have clearly stated objectives which go well beyond supporting Mozambique in its present crisis of hunger and war. However, some such objectives do exist and pressure is being brought to bear on the Mozambican authorities to effect a basic change in economic and social development. J Cliff *et al* quote one of USAID's principal stated objectives for aid in Mozambique as that of entering into policy dialogue so as to induce the earlier arrival of a market based economy and a thriving private sector (1986: 19). Furthermore, they point out that in doing so, USAID relies on and aims to support the leading role of the IMF and the World Bank in setting the tone and the pace of this dialogue (*ibid*).

Through its present economic measures, the Mozambican government is seeking to re-establish both the functioning of the economy and its own power to make its economic policies effective. The government has therefore not seen economic liberalisation as an end in itself, but instead has sought to combine market liberalisation with some level of market intervention to ease the impact on standards of living (Mackintosh, 1986). At the same time, it has sought to develop military defence of trade and economic activity, and to use state firms and installations as the basis for support of small scale production and trade.(22)

The government's capacity to develop and sustain economic recovery will depend centrally on its success in combining military defence with economic rehabilitation. The economic impact of the war has been devastating, and now dominates all other factors in creating the current very severe economic crisis. In 1985 the government calculated that the war had cost the country 132,000 billion mt. (US\$3.6 billion at the then rate of exchange) (CNP, 1985: 96). Since then, the destruction has escalated, with virtually all the social and economic infrastructure destroyed in many parts of Zambezia, Mozambique's most populous, and once one of its most productive provinces.⁽²³⁾ At least 4.5 million people have been threatened by famine.⁽²⁴⁾ In the 1987 state budget defence forms 35% of recurrent expenditure, but 53% of projected income.

The Mozambican government is therefore faced with difficult choices about how to plan its war economy. From some donors are coming sharp pressures to favour commercial farming and private including foreign investment; others are willing to provide support to the small scale sector, but refuse to assist cooperatives.⁽²⁵⁾ The government is seeking ways to assist the small scale sector effectively, and there are many variations being tried between a "building on the best" strategy of channelling resources to the more successful, and strategies, including discussion of peasant associations, as ways of channeling resources to a wider number of poorer farmers.

Given the pressures of the war, and the resultant impossibility of a full scale market liberalisation, plus the government's own commitment to a broad-based development benefitting the mass of the population, the government seems likely to pursue an economic management policy which is a mixture of selective liberalisation associated with local economic planning and intervention, including continuation of the rationing system and the planned distribution of state-owned goods; state procurement will continue to be essential to feed and support the armed forces, and therefore a local integration of military and economic planning, including the protection of trade, will continue to be essential.

The government furthermore is faced with pressures and choices, not only in economic management, but also in social policies, including health policies. As argued above, health care policies pursued after independence brought real gains to all Mozambicans - rural and urban - and as such are seen to be one of the major advances of the revolution. A major issue which confronts the Mozambican authorities today is how to preserve the basic objectives of its

health policy in the face of escalating war, and also, and significantly so, under pressure of various aid donors - multilateral, governmental or non-governmental alike - to alter its priorities. This is no minor issue: rather, it deeply conditions the credibility of Frelimo and of its policies with the Mozambican people, since the question of health and health care always constituted a central political pre-occupation in Mozambique.

The main issue at stake is not merely that of cuts in health expenditures. The escalating cost of maintaining the defense effort as well as the extent of the economic crisis inevitably meant that health expenditures in real terms were bound to fall (Cliff et al, 1986: 21-22). Donor pressures to cut back further on social expenditures may worsen the situation, but the critical issue concerns the actual and potential conflicts over the use of ever scarcer resources allocated to health care. It is at this level that the real impact of the pressures from aid donors needs to be assessed (ibid).

As the funding of health programmes becomes increasingly dependent on donor agencies, health care policies are under pressure to adapt to donor preferences and hence to neglect certain sectors which lack donor appeal. It is this trend which progressively erodes the system of central planning in health care, and which undermines the broad based programmes of locating primary health care within local communities through a system of partially self-financed collective self-provisioning, aided by the state health care services. Two examples can be given of this progressive pressures to undermine official health care policies.

The first concerns drug policies. Post-independence drug policies in Mozambique have been an undoubted success (Barker, 1983). The list of imported drugs was cut down to 300 essential drugs bought on a competitive basis from reputable dealers: as such, the proportion of the health budget spent on drugs was maintained within a range of 10-20% regarded as ideal in international literature compared to 30-40% for most Third World countries (Cliff et al, 1986: 10). However, aid donors increasingly aimed to by-pass the state medicines importer, MEDIMOC, as well as failed to respect the national formulary of acceptable drugs (ibid: 10-14). These measures undermine the Ministry's central planning of health care as well as impose a greater burden on planners since they waste valuable time and effort in trying to convince aid donors to respect the established norms.

A further aspect of donors' interference with the national health policies with respect to pharmaceuticals appears to be the attempt to press for a stratification of the market, allowing essential drugs for the poor through a planned distribution system, but leaving the more affluent sector to be served by a private market (Cliff et al, 1986: 19-20).

The second example relates directly to the character of the organizational approach to health care, and particularly to its decentralisation towards local communities. In the Mozambican context, many aid agencies favour selective health care programmes such as those for Immunisation, Essential Drugs, Diarrhoeal Disease Control and so on, each with their own separate funding and their own imposed structures (Cliff et al, 1986: 18).

Organizationally, the key decisions of such selective programmes are taken by a small central group, usually foreign experts linked with the aid agency (Open University, 1985: 122). This approach therefore leaves little or no room for consultation with, or involvement of, the local people in villages and towns, and hence, it raises the question as to who should decide on the priorities of health care: local people, governments, experts or international agencies - each of which would have different opinions based on their particular interests (ibid). In Mozambique, health policies were made nationally, but - as argued above - involved genuine pressure from below as a result of its integrated approach to health care and the decentralisation of such health care to local communities. The pressures from aid agencies effectively undermine this system, while in practice separate selective health care programmes de facto provide for little real integration of the overall effort. There is therefore a real danger that if such pressures were effective, health policies would effectively abandon the majority of the people to the curandeiro (traditional healer) and a few selective interventions (Cliff et al, 1986: 22).

In summary, the implicit thrust of the pressures of many aid agencies is towards the liberalization of health care policies within the framework of a two-tier health system which cannot but reinforce existing class divisions as well as aims to play on them. And the same choices between liberalisation and local-based planning reappear in 'social' policy as in economic management.

SECTION 11 LESSONS: DECENTRALISED PLANNING AND THE PROVISION OF SOCIAL SERVICES

2.1 Accumulation and the Character of Planning

The first section of this article has analysed the interaction within Mozambican planning of central control, local initiative and market activity. The story demonstrates the close inter-relationship between on the one hand the character of the planning process, and on the other the crucial issue of the location of accumulation: in whose hands and to what effect investment effectively occurs. It was argued that in a variety of ways, the pattern of Mozambican planning practice had the effect of undermining the government's planning aims of a broad based development, through cooperativisation and popular initiative, to take place alongside the strengthening of a state sector of large scale enterprise. The analysis by Frelimo of these conflicts, as a basis of the policy changes after 1983, has also been briefly discussed.

Our purpose in this section is not to draw lessons for Mozambique, but rather to discuss more generally the contradictions just identified, in the context of the broader literature on planning socialist transition.

The key problem to which we address ourselves is the nature of the pattern of accumulation outside the state sector proper. In the case study of Mozambique it emerged that such accumulation, in cooperatives and other collective locally based forms, was crucial to rural development of the type sought by the government; it was however undermined by a number of economic processes which tended to squeeze it between state investment on the one hand, and unplanned private investment on the other. How accumulation in semi-autonomous, non-exploitative production units can be encouraged and supported through centrally-managed state planning is the central question this section addresses. This is particularly (but not exclusively) important in a society composed largely of peasant farmers; or of those making at least part of their living through this type of farming.

We address this question by means of a discussion of four interrelated issues. First, we argue that the appropriate relation between plan and market in transition depends crucially on the question of the location of accumulation.

Second, we argue that the provision of social services should not be seen as merely wealth-consuming as against the wealth-creating aspect of productive accumulation. This is an unsatisfactory way of posing the opposition between accumulation and consumption, since locally financed (or partly financed)

social services can constitute a vehicle for accumulation as well as for the provision of basic needs. In other words, the size and nature of the overall accumulation fund, as well as the content of development in terms of the convergence of production and needs, are not independent of the way in which control over resources and over accumulation is socially structured. Indeed, the organisation of social services through the interaction of local collective self-provisioning and central state services allows for the mobilisation of labour power behind such local initiatives which could not be accomplished or financed by the state sector alone.

Third we argue that finding an appropriate balance between central direction and locally-based initiative and autonomy of action is not merely a question of administrative convenience, (that is of finding the best management system through balancing market and plan), but it also involves a political dimension which is important in its own right. The transition towards a socialist economy involves the progressive convergence of material production with (basic) needs. However, this raises the question as to who should decide on priorities for satisfying human needs - local people, central government, or experts - as each group would have different opinions based on their interests as well as on their perception and knowledge of immediate needs. Hence, planning cannot merely be a question of administering resource use in relation to pre-determined needs, but it also involves the complex process of defining priorities through political processes which in turn react upon the pattern of accumulation. This raises the issue of socialist democracy within the context of a process of transition based on a worker-peasant alliance, and the tensions which may arise from this, as interests may be compatible but are by no means identical.

Finally, we discuss the character of planning in relation to the production and use of information. Decentralised planning within the state apparatus as well as planning within socialised institutions outside the realm of the state sector involve the development of locally-based capabilities to plan (and by implication, to produce and effectively put to use the relevant information needed for such planning) as well as the need to organise the exchange of information.

2.2 The Plan-market Dichotomy and the Location of Accumulation

Any transitional economy must be a strongly managed economy in which the process of change is subject to direction from the center. Without this the

market will lead a reversion to investment on commercial criteria. Our central question is not, what level of "free" market forces should be allowed, but how markets can be managed so as to allow and even support accumulation in socialised institutions such as cooperatives.

The perception that accumulation within socialist relations of production is the key to socialist transition has a long pedigree in socialist thought. Preobrazhensky famously argued for a concept of primitive socialist accumulation which meant "the accumulation in the hands of the state of material resources mainly or partly from sources lying outside the complex of the state economy" ([1926] 1965: 84). Hence, for Preobrazhensky the location of socialist accumulation was set firmly within the confines of the state sector (or state economy as Preobrazhensky referred to it), and the key issue was the ability of the state to alienate "a certain part of the surplus product of the private economy in all its forms" (ibid: 110).

This conception posed a straightforward opposition between market and state economy. Preobrazhensky stressed the importance of unifying the operation of the state sector, in order to use its strength to create a "gradual contraction of the field in which 'free competition' goes on between the state and private economy" (ibid: 128, 130). This state strength was created by a fusion of political and economic power. Monopoly control of key sectors of trade, economies of scale, price controls and taxation were all vehicles of the "power of the proletarian state over the surplus product of private economy" (ibid: 130).

The political implication of this view is that the peasantry is seen to be located outside the realm of the socialist economy (identified with the state economy). In the short run its essential role boils down to that of financing the accumulation of the state economy, while progressively the growth of the state economy will absorb the peasantry within it. In terms of social transformation the role of the peasantry is seen to be rather passive, although it plays a crucial role in determining the rate at which the socialist economy can expand.

Most subsequent discussion of socialist economic strategy has contained as one theme the importance of unifying and extending state economic and political power, and this has implied the importance of state direction of accumulation. Such measures in socialist states as nationalisation of external trade have

been designed to reinforced state control of investment through control of physical investment goods. While Cuba continued to focus its economic strategy on accumulation within the state sector (Meso Lago, 1980), in most Third World socialist countries, discussion of economic strategy has incorporated an emphasis on a more decentralised pattern of accumulation, within institutions which are not strictly part of the central state structure: either cooperatives or communes. The best known examples include China, with its development of an explicit theory of labour accumulation within the communes, and its aim of turning the terms of trade in favour of agriculture in order to encourage accumulation at the commune level before 1978 (Nickum, 1980). In Vietnam, likewise, where agriculture is organised chiefly on a cooperative basis, the question of encouraging cooperative accumulation has been an important one in the planning debates (White, 1983: 251).

This emphasis in political debates on economic strategy does not imply that these policies can be realised without tensions. Saith (1985a) argued that the need for surplus extraction from the rural economy often ran counter to the task of initiating a broadly-based process of rural development through institutional reforms which create socialised institutions located outside the realm of the state sector. This tension - he argued - was specifically noticable within the context of the Chinese experience where the attempt at propelling rural development based on the interaction of local self-provisioning and state production had been pushed furthest.

The same preoccupation reappears in a different form in Mozambique, Ethiopia and Nicaragua: predominantly peasant countries where socialist strategy was not based on forced collectivisation. Here, the discussion of the means and purpose of cooperative development was closely related to the issue of food production and procurement. These countries, where much food production continues to be undertaken within a peasant farm sector, face the problem of maintaining the production of food, and stabilising the exchange relations with the peasant sector, during a prolonged period of transition. In Nicaragua as in Mozambique the government has several times reformulated its policies in an effort to shift more real resources, including investment resources, into the peasant sector (Kaimovitch, 1988). However, the key political issue in this respect is whether such shift in resource allocation is understood as a tactical necessity in order to enlist the support of the peasantry both at the level of the economy and of defence, or whether it forms

part of a strategic policy aimed at propelling the transformation of the peasant sector through institutional reform (ibid).

We are therefore analysing a crucial and an acknowledged problem, but one which has become submerged in the more theoretical literature by the debates on markets versus planning. In Ethiopia and Nicaragua as in Mozambique, planning practice was characterised by a tendency for state centered accumulation to become dominant, although with different intensity and in different contexts (Ghose, 1985; Wuyts, 1985; Fitzgerald, 1985). In each country a parallel economy has tended to develop, bringing problems for economic planning and control.

It is our thesis that such problems emerge in full seriousness, not from the fact of planning as such, but from the drift to planned accumulation chiefly within the state sector. The Mozambican experience suggests that attempts to plan in such a way as to centralise the investible surplus of the economy in the hands of the state, and to concentrate the whole accumulation effort on the state sector, run into some characteristic problems. The basic assumption that the official economy, organised through state planning and regulation in the manner set forth by Preobrazhensky, can effectively direct the movement of the wider economy and succeed in transferring the surplus of the private economy, is highly problematic. In actual fact, the state's capacity to direct the wider economy tends to be eroded by the development of a parallel economy in competition with the official economy. Furthermore, the productivity of state accumulation itself is thereby undermined, since the state ceases to be able to purchase labour, raw materials and food from the non-state sector. The parallel market blocks the development of the state sector itself: here is the dynamic which has historically sometimes led (but not in Mozambique or Nicaragua) to proposals for forced collectivisation (Dobb, 1966: 208-229).

We have shown for the case of Mozambique that the attempt on the part of the state to centralise the investible surplus of the economy both helped to create the parallel economy, and by locking the peasantry into that parallel economy undermined any attempt to create a broader process of transformation involving socialised institutions outside the realm of the state sector. This same pattern also emerges in other countries (Fitzgerald, 1984; Saith, 1985b). This history casts serious doubt on the desirability as well as the feasibility of a concept of transition which - in its dominant aspect - is

based on some form of primitive accumulation, whether this in practice runs with or against the grain of the government's expressed intentions.

It follows from this that a socialist government in a largely peasant economy should not attempt to monopolise the investment surplus. Part of the investible surplus of the country is required to sustain and to fuel the transformation of the peasant economy. But this implies in turn the need to ensure that it is indeed to cooperatives, rather than to commercial farmers, that the investment resources go. Lenin put the issue forcefully during the phase of the New Economic Policy: "A social system emerges only if it has the material backing of a definite class. ... At present we have to realise that the cooperative system is the social system we must now give more than ordinary assistance, and we must actually give that assistance" ([1923] 1977: 683-4).

To achieve this aim requires, not less planning but different forms of planning. It is the aim of socialised but non-state accumulation which will determine the structures of planning at different levels of the economy and the role of markets and market intervention within the economy and the planning process.

What are the main characteristics of such a planning process? These would have to follow from the problems to be resolved, and here we sketch some of the central issues.

First, since socialist transformation and accumulation would not be confined to the state economy, it follows that the state would be only in part directly responsible for the organisation of production and accumulation within socialised (or better, socialising) institutions. Although the state must assume the task of central direction and coordination of the overall process of transition, it has to operate through a variety of indirect mechanisms in order to guide, stimulate and channel the development of non-state socialised accumulation. Some of these indirect mechanisms are political - a point to which we return - while others involve operating through credit and goods markets. A number of pointers to what is involved emerge from the Mozambican example.

It is unlikely that parallel markets can ever be abolished in a transitional situation. By definition, the aim of transition is to produce a future

economic structure different to that which the market would create. In such situations which aim to bring about the convergence of demand with (basic) needs the purchasing power of some is to be suppressed in the interests of others. (Griffin and James, 1981: 12-23). One aim of both the design of overall economic strategy, and of the local market intervention is therefore, not to abolish but to control the scope of these markets, and in particular to restrict their capacity to channel private investment. As the Mozambican Prime Minister put it, "the fight against the illegal market must waged principally by economic means" (Machungo, 1987: 4).

The Mozambican and other experiences suggest that planning with this aim in view implies at least the following. State deficits need to be kept under control, and the availability of both finance and material investment goods needs to be ensured for the peasant and cooperative sectors. Market intervention should be aimed, again in the words of Prime Minister Machungo, at avoiding "the continued accumulation of excess profit in commerce to the detriment of production" (ibid: 3). This implies pricing policies adapted to encourage local small scale trade while supporting state purchasing for longer distance wholesaling. Cooperatives in particular should not be restricted from competing and selling at favourable prices; the promotion of cooperative trading as well as production helps to channel goods away from larger scale private hands.(26)

Local goods markets can and should continue to be important in rural areas, even as the participants in the market become increasingly cooperative institutions. There is a great deal that can be done by state institutions operating in local markets to squeeze large traders and favour cooperatives, if coordinated marketing can be achieved. Local markets stimulate and provide incentives for investment in small scale and cooperative production: but the state will need to ensure that the producers' goods necessary for such investment can be obtained.

Second, this need to operate through indirect mechanisms implies a considerable degree of decentralisation of planning within the state sector itself. A process of transition which is in part based on mobilising locally-based initiative and organisational capacities, and hence which requires a certain degree of autonomy of action on the part of local socialist institutions, necessitates responsiveness and adaptability of the state sector to local needs and conditions. Hence, it would be a specific task of the

local state apparatus and the locally based state sector to be able to plan and organise its interventions at the level of the regional economy.

One level where such local adaptability is required is for the type of market intervention just described. Another is in the area of technical assistance to cooperatives. The Mozambican case study discussed some of the problems of such assistance, which were far from unique to Mozambique: a failure to learn from coops and a tendency to give inappropriate instructions; a tendency to inhibit creativity, and a failure to impart skills; in addition to insufficient material support. The effect was to cut off the co-ops from their links to "family" agriculture and tie them too closely to the state sector, which meant that they could not become successful poles of development for a wider cooperative movement. Locally based, adaptable support is necessary, though not sufficient condition for overcoming these problems.

Investment finance too needs to be locally-based to be useful. With reference to the Chinese communes, Malima (1974) analysed the role of the rural-based branches of the Peoples' Bank of China in providing assistance to agricultural production. Two aspects of his analysis are useful for our discussion. A basic principle of credit provision was that, within an overall objective of self-reliance at the local level, "credit must be directed at critical links, implying also that it should be used to solve critical bottlenecks. This does not mean that minor requirements should automatically be ignored, but rather to emphasize the need to concentrate loans in a manner which would bring about the greatest impact. What constitutes a critical bottleneck may, of course, vary from one area of a country to another. It is, therefore, essential to assess the objective conditions obtaining in each area in order to determine the critical bottleneck" (ibid: 26-27). The local level branch therefore commanded a fair degree of flexibility in order to be able to respond to local conditions, although this flexibility was constrained by the overall availability of material resources and the specific allocations through central directives. In addition the bank cadres were responsible for "helping the Peoples' commune to run its affairs efficiently" (ibid: 31) and to this effect organised training in accountancy.

While such decentralisation provides the possibility of state responsiveness to local needs, it does not guarantee it. A responsive local state - this is our third point - requires that the peasantry effectively demand material

resources and technical assistance from the state sector. This implies not only an effective and developing capacity to plan on the part of the peasantry organised in cooperatives, peasants associations, etc, but also that they can exert political pressure to support their demands. Hence, as we shall argue in more detail below, planning cannot be merely an issue of administering resources in this context, but involves political processes concerning control over resources and making choices about their use.

Finally, under conditions of decentralised planning and of localised (partial) control over accumulation, the redistributive role of the central state would have to become more prominent. Decentralised control over accumulation may enhance regional inequalities (as well as intra-regional differences between richer and poorer cooperatives and communes) as a result of a more favourable resource base, or favourable location, as well as better access to state support or interaction with state sector investments. The correction of such inequalities would need positive intervention by the state sector at different levels.

Through its taxation and subsidy policies the central state can attempt to even out such inequalities. For example, "an important and consistent feature of the Chinese budgetary system has been the much smaller share of revenues retained by rich, industrialised provinces than by poor, backward ones" (IBRD, 1983, Vol I: 50). In fact, while high-income municipalities such as Shanghai, Beijing and Tianjin retained 11%, 37% and 31% of their revenue, low income provinces not only retained all their revenues, but also received subsidies from central government (ibid: 50-51).

However, there is a limit to which inequalities can be corrected through the mechanism of taxation and subsidies since the latter system presupposes sharp differences in the income earning capacities of different regions. In this respect, spreading the pattern of state investment more evenly among regions may constitute a more powerful redistributive force as it effects the income earning capacity of various regions itself. Saith convincingly argued that the preoccupation with state centred accumulation may easily lead the central state to pursue an investment pattern which aims to maximize the marketed surplus from agriculture, and thereby favours the better-endowed regions over more backward areas (Saith, 1985a: 33).

The need to respond to localised forms of socialist accumulation outside the realm of the state sector may well exert pressure on state investment itself

to spread its linkage effects more evenly within the wider economy. However, it must be recognised that such processes remain problematic as is clearly shown in the Chinese experience where regional inequalities were in part accentuated by the investment strategy of the state sector (Chung-Tong Wu, 1987).

At the more micro level, the specific credit policies pursued by state owned banks vis a vis cooperatives and collectives may enhance or even out the tendency to accentuating income differentials. The use of straight financial profitability criteria as advocated for example in recent reforms in Vietnam (Spoor, 1986) may well entail the danger of building on the best. In contrast, in the discussions concerning the implementation of a new agricultural credit policy in Mozambique, a study group set up by the People's Development Bank put forward a proposal that loans advanced to producer cooperatives should charge a social dividend on the income resulting from the investment rather than a fixed interest rate on capital (BPD, 1978). The latter proposal which involved the principle of "pay as you earn" in advancing loans was not implemented in practice. At the more superficial level, the main arguments against its implementation were the difficulty of assessing the income of cooperatives and the widespread deficit situation of such cooperatives. De facto, these reasons demonstrate the extent to which cooperatives had become an appendix of the state sector.

2.3 Health Services as a Vehicle of Transformation

In Nicaragua, not unlike in Mozambique, health centres displayed the slogan 'Revolution is Health' to indicate the centrality of the health of the nation within the revolutionary process (Bossert, 1984: 213). This slogan expresses the fact that, "it is health rather than survival - both physical and mental health - which is the most basic human need and the one which it is in the interests of individuals to satisfy before any others" (L Doyal and I Gough, 1986: 69). Within the context of a socialist transition which aims to achieve the convergence between material production and basic human needs, health therefore is bound to be an eminently political issue. The question is thus not merely that investment in people may enhance overall productivity: a position which is typical of human capital theory which sees investment in people as a cost to be balanced against greater returns in terms of profitability. Rather, health is seen to constitute an end in itself.

The social production of formal health care occupies a central - though not exclusive - position with respect to health and illness in society and is profoundly marked by the class character of society (Doyal, 1979). Not surprisingly, within the context of revolutionary change, the question of restructuring health care in accordance with basic needs of the mass of producers becomes an immediate issue. In this section we discuss the critical question of the financing of formal health care and its inter-linkage with the specific forms of organisation of the provision of such health care. This also raises the question of the relationship of planning social services to the planning of other spheres of material production.

One prominent view on financing health care in particular (and social services in general) in the context of a transition to socialism argues that wealth must be created before it can be spent on health (and education or other social provisions), and hence that the radical transformation of health services cannot be an immediate objective of socialist transition. Any attempt to effect such early transformation under popular pressures may end up jeopardizing the revolutionary process itself by stunting the capacity for economic growth and development. This view has been put forward by Seers: "in the first place, commitments to wage increases, heavy investments in social infrastructure, etc., help a party to gain power, but they greatly complicate its life once it has succeeded. The experience documented here shows that big gains of this type cannot be made in the early years of socialist governments" (1981). Hence the need for a prudent financial policy at the early stages of transition, and this also involves limited expenditures on social services. The basic premise is that any transformation of such services will need to wait till the consolidation and expansion of production provides the necessary finance for it.

Preobrazhensky's view, while different in kind, also combined a recognition of the pressures for immediate transformation with an argument for the need for restraint in the early phases of transition:

"From the moment of its victory the working class is transformed from being merely the object of exploitation into being also the subject of it. It cannot have the same attitude to its own labour power, health, work and conditions as the capitalist has. This constitutes a definite barrier to the tempo of socialist accumulation.... The first, quite obvious difference between the state

economy of the proletariat and the typical capitalist economy is the fact...in relation to the worker it [= the state economy] begins (but only begins, up to now) to act as a system of production for consumption by the producers" ([1926] 1965: 122).

This conception puts forwards the immediate need to start the process of convergence of production with basic needs in the early stages of the transition, a process which can of course only take place within the constraints of existing production and of the need for accumulation. However, Preobrazhensky saw this process taking place only within the state economy, so that the role of a broader process of change involving the production and financing of transformed social services outside the realm of the state economy was not considered.

The Mozambican approach to health provision outlined above did not restrict health financing to redistribution from central state funds, nor did it restrict its conception of health provision, and pressure for better health, to the provision of curative services. Mozambican health planning did succeed in shifting resources away from curative, hospital-centred medicine, towards preventative and basic curative services, and did make a very considerable effort to integrate public health and nutrition with health services from the start.

In doing this, Mozambique's health services tried to break out of the trap so often described in the Third World, whereby medical services reproduce the pattern of medical provision which is hospital centered, highly technological and dispensed on an individual curative basis. Such curative policy - although it may have extremely beneficial short term consequences for the individual patient - "cannot reduce the high incidence of disease, nor raise the general level of health" (Doyal, 1979: 256). Lesley Doyal goes on to point out that in Third World countries the pattern of allocation of resources in health care is extremely maldistributed and denies access to the vast majority of people even to those curative services which would be of value to them. But most important is the problem that, "in the Third World, curative medicine has become a substitute for public health and as a result is inevitably much less effective" (1979: 256).

To shift away from this perspective involves two aspects. It involves first a shift in the way central government health budgets are spent. Segal, in his

discussion of health care in Tanzania, argues that given the very limited resources, "a socialist health plan would use this limited amount of money for the maximum benefit of the mass of the population". "Like all poor countries, Tanzania suffers from a great deal of disease. Though the economic reality is limiting, it does not mean the country must remain in this state indefinitely: this is because most diseases are preventable. Prevention (with basic curative services) can improve the health of the mass of the people within the tight health budget. It is cheap: it can be effective. It alone can break the vicious circle of disease - treatment - recurrent disease" (1972: 149-150).

Such a shift in spending pattern alone will not be sufficient however. There has also to be a sharp change in the organisation of the social production of the new care. In this respect, Walt and Wield point out that an important difference between preventive health care and curative medicine is that the former requires the mobilization of whole communities to be effective, while the latter normally treats individuals (1983: 22). In other words, preventative care has to be eminently social in character (hence the term 'public health'). This implies that within the context of a society where the peasantry constitutes a significant, if not predominant share of the population (as well as of its poorest component), health care organisation will need to involve the mobilisation of the peasantry.

Health policy therefore, to be effective, must draw on and interact with community organisation. Such organisation can help integrate the planning of health care with actions in other 'spheres' such as nutrition, housing, sanitation, etc., which have direct implications for 'economic' planning. It also can create the kind of democratic pressures on health service planners which help to create a convergence between production and basic human needs. If it is the case that there is a close connection between the social production of health and illness and the social production of health care, as has been argued for the capitalist west and much of the Third World (Doyal, 1979), then both wider production patterns, and health care provision, need to change together if health is to become more clearly the aim of all types of production.

This point that the transformation of health care can only be situated within a wider context of change is particularly important:

"For example the recognition that wider forms of development were important to the promotion of health stemmed in part from experiences

of places such as Kerala State in the South-West tip of India. Since its formation in 1956, Kerala has pursued policies of income redistribution through reform of the land tenure system, employment security, free education at primary level, and some redistribution of health resources away from urban areas. Despite the relative poverty of Kerala compared with some other Indian states (such as Punjab and Maharashtra), by 1981 the people of Kerala had higher literacy rates than any other state, life expectancy at birth was 63.8 years compared to 52 years for all India. And yet during the period the per capita expenditure on formal health services was less than average for all India" (Open University, 1985: 125).

In contrast, Wolffers argued that the attempt to introduce barefoot doctors in Bangladesh and in Indonesia without any accompanying change in the social and economic context of the rural communities proves to be either ineffective or else vehemently opposed by local political structures (1981: 181-231). In fact, a country's health care system will be moulded by the wider social and political structure, rather than the other way around (Open University, 1985: 125). But, in turn, each revolutionary process will need to find concrete ways to integrate health care into the wider process of transformation.

A partially local process of funding health care - of the type attempted in Mozambique - can help promote these aims. The process of mobilising local resources implies the creation of a social surplus, and at the same time an organised local interest in how that fund is spent. As a result, local funding can have three highly desirable interrelated results. It can add to the total funds available for health care, by mobilising resources which might not otherwise be created, and certainly not created in the form of a fund for social use. Second, the process of mobilising the funds can create a local capacity to control and direct funds, at least partly to benefit the majority. And third, if the creation of the local fund is undertaken through cooperative production, such activity can provide experience in cooperative organisation and create an incentive to socialised production for social use. It is also likely to be socialised production which involves a wider social range of people than may be drawn to scattered cooperatives.

Other Third World countries have also shifted the financing of social production in part to the local level. For example, in China where this specific policy of localised financing of health and education had been

carried out to a considerable extent through the development of communes, it has been estimated that "about 60% of the cost of education is borne by the budget, about 30% collectively, and about 10% privately. The corresponding figures for the cost of health care, apart from medicine, are similar. But the cost of medicine is close to two thirds of the total, and a substantial portion of this is born privately" (IBRD, 1983: 66).

The planning of health care has been in some countries more effectively "social" than the planning of other forms of production. A consideration of the role of health care in planning transition therefore offers a number of lessons to economic planners. The achievements of health care planners challenge the simple dichotomies between "social" and "economic", production and consumption, so beloved of economic planners. The socialising of health planning at the local level challenge these dichotomies by linking the level of production to the level of consumption (if social organisation, and "labour accumulation" increase local resource creation), and by linking the type of production to the type of consumption, (if the organisation of consumption of public health creates at the same time of pressure for more appropriate provision).

As a result, socialised activity in "social" production - which is in fact just as "economic" an activity as agriculture - can help to provide counter weights to the emergence of an economic strategy which effectively seeks to extract the greatest marketed and investible surpluses from the peasant economy without due consideration of the impact of such policies on the structure of rural livelihood and of its exchange entitlement. It can create a focus for mobilisation and productive organisation outside the state sector proper, hence providing both pressure on, and valuable lessons for, those concerned with planning other areas of production. It provides a pattern and process of non-state socialised provision, supported but not wholly controlled from above, which can lead the transition to socialisation and adaptation to local needs of more traditional "economic" activity.

2.4 Politics, Planning and Information

The last two sections have both stressed the inseparability of politics and economics in planning transition. They have both been concerned to demonstrate that the rethinking of economic planning strategies involves a change in the political as well as in the administrative processes of

planning. It is becoming clear - and not only in the Third World (27) - that if production is to provide for need in a pattern different from that which would be expressed through the market, then democratic social involvement in both production and consumption is the only way to achieve this. Local control plays an important role in this, but clearly it is the specific forms of local political organisation which matter, as well as their relation to the overall political process which shapes central direction and planning.

It is not our intention to argue that developing this type of planning is easy and unproblematic, but rather that it is essential if a strategy of socialist development is attempted which aims to effect a broadly based process of transformation. This is particularly the case if it aims to do so by institutional reforms which locate part of the control over accumulation within newly emerging socialist institutions outside the realm of the state sector. The implication of such strategy may be a hard one to swallow for the central state as it involves a partial loss of (direct) control over planning, and a shift towards a more interactive pattern, whereby local resource use and consumption decisions are taken and influenced by a wider range of bodies, from cooperatives and peasants associations to various local committees. It also involves leaving a space for markets to function effectively, especially for consumption of goods locally produced on a small scale or by cooperatives.

To effect such change in a planning system involves political struggles in as much as it is influenced by class forces as well as by vested interests of specific groups such as experts in various fields and planners. It is the purpose of this section to briefly pinpoint some of these arenas for struggle which inevitably emerge within a context of reshaping planning.

At the level of the state economy as well as of state planning various forces are at play which militate strongly against the decentralisation of control over accumulation to institutions located outside the state sector proper. These are not merely to do with narrowly perceived vested interests based on power or prestige, but also relate to fundamental aspects of any process of transition: the character of the organisation of production and consumption in society.

The state sector proper normally emerges out of the nationalisation of the major means of production left behind by the previous regime. As is well known, the mere nationalisation of enterprises (and other institutions) does

not necessarily alter the character of the social form of production and exchange. In fact, in the immediate aftermath of revolutionary take-over the issue of preserving productive forces is often seen to be of paramount importance since it is critical to the survival of the revolutionary process itself. Within such a context there is an obvious tension between continuing production within pre-existing moulds and effecting a radical change in the organisation of production.

For example, - as argued in Part I - in the experience of Mozambique the state farm sector arose from the nationalisation of settler farms abandoned by their owners after independence. Technical expertise as well as material resources were concentrated on this sector in accordance with the minister's directives to preserve the patrimonium inherited from the colonial economy. However one specific aspect of this inheritance was the dependence of the profitability of large-scale agriculture on the supply of seasonal labour power by the peasantry. Restructuring state farm production would therefore needed to be done hand in hand with the reorganisation of family agriculture.

However, the state farm sector was planned in an enclosed fashion, and implicitly assumed an unlimited supply of cheap labour power from the peasantry. In principle the formation of communal villages was to be based on the development of collective forms of production - cooperatives and state farms - and hence, communal villages were to be actively involved in the planning of the development of such new forms of production. However, as the case of the transformation of the Limpopo valley clearly showed, the expansion of the state farm sector became centrally planned from the ministry downwards with little or no direct involvement of local structures. In practice, communal villages therefore became reduced in conception to constituting labour reserves for the state farms. Sharp conflicts developed between the state sector and the peasantry in terms of competition for irrigated land. (CEA, 1979b; Hermele, 1986).

In other words local politics therefore became divorced from planning the transformation of rural production, and the state farm, pursued a policy of recruitment and mechanisation divorced from local needs. The state farms became dominant in terms of landholdings and of production, but this did not significantly alter employment patterns and the conditions of livelihoods in the region (ibid). The emphasis on preserving and expanding production forces under state property became the overriding objective which failed to transform

patterns of labour use of the colonial economy. A process of change based on more local involvement in the politics of production would still have had difficulty in transforming colonial patterns of exploitation rooted in the organic linkage between labour use of commercial farms and the peasant economy. But such involvement might have given rise to a different process of change, beginning from this crucial inter-linkage, and proceeding with a more balanced land use pattern (as between state farms, cooperatives and family farms), lower rates of mechanisation, and the development of more stable patterns of employment in the state sector.

This example raises a related issue. The question of preserving productive forces is often put forward as an issue of maintaining standards in the production and provision of goods and services; and this question of standards is often couched in terms of sound technical advice. For example, medical doctors may constitute a strong lobby behind an investment policy centred on curative care in well-equipped hospitals, on the grounds that health care in the new society should at least equal, as well as surpass, the pre-existing levels of care. Similarly, economic planners may argue for accelerating the pace of modernisation of the economy by concentrating investments on big industrial and agro-industrial complexes, on the grounds that these are objectively the most advanced productive forces. This gap between technological preconceptions and economic and social aims arises because experts are trained within a given set of social relations which define expertise within a definite social context.

Hence, in Mozambique the shift in emphasis from hospital centred curative care, to preventive medicine combined with a broader infrastructure of basic curative care administered by intermediate health workers, met with considerable opposition from part of the medical profession on grounds that it entailed a significant lowering of the quality of health care. The attempts to introduce courses in public health met with equally strong opposition from many medical doctors and students alike (Hanlon, 1984: 67-69). Similarly, in the training of economists at the university the emphasis was squarely put on preparing managers for state enterprises and surprisingly little attention was paid to analysing the character of the wider economy and the conditions for its transformation. Experts trained in this way will tend to seek solutions strictly within the parameters set by the state sector and its planning framework, and have little feel for the relationships between the state sector and the wider economy.

The question of the democratisation and decentralisation of expertise is therefore of critical importance in any process of transition which attempts to locate part of the control over accumulation in socialised institutions outside the state sector proper. This is particularly important with respect to the expertise involved in the process of planning, which requires the development of the capacity to produce and use information relevant to such planning.

The capacity to operate a simple accounting system is of obvious importance for the development of a local capacity to plan and to control production. In Mozambique, colonial domination had left the peasantry largely illiterate and therefore after independence the peasantry was dependent on state provision of such skills as basic literacy, arithmetic and accounting. There was a successful broadly based adult literacy campaign, but the capacity to carry out simple record keeping for planning purposes within cooperatives was much less successfully developed (Dolny, 1985). There was a debate within the Ministry of Agriculture over this critical issue, with one group insisting on the preservation good standards in record keeping. This group favoured the use of double-entry bookkeeping carried out by trained technicians located at the district level. The opposing view argued that the state effort should concentrate on imparting minimal skills of elementary bookkeeping methods within the scope of members of the cooperatives. The issue, which was repeatedly posed in terms of maintaining high standards of technical expertise, also implied different positions with respect to the location of control over accumulation and planning.

The development of a local capacity to plan and effective decentralised control over planning also implies a change in the flow of information between central state, local state and cooperatives or collectives. Information control and access has to reflect the process of interaction in planning rather than a simple flow of planning data from local level to the centre.

An interesting example of this is given in the case of health planning in China:

In 1971, for example, when we were told that there were no data on the number of preschool-age children in China we indicated our scepticism and our belief that such data had to be available in order to plan the production of sufficient doses of immunisation materials. Our hosts

responded that such production was based not on reports of the number of children but on the requests for materials from each individual unit. The requests for supplies were aggregated, not the data on population or illness, a concomitant of the decentralised planning and implementation of health services of the period. In other words, we were told that if planning is done locally there is no need for the aggregation of the raw data on which planning is based" (R and V Sidel, 1982: 90).

The essential point is not merely that of administrative convenience through decentralising the planning effort, but the fact that by developing a local capacity to plan, there develops along with it an understanding of and capacity to fight for local basic needs.

To give a further example, the training of village health workers in Mozambique initially concentrated on imparting skills of preventive care. At the local level, however, many of these workers encountered real difficulties as they could not meet the demand from local people for basic curative care. The result was that in some instances people lost confidence in their health workers, with obvious negative implications for the effectiveness of preventive measures. Also, the local community was often unwilling to finance a health worker who could not administer some curative care, and this jeopardised the attempt to decentralise the financing of health care towards the local communities. Subsequently, in order to meet aspirations at the local level the health ministry resolved to provide greater curative skills in the training of health workers (Barker, 1985: 336).

We have argued above that the state does not constitute a homogeneous entity and that struggles over the character of planning - as well as over its organisation - reflect as well as act upon differences of interests with respect to economic and social development. In the case of Mozambique, as well as in Nicaragua, it can be argued that the shift in emphasis towards channelling resources to the peasantry did not mainly originate from within the economic apparatus of the state sector, but was strongly propelled by the military need to enlist the support of the peasantry against externally-backed counter-revolutionary aggression.

In a similar way local institutions do not constitute homogeneous entities but rather reflect struggles over control of material resources within a differentiated peasantry. Hence, a policy which aims to shift resources to

the peasantry needs to come to terms with the class character of the peasantry and aim to channel such resources to the broad base of the poorer and middle peasantry. Hence therefore political struggle at the local level must embrace not merely the development of socialised production, but also its linkages with the satisfaction of local basic needs and the role of collective self-provisioning therein. The isolated producer cooperative which merely produces a monetary income to be divided among its members is a less potent force for propelling social change than the development of forms of collective self-insurance (health, education, food security, etc) which require local collective forms of production as well as taxation for its financing. The latter is more likely to lead to a process where production decisions are linked with the provision of basic needs, while the former may remain at the level of an isolated commercial undertaking which merely benefits its direct members. It is indeed not unusual that cooperatives constitute a vehicle for the richer peasantry to enlarge its access to material resources (Harris, 1980). In this respect, a planning system of which the central objective, in its economic relations with the peasantry, is to increase the marketed surplus may come to constitute an effective blockage to the socialisation of production within the rural economy.

FOOTNOTES

1. The authors of this article both worked at the Centre for African Studies, Eduardo Mondlane University, Maputo, Mozambique. During our work there we both learned an enormous amount from our colleagues in the Centre and elsewhere. We are particularly aware how much our ideas are influenced by Ruth First and Aquino de Bragança, Research Director and Director of the Centre, who have both since been killed in the South Africa-backed war which has wreaked such destruction in the country; also by Bridget O'Laughlin and by many of the students who studied at the Centre. None of these people, nor the many other colleagues and friends with whom we worked and who influenced us, have any responsibility for the views we put forward here.
2. This is a marked tendency in the publications of the World Bank (IBRD 1981, 1986); it is also present in work by much more open-minded academic commentators (see for example Evans et al, 1985) where the market as a relatively undifferentiated phenomenon is counterposed very sharply to the state as the arena of planning. These elisions have tended to drown out those who have argued that there are a variety of possible outcomes, in terms of economic system, from a wider use of markets within a partly or largely socialised system. For another reflection along the latter lines, see White (1987).
3. Many Third World socialists, including some in Mozambique, are understandably reluctant to develop detailed economic critiques which can then be turned against them in this matter. This is one of the costs of the current ideological polarisation in the economics profession and in international politics.
4. For example, Zafiris (1982).
5. This disclaimer includes those whom we cite in the text which follows, who might not agree with the interpretation we put upon their words.
6. For the sake of this argument we are defining socialist relations of production as production in state or cooperative forms, as opposed to production through private capital and wage labour for private capital owners. We are therefore analysing the process of transition from private

and peasant relations of production (whose form we discuss only briefly) to state or cooperative production. We are not unaware of the range of definitional and political issues thereby swept under the carpet, in order to keep this article to manageable length; to the crucial issue of democratic involvement we address ourselves in the second section.

7. The best accessible discussions of the impact of the war are offered by Hanlon, (1984, 1986).
8. In 1978 the South African government ceased paying part of Mozambican miners' wages as deferred payments in gold at an artificially low fixed price; this colonial arrangement had allowed the Portuguese colonial government in Mozambique to draw the profit from the resale of gold, and until 1977 had provided the biggest single source of foreign exchange to the independent government. It did not appear fully in the balance of payments figures (First, 1983: 220; Wuyts, 1986: 149).
9. A second major source of colonial foreign exchange was the payments for transit through Mozambican ports and railways of trade from and to both South Africa and what was then Rhodesia.
10. In 1977, Frelimo estimated illiteracy in Portuguese at 85% in the population above 15 years of age, and this was after two years of literacy campaigns had provided some basic literacy to perhaps half a million people (Marshall, 1985: 188).
11. The destruction includes 500 health posts (Speech by the Prime Minister, M Machungo, reported in Mozambique Information Bulletin February 1987), large numbers of schools, and much of the state farm and communal village infrastructure.
12. Harris, 1980 discusses the variation in class origin of those joining cooperatives. See also CEA, 1979a for varying problems of different types of cooperatives.
13. See for example the arguments of Richards (1985).
14. Saul (1985): 109) speaks for example of Mozambican farmers who "simply retreat" to subsistence agriculture, a retreat which was not in fact possible, given the dependence on outside inputs to keep the agricultural cycle going.

15. An example of this, not further explored here, was the effort to democratise the services and work practices of the Maputo Central Hospital, and problems this brought; see Williams, 1983.
16. There are good accounts of this debate in English: see Barker, 1985; Walt and Wield 1983; Walt and Melamed, 1983; Cliff et al 1986.
17. Speech of the Governor of the Bank of Mozambique to the Eleventh Session of the Popular Assembly, quoted in Noticias (Maputo daily newspaper) 25.3.83.
18. This discussion draws heavily on Mackintosh, (1986, 1987), and on unpublished consultancy reports by the same author, while working at the Centre for African Studies, for the Mozambican Internal Commerce Ministry, and later for the Swedish International Development Agency. Neither of the institutions commissioning the consultancy work is responsible for our interpretation of the resultant research results in this article.
19. This statement is based particularly on research done in Alto Molocué, an area of fertile land for maize growing, where the farming has since been very seriously damaged by the war.
20. Quoted in Noticias (Maputo daily newspaper) 16.2.87.
21. The Mozambican Foreign Minister announced in December 1986 that the foreign debt had reached US\$3,000m, mainly consisting of government debt. (Mozambican Information Agency (AIM) Bulletin December 1986).
22. This statement is based on interviews undertaken in 1985.
23. See Tempo (Mozambican weekly magazine) 2.8.87 for a brief account of the destruction in Zambezia.
24. Speech by Mozambican President Chissano, on the occasion of an official visit to London, May 1987.
25. USAID for example will provide assistance only to the commercial farming sector; the Nordic agencies has expressed doubts about cooperatives, and a very strong preference for financing individual peasant farming (see the Nordic position paper presented to the 1984 SADCC Conference, Lusaka).

26. Some of these arguments are elaborated in more detail in Mackintosh, 1985.
27. In Europe too, political debate on the failures of state-provided social services to respond to need have led to proposals for more democratic involvement and decentralisation as methods to counter this problem. For two different critiques of the failure, see Le Grand, 1982, LEWRG 1979; for arguments for democratic involvement, see Mackintosh and Wainwright, 1987.

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