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***THE SIGNIFICANCE OF NEOLIBERALISM IN THE POLITICAL
ECONOMY OF SUB-SAHARAN AFRICA: THE CASE OF ETHIOPIA***

BY

TEWODROS RETA BEREDA

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RELATIONS

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TEWODROS RETA BEREDA

ADVISOR

TAREKEGN ADEBO (Dr.)

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APPROVED BY BOARD OF EXAMINERS
CHAIRMAN, DPISR

SIGNATURE

DATE

ADVISOR

EXAMINER

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Acronyms

ADB	African Development Bank
ADBG	African Development Bank Group
ADF	African Development Fund
AEUP	All Ethiopia Unity Party
ECA	Economic Commission for Africa
EPRDF	Ethiopian People’s Revolutionary Democratic Front
ERRP	Emergency, Recovery and Reconstruction Programme
FAO	Food and Agriculture Organization
FDRE	Federal Democratic Republic of Ethiopia
IFIs	International Financial Institutions
IMF	International Monetary Fund
PFP	Policy Framework Paper
SAF	Structural Adjustment Facility
SAPs	Structural Adjustment Programmes
TGE	Transitional Government of Ethiopia
WB	World Bank
WTO	World Trade Organization

Abstract

Currently because of the age of globalization the world is becoming to be conceived as a village. One of the major projects of globalization is the integration of the political economy of the less developed regions in to the global political economic order. Accordingly, during the past few decades the continent of Africa has been trying to integrate itself in to the international political economy either forcefully or by consent.

The driving force of this integration is the ideology of neoliberalism. Under this integration states are recommended or forced to open up their markets to foreign companies competitions, to minimize the role of the government in the economy including minimizing the government expense for social security and social goods, to create fertile grounds for the market to be the only means to distribute the wealth of a nation and the prices of goods and services to be determined based on the principles of demand and supply, etc...

The central question of this research is “does neoliberalism work in Africa?” The empirical discussion is made in Ethiopia. It tries to give deep explanations about the theoretical principles of neoliberalism and also this research deals with arguments for and against neoliberalism in to the political economy of Sub-Saharan Africa. Then the research proceed to the debates between the Revolutionary Democrats and Liberal Democrats concerning to the role of ideology of liberalism (neoliberalism) in the political economy of Ethiopia.

After analyzing some key issues of the ongoing debate, the research findings conclude that the ideology of neoliberalism doesn't work in Africa. It is the conclusion of this research that neoliberalism is an ideology which doesn't subscribe to the socio-economic and political realities of the continent of Africa. When we come to the case of Ethiopia, after considering the strong and weak sides of both Revolutionary Democracy and Liberal Democracy, the author argues that we have to search for another political and economic ideology that can subscribe to the realities of the country.

Key words:- *Neoliberalism, Ideology, Sub-Saharan Africa, Ethiopia, Political-Economy, Theoretical Principles.*

CHAPTER ONE

Introduction

1.1 Background of the Study

Absolute poverty, civil war, inter-state conflicts and environmental degradation are/have been the common features of the sub-Saharan Africa region. “This region is inhabited by more than nine hundred Million populations” (Velkoff & Kowal, 2007: 4). Among these, most of them lead their life under the level of absolute poverty. According to the 2011 world hunger and poverty facts and statistics issued by the World Food and Agriculture Organization (FAO), among the total 925 million hungry populations of the world, 239 million or about 25.8% of them are found in the Sub-Saharan Africa region. Many researches have revealed the fact that, the region is endowed with a number of precious economic resources that can hasten the prosperity of the people of the region, if it is exploited properly. But, rather than being prospects for the socio-economic and political advancement of the region, these resources of the region are becoming sources of conflicts and insecurity. Regarding to this, it is enough to mention civil wars in some African countries like Sierra Leone, over the exploitation of diamond, the civil war in Sudan which mainly associated with the disagreement between the North and South Sudan over sharing of income generated from oil resource and conflicts in the Great Lakes region mainly associated with the exploitation of resources of the region.

In addition to this, the region is known for the absence of good governance and the well-established institutions that can protect the individual and the group rights of the peoples of the region. Because of this, the region is becoming an earthly hell where there are frequent violations of human rights by different governments and different armed groups on the poor and illiterate society of the region.

Currently, there is a hot debate among different politicians and academicians regarding to the root causes of the underdevelopment of Africa. Most of the time those debates revolve around the economic and political ideologies that political leaders of the region are following. Some politicians and academicians argue that, the imposition of the principle of liberal democracy (neoliberalism) on Africa by Western proponents of capitalist countries and financial institutions

makes the continent of Africa the most undeveloped continent of the world. Others argue that, the root cause for the backwardness of Africa is the weakness of states in Africa to fully liberalize their political economy.

The intention of the researcher in this thesis is to discuss and analyze the main tenets of this debate and on the last deal with the fact that whether neoliberalism is an appropriate ideology that can be applicable in the Sub-Sahara African states with particular reference to Ethiopia, or not. In trying to do so, the research will focus on the point, whether neoliberalism is an economic and political ideology that can fit to the socio-economic and political realities of the African people or not.

The concept of neoliberalism suggests a particular account of the development of liberal thought. It suggests that liberalism was at one point in time an “influential political ideology, but that it at some point lost some of its significance, only to revive itself in more recent times in a new form(Thorsen & Lie, 2008:3). The ideology of Socialism once promised a route to the good life but the collapse of the cold war and of communism has been followed by the almost rejection of socialist ideology. According to King (1995), whereas socialism was once the firmest critic of bourgeoisie liberal democracy but, its collapse has caused a crisis of the left and a claim of triumph for the forces of liberalism.

Mills and King (1995:2-3), distinguish four major attributes that all schools of liberalism share in common. These are;

1. The rational/autonomous individual as both an assumption and unit of analysis.
2. Neutrality of the state between conceptions of the good.
3. The free market which would then make many of the decisions on social distribution of resources and hence would allow some scope (although this varies between theorists).
4. A state that is limited (and in some cases minimal) which would be logical consequences of the first three characteristics of liberalism.

Based on this, we can characterize liberalism as having four foundational aspects that all liberal writers would to a greater or lesser degree adhere to. Firstly, the autonomous or rational individual, secondly, the state neutrality (between competing conceptions of the good), thirdly, the market as a primarily allocator of goods and services and finally that of a state which is limited (though not necessarily minimal) as a consequence of the first three characterizations.

According to some authors, the presence of various schools of liberal thought make difficult for scholars to come up with a single definition of what mean by “liberalism”. Thorsen & Lie (2008:17) divide liberalism in to Classical and Modern types of liberalism. Accordingly;

Classical liberalism is often associated with the belief that the state ought to be minimal, which means that practically everything except armed forces, law enforcement and other non-excludable goods ought to be left to the free dealings of its citizens and the organizations they freely choose to establish and take part in. This kind of state is sometimes described as a ‘night watchman state’, as most the purpose of the minimal state is to up hold the most fundamental aspects of public order.

Classical liberalism has thus much “common ground with what we call ‘economic liberalism’ (Buksinski & Dobranski, 2005;4). And it is often the case that classical liberals are with their tendency to favour *laissez-faire* economic policies, portrayed as leading proponents of neoliberalism. The term *laissez-faire* is a French word which means “to let things go on as they will” (Batten, 1961; 59). Accordingly, a *laissez-faire* economic system is an economic system in which the market is expected to be the only and the rational way of distributing the wealth of a nation. Under this system the government intervention in the economy is very minimum or has to be avoided extremely.

Modern liberalism is on the other hand “characterized by a great willingness to let the state become an active participant in the economy” (Thorsen & Lie, 2008: 16). This has often issued in a pronounced “tendency to regulate the market place and to have the state supply essential goods and services to everyone” (Samuel, 1988; 72). Modern liberalism is therefore, for all intents and purposes, a profound revision of liberalism, especially of the economic policies traditionally associated with it.

From the above analysis one can conclude that, whereas ‘classical’ or ‘economic’ liberals favour *laissez-faire* economic policies, because it is thought that they lead to more freedom and real democracy, modern liberals tend to claim that this analysis is inadequate and misleading and that the state must play a significant role in the economy.

From the above analysis we can understand the fact that the modern type of liberalism was highly related with the economic ideology of Keynesianism, which was dominant during 1930’s up to 1970’s. And “the policy of neoliberalism can be traced back to the late 1960’s and early 1970’s as a particular response to the critics of Keynesianism” (Fassil, 2008: 506). During the

past 25 years and above neoliberalism became a dominant economic and political ideology that western powerful states like U.S.A. and U.K. have tried to spread it all over the world. Even some writers able to argue that, “the concept of neoliberalism has during the past twenty years or so, became quite widespread in some political and academic debates. ...neoliberalism is a dominant ideology shaping our world today and that we live in an age of neoliberalism” (Thorsen & Lie, 2008: 1).

In order to avoid potential confusions, for the purpose of this thesis, the term ‘neoliberalism’ will be restricted to Plant’s definition of neoliberalism as the political and economic ideology that proposes;

State redistribution of resources to meet concerns of patterned principles of social justice is incompatible with individual rights. So, the poor and needy do not have any rights to welfare or any particular set of resources. Of course individuals may choose as an act of generosity, altruism, humanity or philanthropy to transfer their justly held property to those who are worse off than themselves.....but this is a matter for individual choice and not for the state (Plant, 1995: 25).

This research paper focuses on the debates about the significance of neoliberalism in the political economy of Sub-Sahara African countries in general and with particular reference on Ethiopia. While trying to achieve the mission, the research has included both arguments for and against the impacts of neoliberalism on the political economy Sub-Sahara African countries in general and Ethiopia in particular and will be suggest what has to be done. This is done mainly to make the research argumentative and inclusive.

This thesis has about five chapters. The first chapter is about the general introduction of the study. The second chapter is concerned with the task of elaborating different theories and concepts that are crucial in understanding the general themes of the thesis. Accordingly, this chapter deals with some important issues like what is meant by neoliberalism and its historical developments and its theoretical definitions. It also discusses and analyzes the theories and concepts of the *Developmental State* and *Social Democracy*. The third chapter would be on the debates concerning the role of neoliberalism in the political economy of the continent of Africa. Under this chapter important issues like whether Africa has benefited from the current global political economic system in which the ideology of neoliberalism has become the driving force

for the Western industrialized countries and financial institutions to establish any political or economic relationship with any African state. The fourth chapter will focus on the perspectives on neoliberalism in the political economy of Ethiopia. Under this chapter both arguments for and against neoliberalism in the political economy of Ethiopia that are raised by different political groups and academicians will be discussed. The last chapter will be about the concluding remarks on the previous chapters and recommendation.

1.2 Statement of the Problem

One of the most frequently raised topics during the May 2010 Ethiopian national election debate was about “neoliberalism”. Higher officials of the government of Ethiopia, including the Prime Minister, label the opposition parties as being the market fundamentalists (neoliberals). Amazingly the officials assume that the public has a good understanding of what meant by neoliberalism and hence proceed without elaborating the concept and how it would be felt by the society.

However, my small survey of research of relatively enlightened individuals shows that the assumption is quite wrong as most of my survey respondents could not accurately describe what neoliberalism entails. This situation encourages me to contribute my part in order to narrow this gap. This thesis is, thus, aimed to elaborate and discuss the debates regarding to neoliberalism in the political economy of Africa in general and on the political economy of Ethiopia in particular.

1.3 Objective of the Study

The issue going to be discussed in this study might be complex and will not be fully addressed in this research. Instead it focuses only on the significance and the applicability of neoliberalism in the political economy of the continent of Africa with particular reference to Ethiopia.

1.3.1 General Objective

The overall objective of this study is an attempt to discuss and analyze the debates concerning the significance and applicability of neoliberalism in the political economy of Africa with particular reference to Ethiopia.

1.3.2 Specific Objectives

The following shall be the specific objectives of this research:

1. To discuss deeply about the meaning of neoliberalism, its theoretical principles and historical developments.
2. To discuss and analyze the debates concerning the significance and applicability of neoliberalism in the political economy of Africa with particular reference to Ethiopia.
3. To deal with the policy differences and debates between the liberal and revolutionary democrats in the political economy of Ethiopia.

1.4 Research Questions

This study tries to answer and guided by the following questions

- 1.4.1 What is neoliberalism and its peculiar features from other political and economic ideologies?
- 1.4.2 Is neoliberalism an ideology that can fits to the socio-economic and political realities of Africa with particular reference to Ethiopia?
- 1.4.3 To what extent can neoliberalism alleviate the socio-economic and political problems of Africa?
- 1.4.4 What are the weak and useful aspects of neoliberalism?
- 1.4.5 What kind of democracy can best serve as a tool of social mobilization and social participation in African countries with particular reference to Ethiopia?

1.5 Review of Related Literatures

In attempting to answer the research questions, to avoid the potential confusions, I would like to divide discussions on the related literatures into two groups: those that are against neoliberalism and those which are in favor of the applicability of neoliberalism in the political economy of Africa.

To start with authors those who favor the implementation of neoliberalism in developing countries; Carla Freeman (2007) in his article, *the reputation of neoliberalism* discusses the positive impacts of neoliberalism in the developing countries. According to him flexibility as the corner stone of the current neoliberal agenda - embodied in mandates for the fluid movements and restructuring of labor, capital and information and at individual level, in a supple capacity for creative self-invention and self-mastery. Here, Freeman tries to show us to what extent neoliberalism is an important political and economic ideology that all developing countries like that of most African countries should implement for the advancement and prosperity of their citizens. Freeman's conclusion is based on the field research he had conducted on the small Caribbean Island of Barbados between the years 1999 to 2004. In his research design Freeman took Barbados as a case study and he also use a qualitative research methodology. According to him, the socioeconomic structure of Barbados has historically been portrayed much as grounded in the plantation-based "pyramidal structure" in which the population stratified along class-color lines with a small white elite of the apex, a lawyer of "browns" occupying the middle class of merchants, teachers and those who would later become civil servants, and at the bottom majority of poor the blacks. But since 1990s things started to change dramatically because of the liberalization of the political economy of Barbados. Because of this, "today, the Human development index ranks Barbados number one in development in the Caribbean region and 30th world wide, and the country is touted for the growth of its middle class" (Freeman, 2007: 252). But the major problem with Freeman's conclusion is that he wanted to formulate a universal principle based on the field research he has conducted on a small Caribbean Island. This might invalidate the universal applicability of his conclusion.

Ten years ago, Percy M. Mistry discussed *Africa's records of regional co-operation and integration*. In doing so she tried to show us, the root causes of the absence of strong economic integration in Africa despite of dozens of regional and sub-regional agreements that are signed to achieve this goal. Mistry starts her article by discussing the reasons why economic integration is so important for Africa. According to her, the backwardness of the continent in terms of economic and infrastructural development makes imperative for Africans to combine their maximum efforts to alleviate the socioeconomic problems the continent is facing now. Regarding the lack of effective economic integration in the continent of Africa, Mistry (2000) argues that immediately after most African states won their independence from their former colonizers, they started to follow economic and political ideologies that promote anti-market, anti-private sector and anti-foreign investment. This makes void the first move for Africans to realize regional economic integration in the continent. A new approach to economic integration in Africa which started in 1990's is highly influenced by "externally imposed structural adjustment program has aimed at revamping the African development model since 1985" (Mistry, 2000:559). According to Mistry, to realize regional economic integration, African leaders have to follow "open rather than protected market, in order to realize market enlargement as a means of consolidating national economic shifts towards greater liberalization, market orientation and efficiency" (2000:560). But, Mistry's article doesn't show us what the African states would lose, if they liberalize their economy, for example, the reduction in national revenue that would come from taxes of international trade and so on.

Tesfaye kidan, in his article which is entitled: *Should we care about neoliberalism*, tries to criticize the way the current government of Ethiopia identifies the opposition parties, by putting all of them in to the basket of "market fundamentalists" (neoliberals), while the EPRDF government itself subscribes to the most of the principles of neoliberalism. According to him, "except the liberalization of the capital account, privatization of the Telecom services and entry of foreign banks, all the recommended policies of neoliberalism are implemented in Ethiopia, though with varying intensity" (Tesfaye, 2009:3). According to Tesfaye, in poor countries like Ethiopia, wasting much time by debating on choosing ideologies should not be a great deal. The most important thing here is to try our best to alleviate the socioeconomic and political problems that our country is facing now. Partially, I agree with Tesfaye's conclusion- rather than killing much of our time arguing about the economic and political ideology that our country has to

follow, we have to combine our efforts to alleviate the socio-economic problems that our country is facing at the present. But my objection here is that, it will be impossible to alleviate our socio-economic problems without having a political and economic ideology that can effectively address our problems.

When we come back to arguments against the applicability of neoliberalism in Africa, in his article entitled: *Economic faith, social projects and a misreading of African society: the travails of neoliberalism in Africa*, Graham Harrison (2005) tries to show us to what extent attempting to put into practice the fundamental principles of neoliberalism in Africa is related to the absence of understanding the socio-economic realities of African societies. “Neoliberalism emerged as a synonym for the mainly externally directed attempt to remove the state from the economy” (Harrison, 2005:1330). According to Harrison, expecting the market to distribute the wealth of the nation equally is hindering the large portion of poor African people which is in need of the intervention of the state in the economy in order to realize some sort of social justice. Harrison recommends “a developmental state that can intervene in markets in ways to do not push them to be more competitive or free” (Harrison 2005:1316).

By the same manner Lumumba–Kasongo (2005), argues that the maturity of the state and the level of social and economic condition are determining factors in the development and function of liberal democracy. Because of this, since neoliberalism is based on free market policy and individualism which are the invention of Western society, it is against “the metaphysics of African societies which is highly characterized by the principle of collective existence than that of individualism” (Lumumba-Kasongo, 2005:15). He recommends that “Africans need to establish developmental democracy and the developmental states” (2005:21) in order to deal effectively with extreme poverty, political instability and civil wars.

Getachew Nigatu in his article entitled: *Neoliberalism and the Washington Consensus Under-Developing the poor*, argues that, neoliberalism is an ideology which is imposed on the developing countries by the western developed states, in order to advance their own economic and political interests. He tries to show the negative impacts of neoliberalism on the poor countries, if the poor states hand-over all the major economic and infrastructural sectors to the western Multi-national corporations (MNC’s). The author strongly argues that, neoliberals “are against the role of strong state and reject government intervention in economic, financial and

even social affairs (Getachew, 2010:2), which is against the interest of the poor. This is because poor countries with little or no infrastructure need “strong government which provides health, telecommunications, schools and other services” (Getachew, 2010:13). Generally speaking, Getachew in this article is arguing against the neoliberal view which promotes *using the whole world to maximize profit*.

Adal Isaw (2010) considers revolutionary democracy as a fitting world view for economic and political development of Ethiopia. He is also sure when he argue up to the extent of identifying revolutionary democracy as an indigenous economic and political ideology of Ethiopia. In relation to this he said “EPRDF as selling its own sort of brand new Ethiopian-born revolutionary democratic world view, while the rest of the political parties are on the other side selling a Euro-centric world view of liberalism (Adal, 2010: 2). According to Adal, the appropriate way to realize the middle income democratic Ethiopia is, implementing the ‘*Ethiopian born*’ revolutionary democracy.

Here the problem with Adal’s conclusion is that, he tries to show to what extent liberal democracy can not subscribe to the socio-economic and political realities of developing countries like that of Ethiopia, without analyzing the positive side of liberal democracy for developing states.

1.6 Significance of the Study

As it will be discussed in the following chapters, this research analyzes and discusses the contemporary debates concerning the significance and applicability of neoliberalism in the political economy of Africa in general and Ethiopia in particular. In doing so, the research is very important in understanding the contemporary debates in the political economy of Africa in general and Ethiopia in particular.

1.7 Research Methodology and Methods

1.7.1 Research Methodology

Methodologically, this research is based on a qualitative approach. For conceptual understanding, the analytical frame work is to be constructed from the existing literatures about

neoliberalism and the political economy of Africa in general and Ethiopia in particular and other relevant materials.

1.7.2 Methods of Data Collection

This study makes use of qualitative methods of data collection and analysis. The analysis of the significance and applicability of neoliberalism in the political economy of Africa with particular reference to Ethiopia relies on divergent sources (triangulation of sources) such as various literatures, governmental and non-governmental documents, and qualitative interviews with few key informants. Both secondary and primary sources are utilized.

In relation to the secondary sources, this research has employed literature and document analysis as one data collection procedure. Therefore, books, journals, bulletins series and internet sources are consulted.

Primary data are collected from key informants (very few key informants), strategically selected through deliberate purposive sampling (semi-structured interview). In addition, governmental and non-governmental documents, political statements, programs and occasional publications of political parties are also part and parcel of data for this study.

1.8 Scope of the Study

This study is delimited in its scope by issue. Because, its underlying aim is to examine the whether or not neoliberalism is the right economic and political ideology that can be an applicable and fits to the socio-economic and political realities of Africa with the particular reference to Ethiopia.

1.9 Limitations of the Study

The major limitation of the study was the reluctance of some leaders of political parties to be interviewed. Most of the offices of liberal democratic parties are not easily accessible. The author has tried to communicate leaders of these parties, but most of them were not voluntaries. Because of this only the documents that contain the political programmes of these political parties are utilized below. The other limitation was the availability of crucial services like, the internet services and recent publications in the university those related to this research.

1.10 Organization of the Study

This thesis has about five chapters. The first chapter is about the general introduction of the study. The second chapter is concerned with the task of elaborating different theories and concepts that are crucial in understanding the general themes of the thesis. Accordingly, this chapter deals with some important issues like what mean by neoliberalism and its historical developments and its theoretical definitions. It also discusses and analyzes the theories and concepts of the *Developmental State theory* and *Social Democracy*. The third chapter would be on the debates concerning to the role of neoliberalism in the political economy of the continent of Africa. Under this chapter important issues like whether Africa had benefited from the current global political economic system in which the ideology of neoliberalism had become the driving force for the western industrialized countries and financial institutions to establish any political or economic relationship with any African state. The fourth chapter focuses on the perspectives on neoliberalism in the political economy of Ethiopia. Under this chapter both arguments for and against neoliberalism in the political economy of Ethiopia that are raised by different politicians and academicians will be discussed. The last chapter will be about the concluding remarks on the previous chapters and recommendation.

Chapter Two

2. Conceptual Framework

2.1 Neoliberalism: Conceptual History and Definitions

Before we are going to deal with neoliberalism, it is important to be clear about what mean by liberalism first. This is mainly because neoliberalism is an extension of liberal thoughts that were developed in Europe during the seventeenth and eighteenth century. Thorsen and Lie (2008:8) strongly argued that, it is impossible to date the emergence of neoliberalism precisely, but ‘its foundation can be traced back to the classical liberalism advocated by Adam Smith and to the specific conceptions of man and society on which he (Adam Smith) founds his economic theories’. Under this view neoliberalism, is thought as an entirely new paradigm for economic theory and policy making or the ideology behind the most recent stage in the development of capitalist society and at the same time a revival of the economic theories of Smith and his intellectual thoughts in the nineteenth century.

Perry (2007) also argues that, the immediate historical roots of liberalism extended back to the seventeenth century England. Accordingly in the seventeenth century, the struggle for religious toleration by English protestant dissenters advanced the principle of freedom of conscience which is easily transferred into freedom of opinion and expression in all matters. The Glorious Revolution of 1688 set limits on the power of the English monarchy. In that same century, John Locke’s ‘natural rights philosophy’ proclaimed that the individual was by nature entitled to freedom and it justified revolutions against rulers who deprived citizens of their lives, liberty and property. The expansion of free-market economy particularly in “Britain, the American colonies and Holland, showed the virtues of individual initiative and voluntary human actions, uncoerced by the authority of the government” (Perry, 2007:519).

From both arguments of Thorsen & Lie and that of Perry’s conclusion, we can derive the fact that *classical liberalism* can be taken as the foundation for the current neoliberal economic and political ideology. The difference is that Thorsen and Lie want to connect classical liberalism only with the works of the Scottish philosopher, Adam Smith, while Perry took back the emergence of classical liberalism with developments that occurred in the seventeenth century England.

I agree with Perry's argument, that the seventeenth century developments in England have led the foundation for the *classical liberalism*. But in addition to this, since liberalism is; a political programme or ideology whose goal include most prominently the diffusion, deepening and preservation of constitutional democracy, limited government, individual liberty and those basic human and civil rights which, are instrumental to any decent human existence (Gray, 2000:56), it is also possible to argue that Enlightenment has contributed a lot for the development of classical liberalism. According to King & Mills (2005), three factors were critically important in this new intellectual ferment (Enlightenment): revulsion against monarchical and clerical absolutism, especially as practiced by Louis XIV in France: a new freedom of publishing and with it, the rise of a new public and a secular culture especially in England and the Dutch Republic and not least, the impact of scientific revolution, particularly the excitement generated by Newton's 'Principia' (1687).

Enlightenment was an exciting intellectual movement of the eighteenth century Europe. It was first started in Paris, France and then spread to the major capitals of Western European countries of that time. It was also known as *the age of reason*. For the better understanding of what we mean by enlightenment, it is important to cite the definition of enlightenment by the German philosopher Immanuel Kant. According to him, "Enlightenment is the release of human being from self-incurred tutelage." In doing so, "Kant went to the heart of one aspect of the enlightenment- his insistence that each individual should reason independently, without recourse to the authority of schools, churches, or clergymen (Perry, 2007:408). From Kant's definition we can also understand that, Enlightenment was a period of the emancipation of human being from any external impositions that may hinder the rationality of human race. Here, reason got priority over external impositions and internal passions. By preaching individual liberty over external impositions Kant subscribes to one of the corner stones of liberalism: liberty.

Regarding to individual liberty and reason, Rousseau also argued that, "*Liberty is a consequence of man's nature. Man's first law is to watch over his own preservation: his first care owes to himself; and as soon as he reaches the age of reason, he becomes the only judge of the best means to preserve himself; he becomes his own master*" (1968:50).

In both Rousseau's and Kant's argument we can understand the fact that, they took reason as the only way or means for the emancipation of human race from any kind of impositions. This might

be because of the outlook they used to have towards the way the European states and the churches intervene in the socio-economic life of their subjects during that time. Not only Kant and Rousseau but, “ all Philosophes (a name given to the Enlightenment thinkers) believed in the new science, they were critical of the clergy and all rigid dogmas, but tolerant of people’s right to worship freely and believed deeply in the freedom of the press” (Perry,2007:408). In doing so, the dream of Philosophes seems to have a rational citizen who is ready to take any risks caused by his/ her action and who deeply believe in the equality of all human beings. That is why Ebenstein argues “the rationalist root of individualism presupposes a basic equality of all men on the ground that every human being is endowed with reason: rationalism stresses the value of the individual rather than that of super individual, collective, institutional forces that are not rational in origin but the product of custom, sentiment and belief” (1976:640).

Ebenstein’s argument seems to have similarity with the way Perry tries to explain the confidence that enlightenment thinkers used to have towards the reasoning capacity of individuals;

If nature were autonomous- that is, if it operated according to natural laws that didn’t require divine intervention- then the human intellect could also be autonomous. Through its own powers, it could uncover the general principles that operate in the social world as well as in nature (Perry, 2007:435).

Perry’s idea shows us, the belief that the ultimate expectation philosophes used to have towards reason in making right decisions and in cultivating a self-confident citizen. From the above explanation we can deduce the fact that, the philosophies broke decisively with the medieval view that “the individual is naturally depraved, that heaven is the true end of life and that human value known through revelation (King, 1995:37). Instead enlightenment thinkers upheld the potential goodness of the individual, regarded the good life on earth as the true purpose of existence and insisted that individuals could improve themselves and their society by the light of reason.

When we come to the views of enlightenment thinkers towards the government, they agreed that power doesn’t rest upon the divine right of the king, but “arose out of a contract made among men who agreed to elevate the state and hence, the ruler, to a position of power over them “(Thorsen and Lie 2008:13). In doing so they recommend that the republican form of government, or at least the virtues practiced by citizens in a republic, offered the only alternative to the corruption and repressions associated with absolute monarchy.

Regarding to this, the three major European thinkers wrote treatises on politics that remain relevant to this day: John Locke, *The two treatises of government*, Montesquieu, *The Spirit of the Laws* and the Swiss philosopher Jean Jacques Rousseau, wrote, *The Social Contract*. All of them rejected the divine right of kings and strive to check the power of the monarchy. But each of them offered different formulas for achieving that goal.

For example, for Rousseau, the people choose their government and in doing so effectively give birth to the civil society. But he further demanded (in contrast to Hobbes) that “the contract be constantly renewed and that government be made immediately and directly responsible to the will of the people” (Harrison, 2005:1316).

Locke’s theory, in its broad outlines, stated that the right to govern derived from the consent of the governed and was a form of contract:

Whenever, any numbers of men are so united into one society as to quit everyone his executive power of the law of nature and to resign it to the public, there and there only is a political or civil society. And this is done whenever any number of men, in the state of nature, enter into society to make one people, one body politics, under one supreme government, or else when any one joins himself to, and incorporates with, any government already made: for here by authorizes the society or, which is all one, the legislative thereof, to make laws for him as the public good of the society shall require, to the execution where of his own assistance, as to his own degrees, is due (Locke, 1947:164).

Locke’s idea shows that whenever the people gave their consent to a government, they expected it to govern justly, protect their property and ensure certain liberties for its citizens. Accordingly “if a government attempted to rule absolutely and arbitrarily- if reneged on its contract and fortified the loyalty of its subjects, such a government could legitimately be overthrown” (ibid). Therefore, Locke believed that, a constitutional government that can limit the power of the rulers, can offer the best defense of the property and individual rights.

When we come to the economic thought of the enlightenment period, the thinkers of that period were very sensitive for the right to individual property. To see the thought of some prominent thinkers of that time, for example Rousseau argued in the following manner, *in whatever manner....the right of any individual over his estate is always subordinate to the right of the community over everything* (Rousseau, 1968:68). This clearly shows us the strong concern of Rousseau towards, even exchanging the right of the community for the individual’s right for

property- if the latter is to be violated for the purpose of protecting the former. Not only this, Rousseau strongly argued against violation of the right to own individual property: *even in the midst of war, a just prince, seizing what he can of public property in the enemy's territory, nevertheless respects the person's and possessions of private individual he respects the principles on which his own rights are based* (Rousseau, 1968:59).

Locke's emphasis on individual rights goes even further asserting that property rights of the individual predate the state and that they are absolutely immune from state interference. Concerning to this Locke argued that:

Though the earth and all inferior creatures are common to all men, yet every man has a property in his own person: this nobody has any right to but himself. The labor of his body and the work of his hands, we may say, are properly his. Whatsoever then, he removes out of the state that the nature hath provided and left it in, he hath mixed his labor with, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state of nature has placed it, in; it hath by his labor something annexed to it that excludes the common right of other men. For this labor being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough and as good left in common for others (Locke, 1947:134).

According to Locke, God gave the earth and all therein to men for the support and comfort of their being. From this life of nature which doesn't belong to any one privately but belong in common to all human beings, an individual can produce his own private property by applying his labour from what he owns in common with others. What an individual has produced from his environment exclusively belongs to the labourer. Accordingly, no one has the right over the property of someone else. If we apply this reasoning on the relation between the state and its citizens, the state has no right over the prosperity of its citizens. Locke argued that, it is the natural right of an individual to own property. Because of this, no institution or organ of the government has the right, to deny the right of individual to have property. This is mainly because; the right to own property is a natural right that cannot be violated.

It is also important to know the fact that, the enlightenment thinkers agreed on "the inherent usefulness of self-interest that the government should create regulating economic activity and that the market should be allowed to be free" (Perry 2007:424). The doctrine of "*Laissez faire* - leaving

the market to its own devices- was the center piece of Adam Smith's massive economic study on the origins of *The Wealth of Nations*" (Lumumba-Kassongo 2005:9).

From the above analysis one can come to the conclusion that, dedicated to freedom of thought and person, enlightenment thinkers combined these liberal values with a secular orientation and a belief of future progress. Concerning to the development of liberal thinking during the enlightenment period Perry asserted that, during that time (Enlightenment period) liberalism was highly expressed with, confidence in the capacity that human mind to reform society, maintained that human beings are essentially good and believed in the future progress of humanity (2007:519). That is why on the beginning of this chapter I have argued that, the enlightenment period had contributed a lot for the progress and expansion of liberalism.

Having seen the historical development of liberalism with the reference to enlightenment period and precious developments in the seventeenth century England like the Glorious Revolution that realize the system of Constitutional Monarchy and so on, let us come back to the idea of liberalism itself. The main problem in understanding liberalism is highly related with the definition of its concept. Mills and King (1995) argued that there are two definitional problems in understanding the concept of liberalism, the First is how we tell that a liberal action or liberal change take place. Again, it is impossible to be category because liberalism shares its commitment to, for example markets and rights with other ideologies.

If we consider the concerns of Mills and King, it is true that it is difficult to define liberalism based on the commitments of liberalism for human beings. This is mainly because there are many promises that liberalism shares in common with other ideologies. For example, some classical liberal thinkers like "Spencer thought that private enterprise that is free from the state is the best guarantee of internal and international peace" (Ebenstein, 1976:640). By his extremist position Spencer advocates the withering away of the state for the freedom of human race. The same is true for communism which promotes the withering away of the state as the ultimate means for the human race in order to enjoy freedom.

Allan Ryan also argued that;

Anyone trying to give a brief account of liberalism is immediately faced with an embarrassing question: are we dealing with liberalism or liberalisms? It is easy to list famous liberals; it is harder

to say what they have in common. John Locke, Adam Smith, Montesquieu, Thomas Jefferson, John Stuart Mill, Lord Acton, T.H. Green, John Dewey and contemporaries such as Isaiah Berlin and John Rawls are certainly liberals- but they do not agree about the boundaries of toleration, the legitimacy of the welfare state and the virtues of democracy, to take three rather central political issues (1993:291).

The central theme of Ryan's argument is that, the presence of different schools of thought within liberalism itself, makes it difficult to come up with a single coherent definition that can be accepted by all 'liberals' in addition to this "different liberal parties, politicians and political philosophers have often put forward differing opinions of what the 'origins' or 'true' meaning of liberalism actually is" (Thorsen & Lie.2008:4). This is also what happens often when adherents of economic liberalism clash with adherents of social liberalism on such basic political questions with what, and with how much the state ought to concern itself.

In trying to come up with a coherent definition of what we mean by liberalism Mills and King tried to focus upon what they think is the common features of liberalism. According to them;

We characterized liberalism as having four broad foundational aspects that all liberal writers would to a greater or lesser degree, adhere to. Firstly, the autonomous/ Rational individuals, secondly state neutrality (between competing conceptions of the good), thirdly, the market as a primarily allocator of goods and services and finally that of a state which is limited (though not necessarily minimal) (1995:15-16).

The above definition is somewhat good, but I don't think that it is a complete definition of what is meant by liberalism. I agree with Mills and King on the fact that all liberals consider human being as "a rational creature and ought to be an autonomous being" (King, 1995:19). I also agree that, all schools of liberalism expected the state to be neutral. I also agree with the third criteria that in liberal economic system the market is expected to be the primary, but not the only, allocator of goods and services. But I do have a complaint on the last criterion. Here while the adherents of social liberalism advocate government intervention in the economy mainly in order to realize social justice, adherents of economic liberalism- for example neoliberals argue that, "by confiscating the wealth of the successful and redistributing it, they (the social democrats) prolong the dependency culture of the needy, entrench organized interests and override individual freedom" (Plant 1991:21).

Allan Ryan also defines liberalism as “a set of political theories which emphasize first of all that individuals ought to be free to choose between different meaningful options in life defining decisions, secondly, liberalism includes the view that society ought to be subjected to the rule of law and democratic governance” (Ryan 1993:213). Ryan’s definition seems focusing only on the political nature of liberalism.

From the above definitions I have tried to define liberalism as a political ideology or programme which goal includes most prominently the diffusion, deepening and preservation of constitutional democracy, limited government, individual liberty and those basic human and civil rights which are instrumental to the very existence of human race.

For better understanding of liberalism, it is necessary to divide the ideology into different categories. Based on this liberalism is divided into *Classical* and *Modern liberalism* (Ebenstein 1976, Thorsen & Lie, 2008). Accordingly,

Classical liberalism is often associated with the belief that the state ought to be minimal, which means that practically everything except armed forces, law enforcement and other non-excludable goods ought to be left to the free dealings of its citizens, and the organizations they freely choose to establish and take part in. This kind of state is sometimes described as ‘a night watchman state’ as “the sole purpose of the minimal state is to uphold the most fundamental aspects of public order” (Thorsen & Lie, 2008:4).

From the above paragraph we can understand the fact that classical liberalism is highly related to economic liberalism which promotes the exclusion of government interference in the economy and the free competition of firms in the market. “Classical liberalism is also known as *laissez-faire* economics” (King, 1995: 17). “*Laissez-faire* economics has been around in different forms from at least the 1870’s (Harrison, 2005:1304). “ It was the economic theory of Adam Smith and his intellectual heirs in the nineteenth century” (Thorsen and Lie, 2008:8).

On the other hand Modern liberalism is characterized by a greater willingness to let the state become an active participant in the economy. This has often issued in a pronounced the “ tendency to regulate the market place and to have the state supply essential goods and services to everyone” (Ebenstein, 1976:641). Therefore, whereas classical or economic liberalism favors *laissez faire* economic policies because it is thought that they lead to more freedom and real democracy, modern

liberals tend to claim that this analysis is inadequate and misleading and that the “State must play significant role in the economy” (King 1995:19).

Modern liberalism is commonly identified with Keynesianism. Keynesianism is an economic ideology which was proposed by an American economist called John Maynard Keynes in 1936. “Keynesianism, as it came to be called, was the dominant theoretical framework in economics and economic policy-making in the period between 1945 and 1970” (Thorsen & Lie,2008:11).

Keynes argued that primary consideration must be given to the impact of economic decisions on the national income, the whole economy, rather than on profits of individual businesses alone. Since individual businesses cannot be expected to plan and act for the well-being of the whole economy, only the government can do that, since it alone can protect the interest of the entire nation or, in economic terms, of the whole economy (Ebenstein 1976:648).

Therefore, unlike to classical liberalists Keynes was promoting the intervention of the government in order to ensure economic stability of the nation rather than to let the free competition between individual business enterprises to decide what format the economy of given nation to have. The outstanding fault of the capitalist society, according to Keynes is “its failure to provide positive gains for employment and its arbitrary and inequitable distribution of wealth and income” (Harrison 2005:1317). In order to diagnose the evils of capitalism - unemployment and inequitable distribution of wealth-according to Keynes, a government intervention which aimed at stabilizing the economy by realizing full employment and the alleviation of abject poverty” (Thorsen and lie, 2008:8) is important. In the United States “the ‘*New Deal*’ was strongly influenced by the doctrines of Keynes and president Roosevelt, who personally discussed economic problems with Keynes, was in general sympathy with Keynes, was in general sympathy with Keynesian ideas” (Fassil,2008:511).

Unfortunately, around 1970’s Keynesianism suffered of continuous criticisms from its new contending ideology- neoliberalism. The policy of “neoliberalism can be traced to the late 1960’s and early 1970s as a particular strategic response to the crisis of Keynesianism” (Fassil, 2008:506). “Drawing on intellectual roots, traceable to the early post-World War II writing of Friedrich Hayek and Milton Freedman, and galvanized by crucial events of crisis of the early 1970s (King, 1995:16). Therefore neoliberalism is doctrine which “deployed to justify, among other projects, the deregulation of the state control over major industries, assaults on organized labor, the reduction of corporate taxes, the shirking or privatization of public services, the dismantling of welfare

programs, the enhancement of international capital mobility the intensification of inter locality competition and the criminalization of the poor” (Brenner & Theodore 2002:3).

Fraser King (1995:16) argued that “During the past twenty five years neoliberalism has become a dominant ideology in the world. Graham Harrison also strengthens King’s argument by inserting that “neoliberalism has fully settled into our lexicon of concepts for ... over the past twenty years” (2005:1307). ‘For the last three decades, the major components of scholarly analysis has focused on understanding the collapse of the Keynesian model and the subsequent restructuring of the global economy under neoliberal imperatives (Fassil, 2008:506). The specificity of this integration is mediated by large transnational corporations that are protected and supported by a series of international and intergovernmental institutions principally through the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO).

Neoliberals are hostile towards Keynesianism which promotes the intervention of the state in the economy- mainly to achieve “the goals such as full employment and the alleviation of poverty (Thorsen & Lie 2008) and to realize the objectives of social justice. Regarding to this Plant asserted that:

Compulsory state redistribution of resources to meet concerns of patterned principles of social justice is incompatible with individuals’ right. So, the poor and needy do not have any right to welfare or to any particular set of resources. Of course individuals may choose as an act of generosity, altruism, humanity, or philanthropy to transfer their justly held property to those who are worse off than themselves...but this is a matter for individual choice and not for the state (Plant, 1992:133).

Plant’s conclusion is that, under whatever preconditions state intervention in the economy cannot be morally and legally a justifiable policy. Therefore, according to neoliberals understanding, “acts of intervention in the economy from government agencies are almost always undesirable, because intervention can undermine the finely logic of the market place, and thus reduces economic efficiency” (Thorsen & Lie, 2008:13). From this we can argue that, neoliberals are hostile towards any outcomes gained by the principle of distributive justice which is based on the state intervention in the economy. They treat state intervention in the economy in order to redistribute goods and services, as a coercive - undermining individual liberty and have made suggestions for constitutional limits to be placed upon the state.

The concept of neoliberalism suggests “a particular account of the development of liberal thought” (King 1995:14). This is true mainly because, if we see the major tenets of neoliberalism, they subscribe to all major principles of liberalism like individual liberty, constitutional government, democracy, the rule of law and others. All these major principles of liberalism also equally accepted in classical and modern liberalism. The major difference between modern liberalism-Keynesianism and neoliberalism is on the question ‘to what extent the state ought to intervene in the economy? Modern liberals are in favor of state intervention in the economy to achieve the principle of social justice while neoliberals are against any state intervention in the economy.

Some writers like Thorsen & Lie (2008) have argued that, neoliberalism is the reincarnation of classical liberalism. In this sense neoliberalism is a return and spread of one specific part of the liberal tradition, namely economic liberalism. Economic liberalism is, basically, the belief that states ought to abstain from intervening in the economy and instead leave as much as possible up to individuals participating in free and self-regulating markets” (King, 1995;19). “The possibility of a self-regulating market was a core assumption of classical liberalism and an important presumption among neoliberals as well” (Harrison 2005:1311). This shows us neoliberalism is the revival of the tenets of classical liberalism.

2.2 The Developmental State Theory

A Developmental state is often conceptually positioned between “liberal open market economy and a centrally-planned model” (Bolesta, 2007:105). This means, the theory of developmental state is not a capitalist or socialist by its nature. The developmental state is based on “combinations of positive advantages of private businesses and the positive role of government” (Edigheji, 2005:13). In discussing the central essences of developmental state theory, Reinoud Leenders argues that “the core idea of the theory (developmental state theory), on the developmental state is that the state authority should make development (economic development) its top priority as by strategically intervening in the market, the state can facilitate economic growth and industrial transformation” (2007:3).

Accordingly, the core idea of developmental state is that, economic development requires a state which can create and regulate the economic and political relationships that can support sustained industrialization. Consequently, a developmental state seems to be an interventionist

state. According to Loriaux “The developmental state is an embodiment of a normative or moral ambition to use the interventionist power of the state to guide investment in a way that promote certain solidaristic vision of national economy” (Loriaux, 1999: 24). Based on this, “the introduction of developmental state theory into the state ideology means, in real terms, a departure from a neoliberal economic ideology and drift towards state interventionism” (Bolesta, 2007: 106). This is true because, “coordination requires a state which has the necessary tools to deal with the burden and is not merely the guardian of certain freedoms.”(Leenders, 2007:6).

By encouraging the establishment of a strong state that can have an efficient power to intervene in the economy to achieve certain national economic and political goals, the developmental state theory goes against the neoliberal economic policy, which requires the establishment of a “minimal state” that has no power to intervene in the economy, except having an exclusive power in establishing and guiding a national defense power and legal enforcement mechanisms. Regarding to this, Thandika Mkandawire argues that:

It seems hardly possible to achieve extensive developmental goals in an environment where authorities have very limited power in directing investment, regulating its intensity and influencing institutions, companies communities, so that they follow certain overall development strategies. A neoliberal economic model seems to have a number of shortcomings which hinder fast development in developing countries (1998:13).

In most literatures, a developmental state has two components: one ideological, the other is structural. It is this Ideology-structure nexus that distinguishes a developmental State from other forms of states. In terms of ideology such a state is essentially one whose “ideological underpinning is developmentalist, in that it conceives its mission as that economic development usually interpreted to mean high rates of accumulations and industrialization” (Mkandawire, 1998:2). Such as a state establishes as its principle legitimacy its ability to promote sustained development.

The state-structure side of definition of the developmental state emphasizes “capacity to implement economic policies sagaciously and effectively” (Mkandawire, 1998:3). Such capacity is determined by various institutional technical, administrative and political sectors. Understanding all this is “autonomy of the state from social forces so that it can use these

capacities to devise long- term economic policies unencumbered by claims of myopic private interests” (Edigheji, 2005:7). It is usually assumed that, such a state should in some sense, be strong and enjoy relative autonomy from key social actors or forces.

A developmental state has so many peculiar characteristics by which it can easily be identified from the other types of states. The following are some of them

2.2.1 Catch-up Development Strategy

All developmental states are states that were/are late to industrialize. Once upon a time these states were/are at “the bottom of development ladder, a long way behind the advanced developed states of the west” (Leenders, 2007:13). Therefore, they needed to find a strategy that would allow them to catch up the industrialized west. For example, the governments of the of “East Asian states after the immediate conclusion of the second world war recognized the need to catch up with the west by undergoing industrialization process, but there were an absence of capital to kick off the process” (Edigheji, 2005:7). Therefore, the government took the role of industrialization and took the responsibility for beginning construction for modern factory facilities. Unfortunately these late arrivals do not have “the comparative advantage of new innovative products and process” (Amsden, 1994:631), thus government intervention is essential to their competitiveness and survival. At this moment, “unlike in the case of neoliberal ideology, where almost everything is left to the invisible forces of the market, state interventionism comes as responsibility to manage the country in a wise manner (Bolesta, 2007:108).

The rationale behind, for the developmental states, to intervene in their economy at early stage of their industrialization is “to accumulate capital for the purpose of re-investing” (Mkandawire, 1998:17). Regarding to this, Bolesta in his article which is entitled as *China as a developmental state* asserts that:

In all cases of developmental state, the countries would not have accumulated wealth to dispose of it in the hope of additional gains. As the UK and USA case shows, one need to acquire a certain volume of economic assets first, using often interventionist policies to continue liberalization, if this is indeed needed. (Bolesta, 2007:107-108).

Bolesta's view can be paraphrased as, once developmental state reaches a certain level of economic development, as Japan, Korea, Taiwan and Singapore, one can argue for liberalization, not however falsely "as a remedy to the underdevelopment of the world, but for its own internal interest to create conditions for wealth expansion" (Edigheji, 2005:7).

2.2.2 State Autonomy from Different Social Forces

The separation of the state from the societal pressure is essential to the developmental state as it "allows the state to carry out its function in directing development without being subjected to other influences" (Leenders, 2007:6). There is a general consensus among the proponents the developmental state theory on the view that "the autonomy of the state (developmental state) from social forces would enable it to use its capacities to devise long term economic policies unencumbered by claims of myopic private interests." (Mkandawire, 1998; 14). Omano Edigheji, in his article entitled as "*A Democratic Developmental State in Africa?*" argues that;

The key organizational features of importance are autonomy of the state institutions, which enables it to define and promote its strategic developmental goals and its embeddedness which is the state forming alliances with key social groups in society that helps it to achieve its developmental goals. In this perspective, autonomy implies the presence of high degrees of coherent state agencies that are able to formulate and implement coherent developmental goals. Put differently, autonomy means the ability of the state to behave as a coherent collective actor that is able to identify and implement developmental goals. (2005:8).

Indeed, the developmental state is "defined by its ability to balance strategic linkages with and relative autonomy from different societal forces" (Wong, 2004:352). Once again, this is a crucial aspect of developmental state, because it allows the state to control direction of the economy, which is the direction of the development process. Therefore, according to Leenders, "the impartiality achieved by having an autonomous state means that no bias can be present in policy formulation, for continuous development" (2007:7).

2.2.3 Transfer of Technology

Simply protecting domestic industry and hoping it will catch-up with the industrialized world, would not be enough to achieve the goals of developmental state. More needed to be done to ensure that “domestic industry would rapidly develop to western standards and thus it ensure that a transfer of innovation and technology took place” (Leenders 2007:14). The catch-up position that the East-Asian economies found themselves in allowed them to import technology from developed world to learn “the ways of economic advancement not from the scratch but by importing knowledge, technology and economic know how from abroad” (Wong, 2004:350). The state helped to facilitate this transfer of technology and this allowed the economies of ladder and progress towards development and industrialization at more rapid rate.

2.2.4 State Protection and Subsidies to Some Selected Industries

The provision of protection and subsidies for developing industries was one of the most important strategies in the industrialization of East Asian and remains a key component in the developmental state theory (Leenders, 2007). Subsidies were vital in assisting new industries as they began the developmental process, protecting them from market forces and competition. These government subsidies were generally financed from taxation revenues or from funds borrowed from overseas (Onis, 1995:105). According to Onis (1995), “State policy also assisted the agricultural industries through subsidies and other mechanisms to increase output; allowing surplus labor to be created that would be utilized in the industrialization process.” (Leenders, 2007:7).

While the subsidies and protectionism that would be provided to new industries allowed the domestic industries to develop without the threat of global competition, it has to be clear that state subsidies would not be present permanently. It is always intended that “protecting industries would eventually enter into free market and so, they must be ready to be competitive when this occurred” (Onis, 1995:113). From this one can argue that, the idea behind protecting industries at first before removing protectionism is to ensure the initial survival of strategic industrial sectors without losing gains from trade or subsidizing industries that cannot compete globally.

2.3 Social Democracy

According to Keman (1998), Social democracy is a general term for political doctrines that claim an important role for the state and the community in the shaping and directing a society's economic and social life. Traditionally, the central themes of social democracy are highly related to the 1789 French Revolution. This is true mainly because;

The fundamental values of social democracy were originally summarized by the slogans of the French Revolution: freedom, equality and brotherhood. In the spirit of gender equality, the word brotherhood was later replaced by the word solidarity. The three concepts can in turn be summarized by the word 'democracy' as a real democracy assumes and creates freedom, equality and solidarity at the same time (Carlsson & Lingdren, 2007:21).

Historically, "social democracy was a form of evolutionary reformist socialism that advocated the establishment of a socialist economy through class struggle" (King, 1995: 27). Social democracy, as practiced in Europe in 1950's, was a socialist movement supporting gradualism; the belief that gradual democratic reforms to capitalist economies will eventually succeed in creating a socialist economy. This means, social democracy is completely against Marxism which advocates the establishment of the socialist economy by using revolution as means to attain the wanted target, socialism. Unlike Marxists, social democrats of that time recommend gradual and peaceful democratic measures in order to diagnose the capitalist system. Therefore by the time of 1950's;

Social democracy is a political ideology that advocates a peaceful, evolutionary transition of society from capitalism to socialism using established political processes. Based on 19th-century socialism and the tenets of Karl Marx and Friedrich Engels, social democracy shares common ideological roots with communism but eschews its militancy and totalitarianism. Social democracy was originally known as revisionism because it represented a change in basic Marxist doctrine, primarily in the former's repudiation of the use of revolution to establish a socialist society (ENCYCLOPAEDIA Britannica).

One of the key founders of contemporary social democracy was Eduard Bernstein, a proponent of reformist and revisionist of Marxism. Originally Bernstein was a Marxist, but through time he

started to come with some crucial themes that are against the essences of Marxism. For example, he was completely against Marx's idea;

On the issue of class conflict, Bernstein believed that economic class disparities between the bourgeoisie and the proletariat would gradually be eliminated through legal reforms and economic redistribution programs. Bernstein rejected the Marxian principles of dictatorship of the proletariat, claiming that the gradualist democratic reforms will improve the rights of the working class. Furthermore, he believed that class cooperation is preferable course to achieve socialism, rather than class conflict (Broadbent, 1999; 6).

But with the rise in popularity of neoliberalism, a number of social democratic parties have abandoned the goal of the "gradual evolution of capitalism to socialism and instead support welfare state capitalism" (Carlsson & Lingdren, 2007; 9) and the principle of social justice. Sherry Holetzky defines a welfare state as;

... a government that provides for the welfare, or the well-being, of its citizens completely. Such a government is involved in citizens' lives at every level. It provides for physical, material, and social needs rather than the people providing for their own. The purpose of the welfare state is to create economic equality or to assure equitable standards of living for all (2010; 1).

The welfare state provides education, housing, sustenance, healthcare, pensions, unemployment insurance, sick leave or time off due to injury, supplemental income in some cases, and equal wages through price and wage controls. It also provides for public transportation, childcare, social services such as public parks and libraries, as well as many other goods and services. Some of these items are paid for via government insurance programs while others are paid for by taxes.

Generally speaking, the contemporary social democratic movements seek to reform capitalism to align it with the ethical ideals of social justice while maintaining the capitalist mode of production, as opposed to creating alternative socialist economic system and "social democracy differs from socialism because it is committed to preservation of a largely capitalist and free market economy, but shares with it an emphasis on the importance of redistribution of wealth and income so that citizens may have social and economic conditions that effectively provide for reasonable equality of opportunity" (Broadbent, 1999; 4).

Chapter Three

The Role of Neoliberalism in the Political-Economy of Africa

3.1 The Introduction of Neoliberalism in to the Political Economy of Africa

The major feature of contemporary economic, social and cultural life in the world in general and Africa in particular has been the accelerating integration of the economies into the expanding global economic system. The specificity of this integration is mediated by “large transnational corporations that are protected and supported by a series of international and intergovernmental institutions that regulate finance and trade of the world economy, principally through the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO)” (Fassil, 2008: 511). These entities, along with transnational corporations, have and continued to structure the political economy of the developing countries. Regarding to this, Harris and Seid (2000:8) have argued that these international financial institutions try to integrate the economies of the developing countries in to the Global economy through,

- Pressuring the governments of developing countries by removing their former restrictions, on foreign investment, eliminating subsidies that previously protected their domestic industries against foreign competition and opening up their economies to the transnational corporations
- Using loans, investment, purchasing agreement, patent controls and licensing, by which transnational capitalist corporations have gained dominance over the most important economic sectors such as agro-export, mining, petroleum, natural gas, tourism, telecommunication, pharmaceutical, advertising and the production of many basic consumer goods in most developing countries.

To achieve this goal, the major policy instruments used by the IMF and the World Bank have been “economic stabilization-the preview of the IMF” (Melakou, 2008:455) and “the Structural Adjustment Programmes which are the responsibility of the World Bank” (Fassil 2008:506). Both of these policy instruments are widely implemented to set policy conditionalities whereby

developing countries must accept specific and mandated reform packages (both financial and institutional) to obtain loans from either institutions. The major goal of such global corporations is “to remove trade barriers for accumulation by creating a global market” (Thompson, 2004:458).

Rigorous efforts to restructure the economies of Sub-Saharan Africa began to gather momentum in the 1980's at the moment when the continent began to experience huge amount of debt, high unemployment, and absolute urban and rural poverty, balanced of payment deficit and declining flow of foreign investment. The World Bank (1981) published its first major response to the economic crisis facing sub-Saharan countries by publishing its famous “Berg's Report (Accelerated Development in Sub-Saharan Africa), which attributed economic stagnation in the continent to poor government policies rather than external factors” (Harrison 2005: 1309).

Some of the specific recommendations that were included under the Structural Adjustment programmes were ‘eliminating state subsidies and controls (on imports, wages and prices), devaluing local currencies and letting the market determine the price for raw materials exports’ (Harrison , 2005; 1307). From this, we can conclude that, the policies that were recommended under the Structural Adjustment programmes as a way out for the continent of Africa from the economic crisis of the 1970's and 1980's were highly influenced by the economic ideology of neoliberalism. In line with this view, Fassil Demmissie argues that, “the discourse around which the Berg Report's micro economic policy recommendation was rooted in a distinct ideological and programme policy often referred to as neoliberalism - as a set of beliefs, doctrines and policies favouring the dominance of transnational capitalism in the globalization of market relations” (2008: 509).

From the above analysis, we can derive the fact that neoliberalism was first introduced into Africa by Western financial institutions like the IMF and the World Bank, under the banner of the Structural Adjustment Programmes, and economic stabilization project of the IMF that aimed at to deal with economic crisis that the continent of Africa has faced during the 1970's and 80's. These institutions used to put as conditionalities for the sub-Saharan African countries to accept and implement these major policies of neoliberalism – like the protections of human rights, removing trade barriers for realizing efficient markets and the reduction of state ownership, arbitrary intervention and bureaucratic delay- to get financial support.

Since the early 1990's, the Structural Adjustment Programme of the World Bank began to emphasize on good governance and management in liberalization of the market. Accordingly, the reform was based on the view that rather than reducing the role of the state in the liberalization of the market, the new emphasis sought to establish a new kind of state in Africa which would undertake;

Public sector reform programmes, capacity building programmes, information management programmes and a range of training including the following policy mechanisms; increased use of contracts within the state; expanded costing monetization of the state patrimony; agentization, the introduction of stronger mechanisms of incentivization of public servants; the introduction of result oriented management and output oriented budgeting; and the introduction of new technologies of personnel and financial management that establish stronger signals of incentives and sanctions for individuals (Harrison, 2005:1309).

These measures were an attempt to change and bring certain forms of innovation in governance of Sub- Saharan African states, as well as to provide the mechanism to strengthen state capacities and institutions while expanding market relations. In addition to this, "the social infrastructure investment particularly in road building and other similar projects were encouraged and funded by the World Bank to enhance the capacity of the state to reduce the negative impacts of market failure" (Fassil, 2008: 510). So, the major aim of the Structural Adjustment Programmes during the 1980's was to build the capacities of the Sub- Saharan African states, so that these African states have the ability to come out of the economic crisis of that time. Unlike to the 'minimal state' that the neoliberals want to see in Africa in the twenty first century, the aim of the IMF and World Bank as the early 1980's was to establish strong African states that can deal with the socio-economic problems of that time. As Harrison observed, these measures became important for the IMF and World Bank because in the:

1960's it became evident that reducing the state's unproductive involvement in society was not a sufficient condition to ensure the development of properly functioning markets. The funding of investments in social infrastructure can be read as a neoliberal reaction to market failure; the state should ensure the conditions for people to act socially in a market- conforming fashion. (Harrison 2005: 1310).

These shifts and emphases in the thinking of IMF and World Bank incorporate a range of "extra economic concerns; from governance to institutions; from social capital to civil society neo-

liberalism as it exists today both as an ideology and science of economic management, a form of social engineering at the disposal of transnational capital and international organizations” (Andreasson, 2005: 973). Accordingly, the main purpose of this chapter is to review the introduction of neoliberalism into Africa and its presumed benefits and side effects into the political economy of Africa. The first part is an overview about the introduction of neoliberalism in the political economy of Africa. The second topic of this chapter will be on the arguments for neoliberalism in the political economy of Africa. The last topic will address arguments against neoliberalism in the political economy of the continent of Africa.

3.2 Arguments for Neoliberalism in the Political Economy of Africa

According to a research conducted by Boas and Gans- Morse (2009), out of the 148 different articles written and published on neoliberalism in the top comparative politics, development and political economy between 1990 and 2004 only four of them (3%) are consisted of positive view towards neoliberalism. The result of this research conform that negative uses of neoliberalism predominate over positive uses- “number of articles as neutral and negative (66 articles, or 45%), but only three percent of the articles are positive, with additional eight percent as mixed” (Boas and Morse, 2009:5). This is mainly because, the current definition of neoliberalism is highly related to the “radical form of market fundamentalism” (Boas and Morse, 2005), and no one wants to commit himself to be seen as market fundamentalist. Because of this, no one wants to be considered as market fundamentalist by declaring her/ himself as the proponent of the ideology of neoliberalism, except very few.

This clearly shows us the lack of available written materials on the advantages of neo-liberalism. In order to narrow this gap, attempts are made by the researcher by synthesizing ideas that are gathered from different sources to show how neoliberalism can address the socio- economic and political problems of the sub Saharan Africa region.

Since neoliberalism by its nature gives priority for “individualism or individual rights, free choice, freedoms or civil liberties and democratic accountability” (Kassongo, 2005:11), it can play its great role in resolving the frequent violations of human rights- be it civil and political rights or economic and social rights- by authoritarian African governments on their citizens. Not only this, the ideology of neoliberalism makes governments to be accountable to their citizens. Many scholars argue that “the main causes of poverty in the Sub-Saharan Africa are lack of economic freedom embodied in

self-imposed policies and systemic and rampant corruption” (Peet,2001). Denise Forning in his important article entitled as, *The Benefits of Free Trade: A Guide for Policy Makers*, argues that free trade which is one among the main goals of neoliberalism has the solution for the rampant corruption which widely spreaded in Sub-Saharan African states which retarded back the region’s socio-economic advancement. In line to this, he argues that;

By supporting the rule of law, free trade can reduce the opportunities for corruption. Companies that are engaged in international trade have reason to abide by the terms of their contracts and internationally agreed up on norms and laws. ... In countries where contracts are not enforced, business relationships fail, foreign investors flee and capital stays away. It is down spiral that especially hinders economic development in countries where official corruption is wide spread. (Forning, 2006: 6).

Accordingly, free trade which is re-enforced by the rule of law removes incentives for corruption by accelerating economic growth, increasing the number of better paying jobs and ultimately increasing the level of prosperity. Stefan Andreason (2005), understood neoliberalism as an ideology that encourages the spread of Western economic and political values such as democratization and multi-party system. Based on Andreason’s conclusion, one can argue that neoliberal policies can play a great role in spreading democratization, multi-party system in Africa, where dictatorial leadership and one party system have elongated their roots for a long period of time.

In terms of economy, there are so many benefits that would be gained by Sub-Saharan African countries, if they introduce neoliberal economic policies like free market economy. These benefits can easily be accessed through regional economic integration arrangements. Regional economic integration arrangement can be defined as “any policy designed to reduce trade barriers between a subset of countries regardless of whether those countries are actually contiguous or even close to each other.” (Winters, 2003: 8). It can be also described as actions by governments to liberalize or facilitate trade on regional basis like through custom union or free trade areas.

According to Alemayehu and Haile (2002), the impetus for regional integration draws its rationale from the standard trade theory, which states that free trade is superior to all other trade policies. As an extension of this basic principle, therefore, free trade among two or more countries, “will improve the welfare of the member countries as long as the arrangement leads to a net trade

creation” (Alemayehu & Haile, 2002:4). According to the economic Commission for Africa (ECA) 2004 report “revitalized regional integration offers one of the most credible strategies for taking Africa’s development challenges, because of the many weaknesses in resource and other aspects of economic capacity that individual countries face”(ECA, 2004:4). The idea here is that collective efforts of African countries, with dynamic political commitment to integration, can help to overcome the daunting challenges that the continent of Africa is facing now.

According to the proponents of regional economic integration in Africa, all the above hypothetically stated goals can be achieved only whenever the African countries allow free trade among themselves- if they avoid trade barriers like tariff and quota and allow free movement of goods and services in addition to free movement of individuals from one country to another country. The following are some crucial benefits that are expected to be gained by African states, if they allow free trade between them and realize strong regional economic integration between them. These are:

3.2.1 Trade Creation and Diversion

All formal, “regional integration arrangements are crucial in reducing barriers (such as tariffs) to trade among member countries” (Aly, 1994: 31). Denise Forning (2000) strongly argues that “economic theory predicts that free trade will improve welfare by enabling citizens to procure goods and services from the cheapest source, leading to the reallocation of resources based on comparative advantage. Not only this but also “two countries with different resources endowments and correspondingly different patterns of comparative costs are likely to benefit from trade based on inter-country specialization” (Rotchild, 1968:177).

If this is so, it is possible to argue that regional integrations would generate welfare gains. But, because “they (member states of regional economic integration arrangement), involve preferential reductions in trade barriers” (Forning, 2000:6), regional integration arrangements involve both trade-creation and trade diversion. Thus:

Trade creation is the displacement of higher cost domestic production by lower cost production from partner countries due to lower barriers within regional integration arrangement-increases welfare. But trade diversion-the displacement of lower cost production from non-members by higher cost from partner countries due to lower barriers reduces it (ECA, 2004:11).

To elaborate what we mean by trade creation and diversion in a simple language, trade creation happens whenever lower costs of products from outside replaces higher cost of local products. Therefore, trade creation has a great advantage for local consumers, by stabilizing the costs of goods and services. This is true, mainly because “economic integration changes relative prices, consumers may substitute a product whose price declines for one price rises” (Rotchild, 1968:174).

On the other hand, trade diversion happens whenever lower cost of products from the non-members of the regional integration replaced by higher cost of products from the member countries, mainly because, the higher costs of products from the member countries have the privilege to be free from trade barriers such as tariff and quotas, while the lower cost of products from the non-members do not have such kind of privileges. From the above explanations one can argue that, trade diversion may have a negative impact up on domestic consumers by raising the cost of products.

One important point that we have to know whenever we deal with trade creation and trade diversion in regional economic integration arrangement is that, “ regional economic integration arrangements generate welfare gains only when trade creation dominates trade diversion-an outcome that cannot be predicted in advance”.(Alemayehu and Haile, 2002:12, ECA 2004).

3.2.2. Scale and Competition Effects

Regional integration arrangements can benefit member countries through increased scale and competition, usually when countries, their endowments or both are small and market size limited. This is mainly true because, “ regional integration offers the opportunities of expanded economic space for factors of production, industrial production and trade leading to market expansion, economies of scale and diversification of the economic bases” (Weaver, 2001).

According to Sampson (2003), the significance of the gains from economies of scale will depend on the extent to which economic integration enlarges the market for locally produced goods, the

member of industries affected by the market expansion and the elasticity of the cost of production.” This in turn will make regional integration to combine markets, enabling firms to expand and markets to be more competitive. More competition and increased possibility of bankruptcy may induce firms to “eliminate internal inefficiencies and raise productivity, the consequent in staffing and more intense competition can increase worker productivity, an attractive benefit to small and low income countries-including those in Africa”(ECA 2004:12).

The assumption here is that, regional integration arrangements have the tendency to increase competition among firms and this competition will force firms to increase their efficiency in order to stay in the competitive markets. This in turn would enable firms to increase the quality of their products and present them to consumers at the lower costs. This will create opportunity for the consumers to get products with a good standard of quality at the minimum costs.

Having mentioned this, the report which is released by the Economic Commission for Africa (ECA), which is entitled as *Assessing Regional Integration in Africa by 2004* states that, “still there appears to be consensus - based on the evidence on the positive impacts of that trade liberalization has an efficiency through scale economies and increased competition - that regional integration offers developing countries substantial benefits” (ECA, 2004:13).

3.2.3. Increased Investment

Regional integration arrangements can “increase investment in member countries by reducing distortions, enlarging markets and enhancing the credibility of economic and political reforms” (ECA, 2004: 21). The result can raise the returns to investment, make larger and investments more feasible and reduce economic and political uncertainty. In line to this Forning comments that;

Establishing the backbone of property rights and free market policies is essential for creating the sort of market stability that is important for foreign investors. In countries with established rule of law that does not ebb and flow from one leader to the next, foreign investors are more confident and willing to take risk in bringing business into developing nations. It is one reason why Taiwan and Hong Kong, for example have flourished over the past few decades (Forning, 2000:12).

Forning ‘s argument reveals the fact that, whenever states become the member of a given regional integration arrangement, they agree to respect certain principles that can be taken as a guarantee for

any investor – be it a domestic or foreign investor - not to take away his/her property by the state and to be equally treated with other investors. This in turn can initiate domestic and foreign investors to do business with in the states that are member of a given regional integration.

3.2.4 Increased the Bargaining Power

According to Aly (1994), the fear of marginalization together with the fact that most African countries are too weak on their own to negotiate with powerful trading blocks, has led to increased interest towards regional integration. In the same manner, “the current scope and wave of globalization in trade and finance also is giving to the emergence of economic integration where Africa has been hit hard” (Hussien, 2008: 31). The idea here is that, by joining together African countries can enhance their bargaining power in the international economic relation and obtain more favorable terms in trade and other negotiations.

By banding together through regional integration arrangement, member countries can enhance their international economic bargaining power, especially beneficial for small countries in trade negotiation. In realizing this goal, “member states must negotiate as a group - an approach not always taken because of divergent national interests” (ECA, 2004:15). By acting as a single unit in the international trade negotiation, countries of economic integration are likely to have much more bargaining power than acting separately.

3.2.5 Implications on Security and Conflict

According to Schiff, (1998), regional integration arrangements also go beyond their primary objective, for more than economic policies at least by three important manners. Accordingly, regional arrangements:

1. Help to stabilize neighboring countries and thus to reduce the probability that migrants or blood shed that will spill across international borders.
2. Respond to outside threats by cementing relations between the integrating partners; and
3. Can potentially reduce tensions between previously antagonistic nations.

A report by the Economic Commission for Africa in 2004 about the regional integration in Africa also reveals the fact that regional integration reduces the risk of conflict in two major ways. Firstly, “increasing inter-dependence among members makes conflict costly” (ECA 2004:15). This means economic integration may pave the way for political integration, substantially reducing the risk of internal conflicts. Secondly, “regular political contact among members can build trust and facilitate cooperation, inducing security” (ECA 2004:17). Security arrangements and conflict resolution mechanisms are sometimes included in regional integration arrangements.

3.3 Arguments Against Neoliberalism in the Political Economy of Africa

As it has been said in the previous chapters, since the early 1970’s neoliberalism had become the dominant political ideology, which is widely spread in every corners of the world. This is so mainly because of the determination of Western powerful states, especially USA and UK to make their domestic political ideology acceptable all over the world and to secure their national interests permanently by establishing institutions like the International Monetary Fund (IMF) and the World Bank. As it is obvious, Africa could not escape the influence of these capitalist states.

Starting from the second half of the nineteenth century up to the 1960’s the Western industrialized states, mainly the European Super Powers, highly exploited the valuable resources of Africa by using their effective military colonization over the continent. And this enabled them to build their military and economic power at a spectacular level, while the source of their prosperity – the continent of Africa – still remains as the poorest continent where the majority of its population has not adequate access to basic economic needs like food and shelter.

During the ‘*African decade*’ (1960’s), when most of African states won their “political independence” from their colonial masters, most of Africans had an optimist view towards their future. Unfortunately, even though the Western industrialized states decided to give up their direct military (colonial) administration over Africa, they do not want to keep their hands off once for all from Africa. They refused to do so, mainly because to make sure their economic interest which they used to protect during their direct colonial administration be continued. To achieve the above imperialist economic goal they introduce and impose the so called neoliberalism on Africa.

To achieve the said target – neoliberalism, which is mainly introduced by Western industrialized states to protect their economic interests in Africa (easily to get access to the valuable resources of

Africa) and other developing countries, unlike to the previous one, they did not come back by taking their modern military weapons to force African states to force their will, rather they come back with their new innovation which is commonly known as neoliberalism.

Because of the imposition of the principles of neoliberalism upon Africa, African states are forced to open their markets to the Western Multi-National Corporations, forcefully obliged to accept the Western norms of “human rights” and “democracy”. But not only this, because of the introduction of neoliberalism into the political economy of Africa, African states are made to be very weak – mainly because they are forced to hand over the role they ought to play in their national economy to the western Multi- National Corporations - which is against the principles of Westphalian treaty of 1648.

Under this subtopic, we will see the arguments that are made by different scholars towards the negative implications of neoliberalism in the political economy of developing countries, especially that of Africa. For a better understanding of the issue under the discussion, the negative impacts of neoliberal policies upon economic and political realities of Africa would be discussed separately.

3.3.1 The Side Effects of Neoliberalism on the Economy of Africa

One of the side effects of neoliberalism on the economy of Africa can be discussed from the point of view of the free market system between the African states and the Western developed nations. The central argument here is that, Africa could not benefit from such kind of trade arrangement. Africa is a loser under such kind trade arrangement. Regarding to this Malcolm N. Shaw, asserted that:

Given their economic structure and conditions, developing nations clearly need international economic relations that depart markedly from the liberal free – market approach taken and advocated by industrial states, chiefly, by the USA. This approach, it is well known, is grounded in the principles of free trade tariffs and other devices that distort world market. Instead it is important for developing countries to enjoy discriminatory treatment; that is treatment taking into account of their

problems, hence different and more advantageous than that existing between developed countries (2008: 506).

Shaw's argument reveals the fact that given their economic conditions, it would be impossible for the developing countries to compete with the developed industrial states under the free market policy. It is true that, "without market regulation, giant Western Transnational Corporations would continue to monopolize the global economy and profit through speculation and manipulation, while small producers (like African firms) will continue to suffer as a result of these actions" (Fridell, 2006:12).

Scholars like Peet (2001: 1341) argue that "the most promising aspects of the current contestations over globalization are social movements calling for *"fair rather than free trade."* Moreover, the question of neoliberal economy and interventionist state can be addressed from the global perspective. According to Andrzej Bolesta (2007:107), "the so called global economy is by no means liberal." This can be clearly seen from the way the Western industrialized countries are continually influencing the African states to open their economy for the Western Multi-National Corporations, while they impose so many trade barriers on their imports from Africa. "As the African continent has increased their exports, the industrialized countries importing these goods maintained or increased their trade barriers" (Thompson 2004: 458). This is so, because the EU member countries and USA follow a protectionist economic policies towards some of their domestic economic sectors. Especially the agricultural sector of the EU member countries and USA are protected by their respective governments by giving subsidies to their agricultural sector up to putting trade barriers on the agricultural products that are imported from abroad. Because of this, since, agricultural products are the main exports of African countries to the Western world and since most of the western countries are following a protectionist economic policy towards their agricultural sector, it is impossible for African farmers to compete with Western world farmers those who get substantial subsidies from their respective governments.

Currently, the major "cause of underdevelopment in the South is a deterioration in the price of primary commodities (coffee, tea, cacao), in relation to that of manufactured goods over time" (Fridell, 2006:12). Because of this, "as the African states expand their export volume to the western world, the export revenues have continually decreased "(Thompson, 2004). All the above raised

points reveal the crude fact that, Africa has nothing profited from the free- market economy, which have been repeatedly advocated by UK and USA and institutions like IMF and World Bank.

3.3.2 The Negative Political Implications of Neoliberalism on Africa

The theoretical underpinning to the neoliberal case has been that, the market as a “spontaneous order does not produce intentional injustice” (King, 1995:16). Because of this neoliberals are against any kind of government intervention in the economy like under the banner of social justice. Neoliberals argue that, “social democracy had with unlimited Statism and further that it had produced notion of social justice to justify expanding state intervention” (Kassongo, 2005:17). They further asserted that, if the state intervene in the market, it means, the state has violated the rights of its citizens by protecting them from exercising their free preferences.

By opposing to the above neoliberals view, Frasser King argued that “the structural inequalities of wealth, resources, gender and ethnicity, that are common in the market society, all serve to make the realization of individual freedom problematic” (1995:19). Because of this, social justice would be the only remedy to realize individual liberty in the market society which is highly identified by the inequalities of wealth, resources and so on. This is true mainly because, social justice is concerned to “distribute society’s resources according to some agreed pattern which aimed to enhance equality or increase opportunity, but always by implication to redress a social injustice which occurs because of the enduring social and economic inequalities of say religion, class, gender and/or ethnicity” (Bolesta 2007:13).

According to some critics, the notion of democracy which is embodied in the neoliberal ideology, which mainly focuses on the individual liberty and does not give emphasis to the aspects of social life, is alien and does not subscribe to the African realities. Critics said that “liberal democracy is primarily the product of Western political thought and the evolution of Western societies through the bourgeoisie and technological revolution in England, France and USA” (Harrison, 2005:113) and focuses only on abstract political and civil rights rather than focusing on concrete economic and social rights. Concerning this Lumumba-Kassongo argued that:

In so far as the democracy movement in Africa gets its impetus from the social and economic aspiration of the people in Africa yearning for a second independence from their leaders: it will be markedly different from liberal democracy. In all probability, it will emphasize on concrete and

social rights rather than abstract political rights; it will insist on the democratization of economic opportunities, the social betterment of the people, and a strong welfare system (Lumumba-Kassongo, 2005:1).

The central theme of Lumumba-Kassongo's argument is that the notion of democracy embodied in neoliberalism does not effectively deal with the socio-economic problems of African people and it is something alien which is imposed up on Africa.

The other neoliberals' view that has to be criticized is their plan to see a "minimal" or a weak state in Africa. They want to confine or limit the activities of the state only to law enforcement and national defense. This is against the 1648 Westphalia treaty, which declared a state as the only political entity that ought to deal with each and every activity that is vital for its citizens. Against the above central or the critical principle of neoliberalism many scholars argued that "it is critical to have strong governments in Africa that are internally coherent and are politically and administratively capable of exercising its bargaining power *vis-a-vis* foreign investors and other actors" (Chang and Grabel, 2005:286). In line with this, James K. Galbraith argues that "a government that cannot deliver essential economic demands of its citizens, namely food and housing, would not be able to deliver internal peace, democracy or human rights (2001:99).

Both, Kassongo and Galbraith support the idea that, the first thing that the Africans are striving is not for the abstract political and civil rights; rather they are striving for the realization of basic economic necessities like food and social rights. After that, the next step for Africans would be realizing political and civil rights. Individualism or individual rights, free choice, freedom or civil liberties and democratic accountability are the most important features of liberal democracy "(Dumenil and Levy, 2001: 586). Here "individualism implies autonomy and in its extreme interpretation and form can lead to anarchy" (King 1995:19).

In addition to this, the idea that "individuals can act rationally by divesting themselves of any prior attachment can be seen as a flawed concept with destructive consequences if for example, moral judgment made on such a basis tend to be arbitrary and irrational" (Kassongo, 2005: 29). By doing so, neoliberals are degrading the status of human being to that of beasts who individually compete for the scarce resources without having an altruistic nature. Kassongo, (2005:15) argued that individualism which is the invention of Western society is against the metaphysics of African

societies which is highly characterized by the principle of collective existence than that of individualism.”

Generally speaking, the core of a democratic strategy consists of states investment in social programmes. These would meet the needs of a wide spectrum of the population: “they can be foundations for direct popular participation: and they contribute to income and power equalities” (Dumenil and Levy, 2001: 588). Here, the main connection lies between “education, understood as the transmission of knowledge information and understanding together with socialization related to the social organization of the work place, economic growth, achieved through resulting increases in labor productivity” (Peet 2001:333). Similar arguments can be made for health care and other social programmes like public transport, housing and environmental repair.

Chapter Four

4. Neoliberalism and the Political-Economy of Ethiopia

4.1 The Introduction of Neoliberalism into the Political Economy of Ethiopia

It is obvious that “since 1974, the government of Ethiopia (under the rule of the Dergue), had operated a centrally planned economy based on the Socialist principles of extensive state ownership and control, large scale regulation of economic activities and restrictive economic activities” (African Development Bank, 2000; 4, Eshetu, 2004). The consequence of all these were factors for “market rigidities, economic distortions and strong anti-export bias” (Fasssil, 2008:513). All these combined with a debilitating civil war and drought to retard the economic progress of the country. At the end of the military rule, Ethiopia was “stranded by economic policies that were deleterious to development; the citizenry was captive of an undemocratic and brutal regime and the state rocked by sharp nationalist conflicts and interminable wars.” (EPRDF, 2006; 1).

With the end of the civil war in May 1991, the Transitional Government of Ethiopia (TGE), which came into power, took steps to rehabilitate and reconstruct the war damaged economy by preparing the *Emergency, Recovery and Reconstruction Programme (ERRP)*. The Emergency Recovery and Reconstruction Programme includes;

Major principles of which are aimed at reducing the role of the state in the economy, promoting domestic and foreign private investment, enhancing public involvement in the development, mobilizing external resources and involving national and regional administrative structures in the economic management...With respect to decision making, the policy envisages minimizing the state interventions in the economic affairs such areas as pricing , marketing credit, etc. withdrawing the privileges of enterprises that would continue under state ownership and subjecting them to the test of profitability. However, the policy makes clear that, the government would continue to play important regulatory functions (Eshetu, 2004; 264).

However to realize the goal of rebuilding the war damaged economy, the Transitional Government of Ethiopia had to obtain technical and financial assistances from the international financial institutions and other western developed countries. One of the best ways to secure such kind of assistances from the international financial institutions and donor countries at that time was to adopt the Structural Adjustment Programmes (SAPs) of that time. According to Yosyas (2010), the first most explicit formulation of the neoliberalism prescriptions in Ethiopia were the Structural Adjustment Programmes of the 1990's. “In response to the near collapse of the

Ethiopian economy about 1991, coupled with unsustainable internal and external imbalances, high inflation rates, negative interest rates and non-viable debt ratios, the Transitional Government of Ethiopia, initiated a Structural Adjustment Programme (SAP) for the period 1993-96 with the support of African Development Fund (ADF), other multilateral and bilateral donors.”(African Development Bank, 2000; 1). According to the 2000 African Development Bank report on the implementation of the Structural Adjustment Programme in Ethiopia, the goals of SAPs were; the stabilization of the economy in order to restore macroeconomic balance and reduce inflation, structural adjustment to stimulate medium and long term growth and so on.

In order to achieve the said targets, situation made easy by the fact that the government had successfully concluded a *Policy Framework Paper (PFP)*, with the International Monetary Fund (IMF) and the World Bank in September 1992 and a *Structural Adjustment Facility (SAF)* with the IMF, thereafter”(African Development Bank, 2000;4). The major goals of the Policy Framework Paper (PFP) were;

To enhance the role of the private sector in both production and distribution, and to rely largely on the market as the primary mechanism for resource allocation. As corollary it is envisaged to reduce the role the government significantly and to confine it to the provision of economic and social infrastructures, and to policy formulation and regulation. Reduced to their essentials, therefore, the reforms aimed at macroeconomic stabilization (reducing budget and balance of payments deficits and curtailing inflation); improving incentives for production and export (through price decontrol, devaluation , tax reform etc), and reforming the framework of regulation to create an enabling environment for the private sector (through new investment and labour law, decontrol of movement of labour, eliminating discriminatory practices in the allocation of foreign exchange, etc (Eshetu, 2004; 266-67).

As we have seen from the above quotation, the Structural Adjustment Programme was the main reason for the introduction of the principles of neoliberalism in the political economy of Ethiopia. As it has been stated, we can see so many neoliberal economic policies in the *Policy Frame Work Paper (PFP)*, which was signed between the Transitional Government of Ethiopia and international financial institutions like the International Monetary Fund (IMF) and the World Bank and other western donor states.

The main purpose of this chapter is to discuss and analyze the debates that are becoming very familiar between the Revolutionary Democrats and Liberal Democrats in the current politics of

Ethiopia regarding to, what has to be the role of the government in the economy, the issues of group (collective) versus individual rights and other issues that are related to the political-economy of the country.

4.2 Debates on what has to be the Role of Neoliberalism in the Politics of Ethiopia

One of the major EPRDF's criticisms of liberal democrats is that, liberalism's limitation to respond to questions of the rights of nations and nationalities in the same manner as the revolutionary democracy does. According to Mersea Kidan (2010) the main political and ideological difference between revolutionary democracy and liberal democracy in Ethiopia is that, the revolutionary democrats give precedence to group rights, whereas liberal democrats promote individual rights.

The FDRE Constitution, which is a reflection of the ideology of the Revolutionary Democrats on its preamble, states that, "We the Nation, Nationalities and Peoples of Ethiopia... Have therefore adopted, on 8 December 1994 this constitution through representatives we have duly elected for the purpose as an instrument that binds us in a mutual commitment to fulfill the objectives and principles set forth above." It does not say "we the citizens of Ethiopia..."

Against the EPRDF's policy of giving priority to the rights of Nations and Nationalities, that is collective or group rights over the individual rights, liberal democrats argue that:

Collective rights (whether in the form of a nations or otherwise) are not separate issues that are unable to be addressed in respect to the individual's fundamental rights. It does not compromise the right of individual under the disguise of ensuring the rights of collective, nor is it true other way round (Addis fortune May, 4/2010).

Accordingly, the liberal democrats argue that, the EPRDF's policy of prioritizing group rights over the individual rights cannot be legitimized by any reason. While they criticize the stand of EPRDF towards the group rights and individual rights, liberal democrats blame EPRDF for repeatedly violating individual rights of the citizens of Ethiopia, mainly because of its policy of overemphasis for collective (group) rights over the individual rights. Regarding to RPRDF's policy of giving precedence to collective rights over individual rights, Mersea Kidan one of the ardent proponents of liberal democracy in the political-economy of Ethiopia, in his article

entitled as *Making the case for Liberal Democracy as an Alternative to Revolutionary Democracy* strongly condemns the EPRDF's position as follows:

They [Revolutionary Democrats] divided Ethiopia along ethnic lines and named those ethnic states 'Nations'. Liberal Democrats including me, strongly oppose this premise. We insist that Ethiopia is a single nation, not a collection of nations. Were it the liberal democrats who ratified the constitution, the first chapter would state that the constitution was ratified by 'citizens of Ethiopia'. So, Liberal Democrats stand for the rights of 'citizens of Ethiopia' as a nation, whereas Revolutionary Democrats stand for rights of ethnic groups they refer as nation and nationalities (2010:4-5).

He further argues that because of the precedence of group rights over the individual rights by current government of Ethiopia,

There is a first class and second class citizenship in the same country. For example, a Tigrayan in Oromia would be a second citizen to the Oromo and vice versa. We Ethiopians need to strengthen a political party or coalition of parties that leans towards the right... Above all the federalism system that created a first and second class citizenship needs to be corrected. And the only way to correct it is by fully respecting individual rights. In order to do that, we need to form a strong political force that fights for the individual right of every citizen everywhere in the country (Mersea, 2010:9).

The All Ethiopian Unity Party (AEUP) in its political programme which came into effect in April 2009 suggested that "in the countries such like Ethiopia where there are many nations, nationalities and people with deferent cultures, religions and customs, liberal Democracy is the best choice to live together and to build the culture of tolerance among citizens" (AEUP, 2009;4). In opposite to the Federal system which is now operating in Ethiopia- Ethnic Federalism- the All Ethiopian Unity Party suggests a federal system which takes into consideration different phenomena like the settlement of the people, geographical situations, the distribution of economic resources and so on, rather than language spoken by the members of the society inhabited in a given area.

While the author of this research conducting an interview with Ato Milkessa Midega who is the scholar of federalism, on the view that how can we prioritize collective rights over the individual rights or vice versa, which is becoming an issue of hot debate between the ruling party and other opposition parties, those are the followers of Liberal Democracy, he argued that:

Actually, it is difficult to prioritize rights in terms of their importance. Because, both individual and group rights are complementary to each other. However contexts and political situations of a given country may force people to choose one other than the other. For instance, countries that consider themselves as the homeland of homogeneous society incline to prefer individual rights before collective rights. The classical model is the United States of America... The context of Ethiopia is completely different. From the outset, Ethiopia is formed of groups: linguistic, religious, culture, etc. Thus, Ethiopia is a country of heterogeneous society. The earlier regimes had tried to consider Ethiopian population as one Christian- Amhara nation, taking the American 'Melting Pot' model. Therefore, the system had benefited some groups while it was clearly disadvantaged to the rest of groups in Ethiopia¹.

Ato Kebede Desissa, information and communication expert at the Ethiopian Human Rights Commission further argues that

Protections of collective rights are Ethiopia's age old questions. Since the people have been fighting for their language rights, religious questions, culture, history and identity concerns, addressing these (group rights) first is the basis of individual rights. Language, religious, culture, history and identity questions are also the basis of individual rights. But, the fights for them have been in group, because national or religious oppressions was/is imposed on groups. First, the groups have to be able to decide about their matters an individual rights will be guaranteed².

When we sum up the views of Ato Milkessa and Ato Kebede based on the social and political context of the countries it is possible to prioritize either collective or group rights one over the other. For example, in some western countries where the social condition is highly identified with individualism and have homogenous society, individual rights are the most preferred types of rights that their governments have to prioritize over collective (group) rights. When we come to the context of Ethiopia, things are very different. Ethiopia is the home of different nations and nationalities with different cultures, customs, norms and language. The past regimes of the country were also very reluctant to consider these differences and they used to oppress and try to

¹ Interview with Ato Milkessa Midega, prospective graduate at the Institute of Federalism, Addis Ababa University, January 24, 2011, Addis Ababa.

² Interview with Ato Kebede Desissa, Information and Communication expert at the Ethiopian Human Rights Commission, December 2, 2010, Addis Ababa.

displace the identities of the members of different nations and nationalities of the country. In order to narrow the gaps which were the result of the past injustice, the group (collective) rights should have to be prioritized over the individual rights.

In line with the above view Ato Hailu Adugna youth and sport expert at the Gulelle Sub-City asserted that:

From the very beginning, Ethiopian cultures, state formation and social cohesion is quite different from that of the west- where individualism is the base of their state formation and historical enmity does not exist between and among the people. But in the case of Ethiopia, the state was not formed by the will of the people, rather by force. In addition, Ethiopian nations and nationalities had suffered from discriminatory rule and dominations not as an individual but as a group. So, in order to remove the scar of domination and discrimination, it is group rights that can be a solution for the past injustices. Therefore, in the context of Ethiopia respecting group rights means respecting individual rights³.

Both the above respondents, i.e Ato Hailu and Ato Milkessa, agree on the fact that, in prioritizing collective rights over individual rights or vice versa, the political and social contexts of the countries that are going to prioritize one over the other matters a lot. Regarding to Ethiopia, both of them argue that because of the presence of different Nations and Nationalities in Ethiopia and because of the past injustices made by the previous Ethiopian regimes on these ethnic groups, group rights have to be prioritized over the individual rights, mainly to compensate the past bad history in which nations and nationalities of Ethiopia had suffered of cultural, economic and political discriminations because of their identity.

In understanding the position of Ethiopian people's Revolutionary Democratic Front (EPRDF) in giving precedence to collective rights over individual rights, it is very important to revise an article written by a Revolutionary Democrat Adal Isaw, which is entitled: *Revolutionary Democracy: A fitting world view for economic and political development of Ethiopia*. In trying to show us why collective rights are so important than individual rights in the context of Ethiopia, he reasserted that:

³ Interview with Ato Hailu Adugna, expert of Youth and Sport at Gulele Sub-City of Addis Ababa, February 26, 2010, Addis Ababa.

A country that badly needs a collective effort for its political and economic development should not subscribe to the impractical and hypothetical world view of liberalism that condemns and rejects the collective rights of a people. For Ethiopia - a country of diverse nations and nationalities, this type of unmitigated individualism is a recipe for disaster. Ethiopia will not aroudsly work itself to become a democratic middle income country, built on a society of self-seeking individuals, each pursuing disparate objectives of the mind, lacking a commonly desirable plan of an Ethiopian purpose (Adal, 2010:2).

The central theme of Adal's argument is that the context in which Ethiopia was found itself requires the collective actions of its citizens to build tomorrow's "a democratic middle income Ethiopia". In the course of realizing this mission, first the collective rights of its nations and nationalities have to be respected without any preconditions mainly "in order to enable the people to rally behind the objectives of revolutionary democracy" (EPRDF, 2006:32), and to advance Ethiopia's economic development.

Abey Zewde, in his article which is entitled: *The Neo-Liberals and their Parrots on Individual rights and National/Nationalities Question*, identifies the position of Ethiopian Liberal Democrats on human rights in the following manner;

Neo-liberal analysis of human rights is as the Chinese saying is like a bamboo tree thick on the outside and shallow in the inside, but in neoliberals of cause the shallowness is packed with poisons interpretation of false human rights concepts and application (2010:6).

4.3 The Debates of Liberal Democrats and Revolutionary Democrats on the Economy of Ethiopia

While we try to understand the central essences of different economic and political ideologies that are found in the world, we come to understand the fact that there is no economic and political ideology which is perfect in itself and pure from the influence of other ideologies. Rather they contaminate or influence each other. When we come to the context of Ethiopia, EPRDF's Revolutionary Democracy is not fully pure from the principles of neoliberalism.

According to some critics, the current government of Ethiopia is “implementing about fifty percent of neoliberals’ policy proposal with its most capacity” (Tesfaye 2010:2). Eventhough the two ideologies – “Revolutionary Democracy and Liberal Democracy do not have completely different perspectives on the economy of the country, there are some differences that are difficult to reconcile” (Abey, 2010:7). Among the points of differences between Revolutionary Democrats and Liberal Democrats on the economy of the country, the main ones are: the role of the government in the economy, land policy and government monopoly of some sectors, are the crucial policy differences.

Liberal Democrats accuse Revolutionary Democrats for “maintaining of the domination of the state in the market up to the extent of competing with the private sector” (Mersea, 2010:5). Fassil Demmisie (2008) argues that different companies that are established and ruled by the Tigrian People’s Liberation Front (TPLF) are equally competing with different private companies. Some of the party business groups that are mentioned by Fassil are Mesfin Industrial Engineering, Messobo Cement Factory, which is found in Mekelle Town, Gunna Business Group and so on. According to Fassil, these firms have special privileges by the government.

Basically, “neo-liberalism as a new world phenomenon encourages the accumulation of capital and the playing of minimal role of the government in public life” (Getachew, 2010:2). Based on this, liberal Democrats blame the EPRDF government for its frequent intervention in the economy. They argue that, the EPRDF government is not a limited government. The All Ethiopia Unity Party (AEUP) in its official document which states about its political programe, clearly states its determination to build a “free market economy which takes the real context of Ethiopia into consideration and which is based on the principles of demand and supply” (AEUP, 2009:8), if it comes to hold the power.

Contrary to the above liberal democrats’ argument about the role of government in the economy of Ethiopia, Ato Seku Toure Getachew, officer of public relation of the Ethiopian People’s Revolutionary Democratic Front (EPRDF), argues that:

Where ever you go in the world, there is no free market economy which is free from government intervention. Liberal Democrats argue that the economy has to be ruled by the principles of demand and supply. But we argue that, there are instances in which the principles of demand and supply cannot work in the economy of our country. For example, it is impossible for the domestic

private firms to participate in crucial economic sectors like electricity, road construction, mining, telecommunication and the provision of clean water supply. This is true because, all these economic sectors require a huge amount of capital and even most of them are not profitable business sectors. Therefore it is difficult for private firms to participate in economic sectors that are not profitable. Because of this, it is up to the government to intervene in the economy mainly to address these gaps⁴.

Ato Seku Toure tries to justify the government intervention in the economy is mainly because of the reason that the private sector's driving interest is only profit. Letting the private sector to own some crucial economic sectors like Telecommunication and Electricity, would be letting delivery of the services and products of these sectors only to the haves, and the have nots would be disadvantaged. In line with this view, Ato Hailu Adugna argued that;

In order to protect the have nots/economically weak portion of the society, the government should intervene in the economy. If the government refrain itself from intervening in the economy, domestic producers as well as the have nots may expose to exploitation and marginalization; due to intense competition on them from foreign MNC's. Therefore, to bring equitable development the hand of the government should stretch more than ever before in the economy and the current government is on the right track accordingly⁵.

From the above views of both, we can derivate the fact that, while the government of Ethiopia intervening in the economy, it has a twofold responsibility: to support and coordinate the efforts of the “agents of development and engage to the extent possible in areas where private sector is unable to engage, while at same time address red tapes” (EPRDF, 2006:5). Ato Seku Toure also adds to it by saying;

We (Revolutionary Democrats) believe that the government has to be the main actor in the national economy. Especially, the government has to intervene in the economic sectors that are very sensitive and have priority in the national economy. Accordingly, the Ethiopian Peoples' Revolutionary Democratic Front believes that, our economy has gaps that cannot be filled by the private sector like the expansion of water supply, road construction and Telecommunication

⁴ Interview with Ato Seko Toure Getachew, Public Relation Officer of the Ethiopian People's Revolutionary Democratic Front (EPRDF), November 12, 2010, Addis Ababa.

⁵ Interview, supra note 3, at page 51.

services. Therefore, the main purpose of our government intervention is to diagnose the market failure in some selected sector⁶.

Even though my respondents, Ato Seku Toure and Hailu argued that the current government intervention is purposive and has positive impact on the well-being of the country and based on this the current government should not be blamed as being unlimited government, as did by the liberal democrats, there are some writers who argue that the notion of a 'limited government' which is preached by Ethiopian Liberal Democrats is a myth and is something unachievable. Adal Isaw, in his article entitled: *Don't Let a Neoliberal Tell You otherwise: The Ideological Idea of 'limited Government' is a Myth*, persuasively asserted that, a peoples government should not be limited from fully serving the economic and political interest of the great many citizens it represents. He also argued that;

A limited government of the kind that neoliberals aspire is only limited from serving the political and economic interest of a great many citizens that it ought to serve. It is a government that serves the moneyed interest of the few at the expense of many citizens in need of a social safety net. It is also essentially the tool of liberal ideology, under which private interest supersedes social interest; welfare for the rich supplants welfare for the poor and the legitimate powers of government is limited to the bare minimum so that corporate and other moneyed interests are set free to self-regulate... to put it succinctly and mildly, therefore, the liberal ideology idea of limited government is to limit a peoples' government from working hard to satiate the economic and political hunger of a great many of its deserving citizens (Adal, 2010(b):3).

As it is repeatedly stated by government officials, the EPRDF government is a developmental state. Regarding this the party's political programme which came in effect in 2006, clearly states that "economic development, the major objective of our organization is the foundation and pillar of all our goals" (EPRDF, 2006:4). As Bolesta, clearly puts in his article which is entitled: *China as a Developmental State*, argues that "economic development is the main objective of each and every developmental state" (2007:521). But there are critics who argue the theory of developmental state cannot be put into practice in Africa. Concerning this one critic said that:

I think the state should have greater role in triggering economic development in African countries. But for this to be the case the state must have the capacity, be free from corruption and

⁶ Interview, supra note 4, at page 54.

should be conscious all of which is not the reality in the current state of African countries (The capital, January 9, 2011).

But whatever the case, EPRDF wants to have a strong state that can endure internal and external influences and has the ability and the capability to accomplish its developmental goals.

Regarding the recent price control mechanism which was issued by the government on January 8, 2011, at the announcement of this the mechanisms, looking back to the two years custom report, Director of Ethiopian Revenue and Custom Authority, Ato Melaku Fenta said that,

There are 158 importers who could control 76 percent of imported nonfood items and 48 people control 61 percent of the country's imported food items. Here it is clear who sets the price and the continuous commodities' price... This will lead the country into dangerous economic, social and political crisis unless regulated (ETV News, January 8, 2011 at 8:00PM).

While making a speech to the parliament on February 3, 2011, Prime Minister Meles Zenawi further strengthened the position of Ato Melaku by saying "in the economy where there is no normal competition and where the price of all goods and services are determined by few merchants, it is a must for the government to intervene in the market before things are going out of our control"

The other frequently debated issue between the Revolutionary Democrats and their counter parts-Liberal Democrats, is the issue of land. According to the Federal Democratic Republic of Ethiopia (FDRE) constitution, article 40 sub-articles 3 'land is a common property of the Nation, and its People.' Thus land shall not be subjected to sale or other means. Accordingly, the right to ownership of rural and urban land, as well as of all natural resources is exclusively vested in the state and in the peoples of Ethiopia. Article 40 sub-article 6 of the FDRE constitution also states that, "without prejudice, it is the right of Ethiopian Nation, Nationalities and Peoples for the ownership of land. The government shall ensure the right of private investors to the use of land on the basis of payment arrangements established by law".

By supporting the government's land policy Ato Seku Toure argues that:

If we allow the land to be owned privately, it is inevitable for the few who have the capital to own most of land of the country. This will force the farmers either to be serfs for the land owner or to evacuate to the urban areas. This in turn will be the cause for high social, economic and political

crisis in both the urban and rural areas. That is why we are saying that, allowing the land to be owned privately means allowing the revival of gult system and letting rent seeking to get fertile ground in our society⁷.

The other concern of the government for not to privatize the land is that, since the majority of the population of Ethiopia (85%) is composed of the farmer, letting the land to be owned at the private level would be allowing the very few urban merchants to own the base of the livelihood of the farmer – the land. This in turn will make the 85 percent of the population to be dependent on few capitalists who bought most of the urban as well as the rural land. In the long run this would bring socio- economic and political unrest all over the country.

But in the opposite way, liberal democrats argue that “land owners in the ‘gult’ system of the Imperial era maintained the political power because the survival of the farmer depended on whether the land owner allowed him to cultivate his land or not, at the present time the survival of a farmer depends on whether a cadre allows him to cultivate a piece of land or not” (Yosyas, 2010:3). Accordingly, in both cases the cadres and the land lords (gultegna) maintained their political status through their ability to deny the farmer to cultivate a piece of land or not. According to liberal democrats, if the farmers required to increase productivity and keep the fertility of its land, the private ownership of his/her land has to be recognized by law and thereby the farmers of Ethiopia become free from the frequent and forceful intervention of the government.

The other main issue of difference is the fact that the government maintains monopoly in some sectors of the economy. The liberals blame that “sectors like power generation and distribution telecommunication and electronic media are under complete monopoly of the state (Mersea, 2010:6).

The justification by the revolutionary democrats to maintain this situation is that, because the private sector’s interest is only profit, it would therefore focus on delivering the services and products of the sectors on to the haves. Hence, the have-nots would be disadvantageous. Ato Seku Toure Getachew, officer of public relation of the EPRDF, understandably claim that “Capital needs to be accumulated in order to construct the infrastructure needed to distribute the

⁷ Interview, supra note 4, at page 54.

products and services of these sectors and that it is the state who has both the responsibility and the capacity to do so.”

Chapter Five

Concluding Remarks

5.1 Summary of the findings

In summarizing the major findings of this research, let me try to recap some brief answers to the research questions I set to answer at the beginning of this research.

Since the late 1970's in a widening sphere of vastly different societies, economic growth has come to be guided by nearly the same set of neoliberal policies. Neoliberalism is a broad structure of political beliefs founded on right wing yet not conservative ideal about political democracy, on individual freedom and creative potential of unfettered entrepreneurship.

The economic analysis at the theoretical core of neoliberal belief system derives from a certain reading of the founding texts of classical and neoclassical liberal economics. These represent market processes as optimally efficient means of allocating resources on the most productive uses. The main restriction on the tendency for free capitalist economies to grow is thought to be market failure resulting from perverse governmental intervention. Neoliberals claim that the distribution of wealth as a result of the market is, in itself, just. They reject the idea of redistribution of wealth as a goal in itself.

Neoliberal economists like Melton Friedman began to be taken seriously during the series of economic crises of the 1970's. At that time there were criticisms towards the view that the government intervention is must to realize economic stabilization and to bring sustainable economic development. Starting from this time neoliberalism became popular as a critic against the economic ideology of Keynesianism. At that time neoliberalism was eagerly adopted by the Ronald Regan and Margareth Thatcher's governments in early 1980's.

Neoliberal type of economic and political policies were imposed or introduced in to the Sub-Saharan Africa, by the giant international financial institutions like the World Bank and the International Monetary Fund (IMF), following the 1970's and 80's economic crisis that highly affected the continent. Mainly through the Economic stabilization Programme of the IMF and the Structural Adjustment Programme of the World Bank. The two programmes were responsible for the introduction of neoliberalism in to the political economy of the Sub-Saharan Africa.

The World Bank began to shift towards neoliberal positions with the Berg Report on development in Sub-Saharan Africa, specifically with the introduction of the Structural Adjustment Programmes (SAPs). The World Bank (1981) published its first major response to the economic crisis facing Sub-Saharan African countries by publishing its famous Berg Report, entitled: *Accelerated Development In Sub-Saharan Africa*, which attributed economic stagnation in the continent to the poor government policies rather than external factors. The report recommended the rolling back of the state and freeing up of the market forces to avert impending

economic disaster in the region. All the policy recommendations of the Berg Report were taken as corner stones of the then newly introduced Structural Adjustment Programmes.

There are two contending views regarding the significance of neoliberalism in the political economy of Sub-Saharan. One group claims that, if the neoliberal policies implemented effectively, they can address the socio economic and political problems of the region. The advocates of this group attributed the backwardness of the continent to the lack of democratization and the absence of the economic and political liberalization .They argue that the adoption and implementation of neoliberal economic and political policies in the Sub-Saharan Africa is a matter of must not a matter of choice, to advance the political and economic development of the region.

The other group argues that, the ideology of neoliberalism is something alien to the continent of Africa. It is a policy that developed through the long period socio-economic and political changes occurred in the Western society. Accordingly, the people of Africa have contributed nothing to the development of neoliberalism, but are forced to adopt and abide by it. The advocates of this group consider neoliberalism as a mechanism for the Western Capitalist states to manipulate the African states and exploit the valuable resource as of the continent. They (advocates of this view) argue that the underlying principles of neoliberalism, like from economic liberalism, the continent has benefited nothing, rather under these systems Africa is always a loser. Economic liberalization is the major policy recommendation that the Western countries want to see all over the continent mainly to create a fertile ground for their multi-National Corporations (MNC's) easily dominate the markets of the Sub-Saharan Africa states.

When we come to the case of Ethiopia, comparing to the other Sub-Saharan African states Ethiopia was a little bite late to adopt the Structural Adjustment Programs. This was mainly because from 1974-1991, Ethiopia has been under the rule military regime of Dergue, which was a socialist oriented regime. While most of the African states were adopted the Structural Adjustment Programmes in the in the 1980's, Ethiopia adopted this programme in 1992 when the World Bank and the then Transitional Government of Ethiopia (TGE) signed an agreement which is commonly known as the Policy Framework Paper (PFP). With this agreement the Transitional Government of Ethiopia agreed to accept some neoliberal policies like devaluing the

Birr, reducing the role of the state in the economy, to let the market to determine the price of goods and services and so on.

But the intention and the action of the government on implementing the Structural Adjustment Programmes is somewhat different. Even though the then government of Ethiopia agreed to minimize the role of the government in the national economy, it continued to be the leading actor in the economy. So it is impossible for one to argue that all the neoliberal policies identified in the Berg's Report are accepted and implemented accordingly.

Ethiopian Liberal Democrats accuse the government for its perverse intervention in the economy. They also argue that, by prioritizing the group/collective rights over the individual rights, the government is violating the individual rights of its citizens and leading the country to disintegration. They also blame the rigid policy of the government on the land and other crucial economic sectors like Telecommunication and energy sector.

5.2. Conclusion

In conclusion, I argue that liberal democracy (neoliberalism, in its contemporary version) cannot help to solve the socio-economic and political problems of Africa. The basic reason for liberal democracy's (neoliberalism's) lack of solutions to such problems is that its principles have been formulated in the industrialized capitalist societies which are characterized by considerable cultural homogeneity and relatively small economic gaps. In order to prevent such mismatches it is necessary to comprehend the peculiar social and economic conditions of each country and install not only formal democratic principles, but also additional constitutional, institutional and policy elements. The most important thing that the people of Africa want is the democratization of society, of production, of the economy, and indeed all aspects of life.

Elections and the protection of individual rights cannot fully address the fundamental problems of the people of Africa. A ballot box cannot answer the urgent needs of the African people - to get its daily meal. If democracy in Africa conceived merely as the process of conducting elections and protecting individual freedom, then this type of democracy seems more illusory than fundamental. Democracy in Africa also has to be conceived as a system which enables an ordinary African individual to get equal access to social services that can make fair distribution

of the wealth of the nation among citizens and so on. Basically the government that cannot provide the fundamental economic needs of its citizens cannot protect the political rights of its people.

5.3. Recommendation

There is no argument about the necessity of democracy for the socio-economic and political development of Ethiopia. But the political discourse in the country has to be targeted to whose interests need to be fulfilled first. Since the country has been immersed in full of problems-political, economic, social, cultural and political- it is fair and reasonable for Ethiopia to design new social based policy. Primarily the government of Ethiopia has the responsibility to design democratic policy that will treat all nationalities of Ethiopia equitably. For instance, as much as possible, all Ethiopians should not worry for food shelter and clothes. These basic needs, have to be addressed first with the government's conscious policy framework.

Accordingly, neither Liberal Democracy nor Revolutionary Democracy, but Social Democracy can effectively address the socio-economic and political problems of Ethiopia. Because in Social Democracy, government intervention is neither down sized as that of Liberal Democracy, nor monopolized as that of Revolutionary Democracy. In addition, in Social Democracy economic development and the gap between the rich and the poor is not wide as that of liberal democracy: even if it happens the government can bridge the gap. Also Social Democracy is not a reductionist ideology as that of Liberal Democracy and Revolutionary Democracy. By its nature Liberal Democracy gives more emphasis for the civil and political rights of citizens, while it lends its deaf ears for some social issues like the identity questions of nations and nationalities and the question of social justice. In other words Liberal Democracy prioritizes the political liberties of citizens over anything else.

By taking economic development as the primary goal of the government, Revolutionary Democrats prioritize economic development of the nation over anything else. By doing so, Revolutionary Democrats suppressed the political and civil rights of their citizens for the achievement of economic development.

When we come to Social Democracy, it neither traded off economic development for the political and civil rights, nor the vice versa. Social Democracy gives equal status for both the economic development of the nation and the realization of political and civil rights of the citizens. Therefore it is my personal suggestion that, it would be better for Ethiopia to adopt the type of ideology that enables the country to achieve equally economic development and the realization of civil and political rights of the citizens, Social Democracy.

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Appendix I: List of Persons Interviewed

1. Ato Seku Ture Getachew, Public Relation Officer of the Ethiopian People's Revolutionary Democratic Front (EPRDF), November 12, 2010, Addis Ababa.
2. Ato Hailu Adugna, Expert of Youth and Sport at Gulele Sub-city, February 26, 2010, Addis Ababa.
3. Ato Milkessa Midega, perspective graduate at the Institute of Federalism, Addis Ababa University, January 24, 2011, Addis Ababa.
4. Ato Kebede Desissa, Information and Communication Expert at the Ethiopian Human Rights Commission, December 2, 2010, Addis Ababa.

Appendix II: Questions Used to Guide and Structure the Interview Sessions

1. In the case of Ethiopia which one has to be prioritized; individual rights or group rights? How and Why?
2. Some people argue that, "the state that does not respect individual rights cannot claim the group rights of its citizens. Group rights (to language, to the collective expressions of traditions, cultures and beliefs, as well as to exercise group self-determination) do not exist in the abstract. They (group rights) find their expressions through concrete actions by individuals who exercise them. The protection of individual rights allows individuals to engage in activities that give effect to group rights." To what extent do you agree or disagree on the above points by relating the issue to the case of Ethiopia? Why and how?

3. What is the main economic policy difference between EPRDF and the liberal democrats? EPRDF Argue that “there is no a suitable social ground to put in to practice some of the neoliberal policies like free-market economy policy which is free from the government intervention in Ethiopia, mainly because of the absence of sizable middle class.” To what extent do you agree or disagree with this view?
4. What has to be the role of government in the economy in the case of Ethiopia? How do you see the role of the current Ethiopian government in the economy? Is it good or bad? Why?
5. Do you think that in Ethiopia some economic sectors like Telecommunication, Electricity, banking and land have to be privatized and open to foreign investors? Why?
6. In your opinion which one can effectively address the questions of Nations and Nationalities of Ethiopia - Liberal Democracy, Revolutionary Democracy or Social Democracy? How and WHY?

Declaration

I, undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

Tewodros Reta

May 2011.

This thesis is submitted for examination with my approval as an advisor of the candidate.

Tarekegn Adebo (Dr.)

May 2011.

