

Effects of Socialist Legacy in the Smooth Functioning of Market Institutions in Tanzania

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Abstract: While enough has been written on the role of state and market in the economy, the intellectual attention has now been how the market can operate smoothly and for mutual benefits of investors and host countries. Following failure of state planned socialist economies and success of state planned capitalist countries followed by financial crisis in East Asia over the last century, capitalism and market policies were said to be an alternative. However failure of market economy in the recent years, made most scholars to conclude that both state and market have vital role in the economy. However both need to be regulated by effective institutions to avoid arbitrary state interference on one hand and corrosive market effect on the other hand. In most developing countries market is considered to be the best option to realize catch up industrialization through capital and technological transfer possibilities. Market policies are running smoothly in pure capitalist countries than in post socialist countries. This study explores effects of socialist legacy in the smooth functioning of market institutions in Tanzania. Based on convergence-divergence-cross-vergence (CDC) theoretical framework, this study provide a model on how to solve the conflict between socialist legacy, national culture and newly introduced capitalist values in the form of market economy.

Keywords: Market, Market Institutions, socialist legacy, post socialist countries and economic ideology.

I. INTRODUCTION

Following failure of state led economies in the 1980s many development economists dismissed the role of state in the economy (Krueger, 1997 and Collin, 2010). However failure of the market in recent years resulting into acute economic problems beyond the ability of the market to address has called attention to most scholars to recapitalize on the role of state in the economy complementing that of the market (Krueger,1990 and Costello, 1994). Many development economists argues that active state intervention is necessary for the early stage when the market infrastructures are immature, and passive role is a permanent role of the state after the market is stable. More recent studies suggest that for state to play such a role safely should be capable and efficient (Salmon,2010 and Williamson, 2010). Many arguments have been made on how to build state capacity and institutional effectiveness. It is proven that, when market forces operate within effective institutions and regulated by a capable state it will save as a tool of catch up industrialization for latecomers through foreign capital mobilization and technological transfer with ought threatening native ownership of the economy (Levy, 1997 and Haggard,& Bowebb,(1993),). This can be done by empowering local firms to compete with foreign firms. Some recent empirical studies have shown that building effective institutions and state capacity is affected by historical, cultural, pre-existing economic ideologies and other local conditions.

Along this line of view it has been advanced that most post socialist countries face challenges related to the conflict between socialist policies which have become inseparable from National culture that conflict with Capitalist policies introduced in these countries alongside with economic reforms aimed at putting market forces into function. Using convergence-divergence-cross-vergence (CDC) theoretical framework, this paper assess the effects of economic ideology and national culture in the building of effective institutions and state capacity for successful industrialization. This study recommends harmonization of the national culture-that consist of socialist legacy and societal values-with the newly introduced western capitalist economic ideology, forming unique values specific to the particular post socialist country.

1.1 Theoretical Framework:

According to the theoretical fact developed by Antonio Gramscia;¹ “any economic and political system manifest itself as a hegemonic power which is not only based on coercion but even more important on social-moral leadership “. ²Along this perspective this study is based on the *convergence-divergence-cross-vergence (CDC) theoretical framework*. This is a famous theoretical framework for analyzing the effects of National culture and economic ideology in the values that characterize institutional and organizational culture and management. This study found this theory to be relevant because helps to assess the extent to which socialist legacy and National culture conflict with newly introduced capitalist economic ideology in Tanzania thus hampering the functioning market economy.

1.1.1 Convergence approach:

Convergence and divergence perspectives were developed as contrasting explanations of values formation (Webber, 1969) According to Ralston, et al (1996), convergence theorists, believe that economic ideology drive values of the society and state at large extent. Convergence implies that as nations become industrialized, there is a significant change in values towards behavior that embraces free market capitalism (Eisenstadt1973 and Ricks, et al, 1990). Since industrialized nations. until very recently. Have been equated to Western capitalistic countries, convergence has meant adopting the ideological values of Western capitalistic economies (Kelley and Worthley 1981; Webber 1969). Developing countries, including those with a history of socialistic economics, would subsequently be expected to assimilate ideologically driven values common to industrialized, capitalistic Western countries (Kelley & Reeser,1973,Yip,1992). Western management techniques, behavior and business systems would comprise the force for this change and the managers of global companies would be the change agents Triandis, Vassiliou & Nassiakou,(1972. This change likely would mean taking on Individualistic work values.

1.1.2 Divergence approach:

According to Ralston, et al, 1996, proponents of this perspective, argue that national culture, not economic ideology, drives values and that even if a country adopts capitalism, the value systems of those in the workforce will remain largely unchanged (Ralston, A. D.2008). Thus, divergence argues that individuals will retain their diverse, culturally determined values regardless of economic ideology (Cole,1971, et al). Consequently, Eastern countries with a history of socialism would not shift their work values toward those held in Western capitalist countries, regardless of how industrialization occurs (Shaw, Fisher and Randolph 1991; Shmelev 199 1; Vance and Anatoly, 1992).

1.1.3 Crossvergence as an Integrative Alternative:

According to Ralston, et al (1996) “Convergence and divergence identify polar extremes.”³ A more recent perspective, crossvergence, has argued that neither of these views is adequate to explain the dynamic interaction of economic ideology and national culture, Crossvergence, a continuum between the polar extremes of convergence and divergence, provides an integrative alternative that might be characterized as the *melting pot philosophy*, of values formation. Proponents of crossvergence argue that there will be an integration of cultural and ideological influences that results in a unique value system that borrows from both national culture and economic ideology (Ralston et al. 1993). Crossvergence was originally defined by Ralston et al.(1993) as a value set that was “in between” the values supported by national culture and economic Ideology.

“While the meager research that has been done to date focusing on crossvergence supports this narrowly defined perspective, it may not capture the true essence of the crossvergence concept. A broader definition that views crossvergence as ‘something different.’ rather than something ‘in between,’ may ultimately add richness to our understanding of crossvergent values”⁴.

¹ Former leader of the Italian communist part

² Theodore H. Cohn-The historical structuralism perspective in Cohn, Global political economy pp.122

³, Ralston A.D. et al.(1996), The impact of National culture and economic ideology on managerial work values. A study on USA, Japan, Russia and China, journal of international business studies, first quarter 1997,pp.6

⁴ Ralston, A. D.(2008), The crossvergence perspective: reflections and projections, journal of international business studies 39, pp.27-40.

Thus, this broader definition might be stated: crossvergence occurs when an individual incorporates both national culture influences and economic ideology influences synergistically to form a unique value system that is different from the value set supported by either national culture or economic ideology.(Ralston A.D. et al,1996 and Ralston, 2008), this is what Theimanu,et al 2002,2010), calls hybridization.

1.1.4. Theory Critics

Ralston has made a significant contribution on understanding the conflict which is likely to arise when a new culture or economic ideology is introduced into an incompatible cultural values and pre existing economic ideologies. However some critics are advanced to this theory including the assumption that the conflict tend to end across time usually between 20 to 50 years. Recent studies have shown that the conflict tends to endure for so long if the legal and ideological institutions are not reformed. According to Theimanu, N.M. et al (2010), “while it is easy to undertake structural reforms; reforming institutional culture, work place values and pre existing economic ideologies is normally complex and connected to spiritual and moral underpinnings. Pre existing economic ideologies and conflicting cultural values affect seriously the effectiveness of institutions as well as managerial and work place values. A hybrid model needs to be developed using ideological tools such as enlightenment projects, public education on media, formal education system as well as major legal institutional reforms.”⁵

1.2. Operational Definitions of Concepts:

1.2.1 Economic ideology:

Economic ideology refers to “a normative approach that expresses a perspective on the way the economy should be run and to what end. It is a base upon which the economic system is built.”⁶ Examples of economic ideology include capitalism, socialism and communism. In this paper economic ideology is used to mean capitalism and socialism. Capitalism in this paper means an ideology that forms a system of economy in which the state allows existence of the Private sector as opposed to socialist that do not allow existence of private sector in the economy. In the former the state can be maximalist or minimalist where as in the later the state is a maximalist commanding a sole control of the economy well known as command economy.

1.2.2 State and market:

Before conceptualization and theorization of state’s role in the economy we should first clarify the conceptualization of the state itself. The conception of state is not universal as it reflects theoretical perspectives that determine what is labeled as states role and vice versa. Marxist and Neo-Marxist theorists for example, regard state to be an instrument of domination or the expression of a pact of domination, accordingly, the relevant subject is power and domination in society and the economy as opposed to modernization theorists who focus on structural characteristics and its potentially autonomous impact on policy outcomes. (Huber, E. 1995) Weberian approach conceptualize State as “a set of institutions that claims control over territories and people based on the monopoly of organized force and that performs administrative, legal, coercive and extractive functions.”⁷

According to Huber, E. 1995:165 this conceptualization does not preclude the recognition that in some situations it may act as the executive committee of the Bourgeoisie, Just as in other situations it may enjoy great relative autonomy. Many other studies are in support of this position although the concept ‘state’ is interchangeably used with ‘Government’, such studies include World Development report 1997, Haggard & Webb,1993, Krueger,1990 and Rodrik, 1996. This paper thus will use state and government interchangeably to mean Weberian conceptualization.

Along with this line, this study broadens the scope of the state to mean three different dimensions advocated by political analysts as it is put in Huber, 1995, namely a set of institutions, the nature of the regime that consist of the rules that govern access to power and its exercise and the rights of the ruled vis-à-vis the rulers and the Character of the incumbent in the in the government’s chief executive positions.

⁵ Theimanu, N.M (2010), Context tension, cultural influences on leadership and management practices.pp.3

⁶ http://en.wikipedia.org/wiki/Economic_ideology

⁷ Huber, E. Assessment of state strength in Peter Smith(ed) Latin America in comparative perspective: New approach to ches to methods and analysis; West view press, 1995; pp. 165 of 163-193.

Since the role of state cannot be discussed in an absolute exclusion of Market forces in the contemporary view we need to briefly conceptualize Market too. Classical and Neo-classical theorists argue that in a perfectly competitive economy and in the absence of externalities, market forces operating through price mechanism assure an optimum allocation of resources (Arndt, 1985). From this argument we understand that the key defining points that help in the conceptualization of the term ‘Market mechanism’ are market forces, and price mechanism. According to Keynes’s General Theory of 1936 pointed out that in default of price flexibility balance between supply and demand must through quantity adjustment (Arndt,1985). This implies that the forces of supply and Demand determines price flexibility, in other words price of commodities tend to rise when the supply is smaller than the demand of a particular commodity and vice versa in a perfect competitive economic environment. This phenomenon is what we call ‘Market mechanism’.

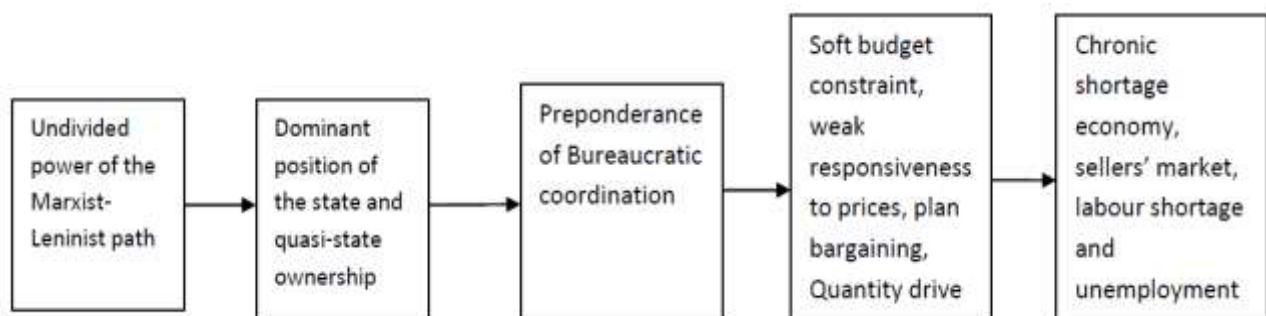
3. State capacity and institutional effectiveness There is a need to define the term state capability and institutional effectiveness. World development report 1997:3 regards state capability as the ability to undertake and promote collective actions efficiently. In other words state capability refers to the ability of the state to accumulate wealth for the sustainable economic growth and egalitarian redistribution for public welfare. State capability is measured in terms of resource potentials such as skilled human capital, fund, technological level, entrepreneurial initiatives, research and development initiatives and so on and the ability to use them for accumulation and egalitarian redistribution for public welfare.

World development report 2002:6, puts in institutions as rules, enforcement, mechanisms and organizations. Institutions are contrasted from policies because policies are the goals desired outcomes while institutions are the rules including behavior, norms by which agents interact –and the organizations that implement rules and codes of conduct to achieve the desired outcome. Institutional effectiveness in this view is thus refers to rules, enforcement, mechanisms and organizations that produce desired outcome competently.

2. LITERATURE REVIEW

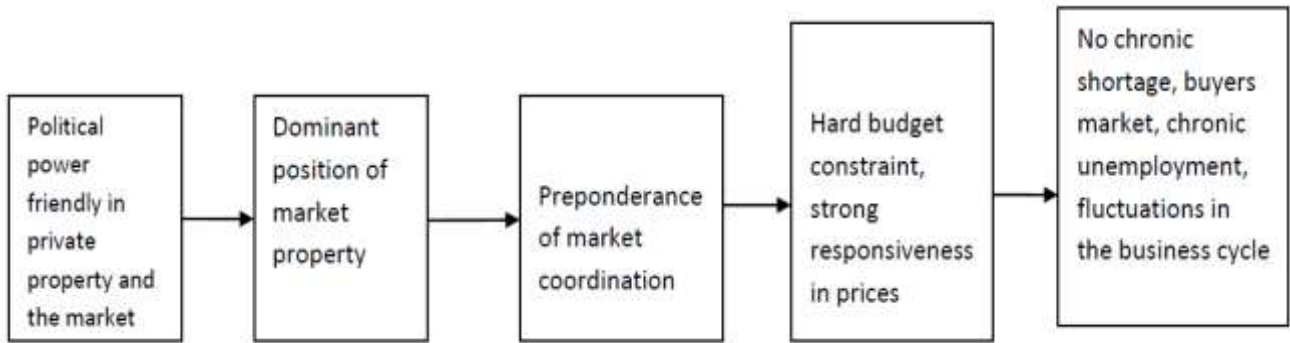
Kornai,(2000), presents the features of a socialist and capitalist models which are in a conflicting relationship. According to him the two economic ideologies cannot exist harmoniously unless a deliberate effort is taken to form a hybrid model by getting rid of incompatible features and retaining the compatible one From both Capitalism, National culture and socialist legacies. These studies therefore suggest a theoretical rationale of this study to find out models to be adopted by post socialist countries which for decades now have been struggling to make institutional reforms for smooth functioning of market forces with insignificant outcomes. As the figure one shows market institutional reforms in capitalist countries take a different model to post socialist countries (compare models in figure 1 and 2).

According to this study market reforms are smooth and successful in pure capitalist countries while the in post socialist countries are complicated and unsuccessful. In Tanzania for example, an attempt to form a hybrid model between African socialism and market policies is facing impediments due to failure of the policy makers to take into consideration ideological legacies. Proper reforms could be to deconstruct socialist institutional infrastructures and construct capitalist infrastructures for market policies. Capitalist countries such as Korea had readymade market infrastructures embedded within capitalist system thus they needed minor reforms unlike post socialist countries (Shin 1998; Gerdes,1995,Yong-Chool Ha & Lee 2007;park & Green,1982and Shayo,2011)



Source: Kornai (2000)

Figure 1: Model of the Socialist system

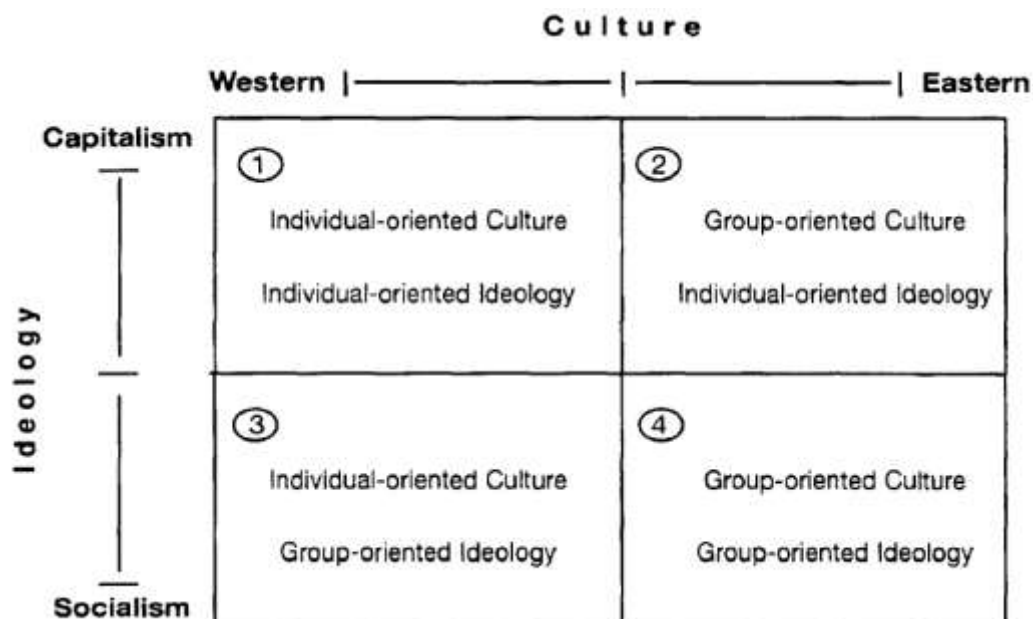


Source: Kornai,(2000)

Figure 2: Model of the capitalist system

This paper puts crossvergence theoretical framework into direct application because researches on the extent to which socialist legacy is a constraint to the building of capitalist institutions and state capacity for smooth functioning of the market economy as a tool for catch up industrialization. Tanzania fits into the context of this theory because, it has been a socialist for almost 3 decades thus socialism has merged with local societal culture to form socialist national culture (Jengo, E. 1996, and Tanzanian National policy 1997), implying that introduction of western capitalist ideology also known as free market economy has contradicting values to the socialist National culture which is also institutional and organizational culture. There is a need to develop a hybrid model to form a crossvergence culture which is neither socialism nor western capitalism. Ralston A.D. et al.(1996), developed a two by two model consisting of co existence between national culture and economic ideology.

Focusing in figure3, Cell no.1 represents countries with individual centered National culture cross verging with individualist economic ideology. A good example for this phenomenon is USA which shows no separation between National culture and liberal capitalist values for many decades now. Cell number (2) indicate a cross-verging between group-oriented or collective National culture such as Confucianism in Korea and Japan which after a conflict of values upon introduction of western individualist economic ideology(liberal capitalism) eventually cross-verged into a new and unique institutional culture which is nether Confucianism nor western capitalism.

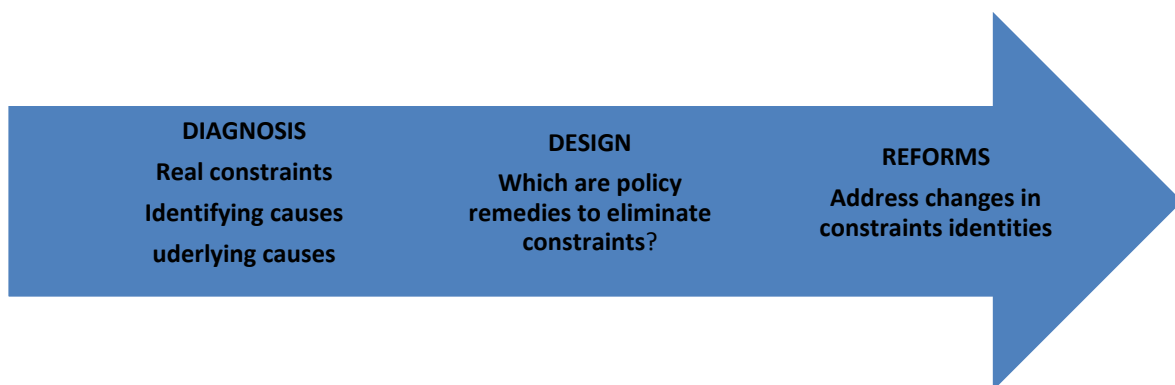


Source: Ralston A.D. et al.(1996), The impact of National culture and economic ideology on managerial work values.pp.5

Figure 3: A Two-by-Two Matrix of National Culture and Economic Ideology.

On the part of cell number (3), represent countries like Russia where the individualist National culture managed to cross-merge with collective or group oriented culture like socialism and communism forming a new and identical institutional culture which is neither communist nor individualist. In most cases cross-merged culture portray more elements of the ideology than that of the National culture depending on how influential each might be to each other in the process of cross-merging. Number (4), represent a cross merged institutional culture from a collective national culture like Confucianism and collective economic ideology like socialism. A good example to this is China. However this interpretation is based on (Ralston A.D. et al, 1996)-the empirical study conducted in 1996 thus some patterns might have changed due to cultural dynamism.

Tanzania currently fit in cell number 4, of which socialist national culture contradicting with individualist economic ideology which is western capitalism introduced in 1980's well known as free market economy. Tanzania like many other post socialist countries have adopted western capitalism blindly without taking into consideration local context in terms of national culture and pre existing ideologies deep rooted in the ideological tools like education system, religions, media values and so on hence market forces result into corrosive effect contrary to the intentions behind their establishment. Ralston's model, shown in figure3 gives an insight of the structure of the cultural and ideological values of 1990s, but does not include the procedures to take for conflicting ideologies and cultures to merge. Also this model shows that conflicting ideologies retain their identities of which it has been proved to be incorrect. To bridge this theoretical gap this study recommends a modified *Dan Roderick's Practical growth model for policy and institutional reforms*⁸ which clearly shows stages of policy reforms to be undertaken by post socialist countries.



Source: Adopted from Rodrick, (2007)

Figure 4: Dan Rodrik's practical growth model

As the diagram of the model below indicates, it involves three stages namely:

1. Diagnosis stage; involves finding out the real constraint based on local conditions as well as the causes and underlying causes behind the particular constraints.
2. Policy design stage, Involves devising appropriate policies to intervene the constraints depending on the causes and underlying causes identified. In post socialist countries, constraints can be poor working of the market forces where as the cause may be ineffective institutional building and performance where as the underlying cause may be socialist legacy in the institutional system and organizational culture. In other words one has to go beyond mere visible constraints and its cause's identification to diagnose the underlying causes in the first stage in order to successfully make reforms needed. The manner and context will vary from country to country depending on the local conditions
3. Policy reforms stage, after construction of appropriate policies and mechanisms to address the constraints identified in terms of their causes and underlying causes, reforms must go on endlessly. Reforms are necessary because the identities of constraints are dynamic across time thus reforms is meant to address such dynamism.

⁸ Dan Roderick's Practical growth model for policy and institutional reforms, is a policy and institutional diagnosis and prognosis model proposed by Dan rodrick(2007), based on the east Asian unique experience of responding to market policies since 1980s to date. Modified version of this model is presented in chapter six of this study.

3. RESEARCH METHODOLOGY

This is a qualitative study which used a variety of data collection methods. Some of them included literature search, documentary analysis, online surveys and field work study. It was done by surveying and analyzing existing literatures on the particular area covering the period between 1960s and 1980s. However, the literature search went beyond the case of Tanzania by including studies about post socialist experience in Eastern Europe, Germany, China and elsewhere to see how we can gain useful evidence on the comparative effectiveness of the two ideologies (capitalism and socialism). Other materials used in this analysis include e-materials, newspaper archives, and government documents such as ministerial reports, National budget documents and government websites. More than 60 documents were analyzed.

3.1 Online survey:

Online Survey was used to collect data related with Peoples altitude towards the predominant economic ideology. This methodology did not aim at testing any hypothesis but collected data on market policies public support focusing into human personnel opinions. Data obtained by this method was used to justify the relevance of this study by showing the magnitude of ideological conflict in Tanzania. Literature search was thus used to test the third hypothesis based on this method. Online survey used questionnaires through special survey software called Kwik survey⁹. Since the researcher had a financial and time constraint, online survey of this type was considered to be one of the best time saving and financial friendly methodology. The only limitation with this method is that there is no face to face contact with the respondent thus may discourage them to respond especially when the questionnaire involves ambiguous questions.

Using online survey through Kwik survey software depends largely on the social network of the researcher because operate through communication media like emails, face book and twitter and so on. This study had a sample of 100 respondents from Tanzania randomly selected but with specifications to meet the objectives of the survey. For unknown reasons only 91 respondents submitted their responses while 9 respondents went missing. The sample constituted technocrats working in both public and private formal institutions, university students and entrepreneurs from private sector. Workers from formal institutions were involved so as to find out the extent to which socialist legacy and national culture influence institutional culture and work values in the capitalist context. Institutional worker's values reflect the influence of economic ideology and National culture on the institutional culture, because workers values and ideological perceptions are shaped by their workplace institutional culture. It is the miniature of the national culture and dominant economic ideology (Ralston, et al.1996,2008 and Tabellin, 2004)

Further More, university students and professors are included in the sample because they are in a better position to understand the extent to which socialism legacy shapes the Tanzanian education. It will help to assess three decades education's role in promoting socialist ideologies and policies has endured under the capitalist-newly introduced - economic ideology and free market policies. Any regime use education as an ideological tool to shape the behaviour of its people especially human resource. In case of ideological change, Structural reforms in the institutions cannot change anything significant if education system is not reformed to promote the new ideology which the state wants to promote.

It is through education system where the work values and ideological perceptions are internalized into the human personnel that join institutions after graduating from colleges and universities. Education system is a miniature of the larger society norms of conduct, values and ethics. According to Paul Fraire (1987) *knowing is a social process, whose individual dimension, however, cannot be forgotten or even devalued. The process of knowing, which involves the whole conscious self, feelings, emotions, memory, affects, an epistemologically curious mind, focused on the object, equally involves other thinking subjects, that is, others also capable of knowing and curious.*¹⁰ This implies that the behaviour, feelings and actions of workers in the institutions and organizations and elsewhere in the society are largely influenced by education system they are trained through.

On the other hand private entrepreneurs work within private sector and are the most vulnerable in the local firms' vis-à-vis foreign firms competition in unregulated market environment thus can be in a better position to understand; how introduction of capitalism in the form of free market economy has affected local ownership of the economy. This group of respondents can also give a good picture of their ideological preferences hence help in assessing the extent to which socialist legacy conflict with newly introduced capitalist values in entrepreneurial activities in Tanzania.

⁹ http://www.kwiksurveys.com/online-survey.php?survey_ID=ILIHLEF_5f70602c&preview

Is an online free, quick and easiest way for collecting opinion oriented data. At this we blink questionnaires and survey raw results linked to my main database is available.

¹⁰ <http://www.newfoundations.com/GALLERY/Freire.html>

4. DATA ANALYSIS, INTERPRETATION AND DISCUSSION

This part presents the analysis of the data which were collected by online survey as well as secondary data from previous studies, audio and visual materials and internet newspaper archives. The aim is to answer the question; ‘Does socialist legacy and national culture complicate policy reforms and restrain smooth functioning of market economy in Tanzania?’. The online survey was more of a diagnosis than a prognosis study in the sense that it aimed at diagnosing the extent to which the work place values of Tanzanians are influenced by socialist legacy and National culture and the extent to which such influence conflict with newly established capitalist ideology in the form of market policies. This paper regards market policies as a potential tool for enhancing rapid catch up industrial development due to its ability to facilitate capital mobilization and technological transfer. As proved theoretically, introduction of a new economic ideology result into a long term ideological conflict between the pre existing culture and ideologies with the newly established ideology.

Since 2000 Tanzania has been going through a series of workers revolts and students strikes reacting to market policy implementation. Unlike other forms of strikes elsewhere, these strikes are unique and portray elements of ant capitalist movement and ant business behavior. For example most of them include national flags, national anthem and some participant imitate some of speech made earlier by the founder of Tanzanian socialism, President J.K.Nyerere about evils of capitalism.¹¹ All these convey a loud and clear message that socialist regime is gone but socialist values thrive within the Tanzanian National culture. A lot goes unreported about ant business behavior of most public servants and bureaucrats frustrating market infrastructures and thus less benefit from market policies than one could expect. Pointing out this problem, one of the Tanzanian government website commented:

“Generally, Tanzania has a favorable attitude toward foreign direct investment (FDI) and has made efforts to encourage foreign investment. Government steps to improve the business climate include redrawing tax codes, floating the exchange rate, licensing foreign banks, and creating an investment promotion center to cut red tape. However, Tanzania still must overcome the legacy of socialism. The most common complaint of investors, foreign and domestic, is the hostile bureaucracy and the weak judiciary system.”¹²

According to this comment, although market policies have achieved several objectives still there are many challenges threatening its smooth performance in the economy. Points out the main stringent constraint are socialist legacy manifested in the form of hostile bureaucracy to both domestic and foreign investors as well as weak judicial system. According to Pejovich(2001) and Cristian von hirschhausen,(1995), bureaucratic ant business behavior and judicial weakness are the most stringent and corrosive socialist legacies which threaten the market welfare and its expected benefits to the economy. Transition experience in Germany and elsewhere shows that the two were addressed in a compressive approach because structural reforms proved to be ineffective.

In addition, it is important to establish a clear index to detect the type of economic ideology that informs institutional and organizational culture as well as bureaucratic behavior. Since I’m dealing with a subjective concept of economic ideology it is difficult to establish a mathematical model to capture existence of socialism or capitalism in a certain economic system. It is equally difficult to quantify the extent to which the predominant economic ideology influences bureaucratic behavior. To solve this problem I decided to use a ‘subjective bureaucratic ideological behavior index’ (SBIBI) developed by Kornai,(2000).

According to this index, the focus is presence or absence of characteristics of socialism and capitalism. When the two are weighed we can analyze and be able to identify the predominant economic ideology. Examining the behavior of bureaucrats together with institutional and organizational behavior we can determine the extent to which the two ideologies conflict each other. Commenting on this methodology_Kornai, (2000) wrote; *“The survey of the basic system-specific characteristics answers the frequent Question of when the transition starts and when it is over. The process of transition begins when society shifts away from the fundamental characteristics of the socialist system and finishes when society reaches the characteristic of the capitalist system. Moreover, the new state of affairs has to strike roots and become irreversible.”¹³*

¹¹ <http://www.youtube.com/watch?v=cXIVzJ2CC0s>.

¹² <http://www.state.gov/r/pa/ei/bgn/2843.htm>

¹³ Komai J.(2000), what the change of system from socialism to capitalism does and does not mean. *Journal of Economic Perspectives-volume 14, Number I-Winter 2000-Pages 27-42.pp.4*

However, while there might be a mounting critics to this index, this study encourage more research to be done by other studies to test these findings empirically to weigh its consistence and validity. For now basing on SBIBI, The results of these findings are summarized in figure 5, consisting of 8 questions which were asked during an online survey conducted from 10th march to 10th June. In this survey 100 respondents were supplied with online questionnaires but the researcher was able to receive 91 respondents by 10th June 2011. Out of the 91 respondents one questionnaire was incomplete where as 90 questionnaires had complete responses'. A questionnaire used in this survey is shown in appendix 2.



Source: Author based on an online survey involving 100 respondents.

7. Socialism caused failure in Tanzania. 8. How education is a socialist tool.?

Figure 5: Summary of the survey results on conflicting ideologies in Tanzania.

Although there might be a diverse interpretation of these findings depending on one's viewpoint and thus difficult to arrive into consensus about conclusions drawn, but it is evident that there is a big conflict between socialist legacy and newly introduced capitalist economic ideology in the form of free market policies. As pointed out earlier, it is difficult to make market forces serve as an tool of catch up industrialization if the environment is ant business and hostile to entrepreneurship (Jucevius,1996). Bureaucratic attitude to market forces and its institutions is a vital determinant factor of the extent to which market forces contribute into catch up industrialization. Market forces do not operate in the vacuum but requires effective institutions and organizations (Alas & Rees, 2006). Workers in socialist countries and bureaucracy have been the biggest hindrance to smooth performance of market policies. This is the reason that made the researcher to focus into anti business bureaucratic features in post socialist countries. The findings can be generalized to the whole society as the sample used consists of bureaucrats and non bureaucrat's workers.

This finding indicate that there is strong passion towards socialism and negative attitude towards capitalism and market policies among the bureaucrats at the schooling and work place level and general society where they are part of. Figure no.4, gives summary of socialist legacies which are incompatible with market policies to be bureaucratic hostile attitude to entrepreneurship, negative altitude to capitalism by the public, consumerism and non saving culture, less commitment to work, and government dependency syndrome.

To start with, Negative altitude to capitalism and private sector in general, this study found that bureaucrats and the public in general have a negative attitude towards capitalist related undertakings. As figure 5 shows, 81.82% of respondents showed positive attitude to socialism (see graph no.4), where as 18.18% were either neutral or had negative attitude to socialism. For respondents who were willing to show their attitude towards capitalism (graph no.5), 71.43% showed negative attitude to capitalism while only23.08% showed positive attitude to capitalism the rest being neutral. This finding is shocking if we are to accept generalization into public support trends towards capitalism and market policies in Tanzania.

In addition, large percentage of respondents does not believe that socialist policies played a role in the economic breakdown and industrial failure in Tanzania (see graph no. 7). These figures suggest that, Tanzania has made a structural policy reforms and thus successfully transformed socialist economic system into market system while there has been failure to transform the public attitude and behavior from socialist economic ideology and culture to capitalist values. However this is not a shocking finding because is consistent with public opinion on adoption liberal politics collected in 1991 where 77.2% of the Tanzanian public (36,299 interviewed), supported socialist political performance and only 22.8% supported transformation into liberal politics and policies.(Nyirabu,2002).

Moreover, Bureaucratic and public hostility to entrepreneurship and private investment also is presented. As figure no.5, indicates, 83.33% of the respondents perceived private and foreign and local investors as exploitative undertakings thus they would like them to stop operating in Tanzania where the rest were either neutral or showed positive altitude to entrepreneurship and private investments. This finding is consistent with other studies done in other post socialist countries especially eastern Europe and post USSR territories, on bureaucratic and public hostility to entrepreneurship such as Jucevius,(1996), and Alas& Rees, (2006) although the magnitude and their manifestation mode differed from country to country.

Furthermore, public, consumerism and non saving culture, is another socialist feature examined. Although there is no solid evidence on the link between socialism and existence of consumerism culture, most post socialist countries have experienced consumerism culture and non saving culture at individual level, if compared with capitalist states. While it is understandable for almost all developing countries to have very low saving rate at individual and national level post socialist countries have shown a unique consumer and non savings culture in which even those with medium and high income equally consume and save nothing on a monthly basis.

When the earning increase most post socialist people prefer to expand the dependant list to the extended family due to humanism African culture and communal socialist values. According to Rona-Tas,(2009), socialist consumerism culture did not promote the use of banks for both borrowing and savings, that's why there has been a unique trend in consumer credits compared with capitalist countries. He therefore argued; *"Yet, at the core of socialist consumerism was to buy goods with money already earned. One made money first and paid the purchase in full. Consumer credit was therefore rudimentary and this was reflected in the simplicity of socialist financial services"*¹⁴

¹⁴ Rona-Tas, A (2009) ,Consumer Credit in Post-Communist Countries, University of California, San Diego, USA.pp.8

Consistent to these finding, this study found that 61.65% of respondents had no savings and saved none of their earning (in graph no.1, neutral meant no account/no savings), while 38.64% had savings account and saved certain amount of their earnings. This study assumes that, it may understandable for low and medium, income earners to save little or not to save at all. But having such huge percentage of people who have predictable and stable earning-as most of them are employed-with no savings accounts and saving nothing is nothing but a sign of absence of saving culture. Thesis assumed to be one of the socialist legacies consistent to previous studies mentioned earlier.

Less commitment to work is said to be a common feature of post socialist countries. Most African post socialist workers are not committed to their works partly due to too loose management caused by too long span of control resulting from centralized planning and managerial structure.(Ibrahim & Dibua;2003). Figure no. 5. Shows that, 89.01% of respondents said most Tanzanians work less than 8 hours a day. This implies that there is less commitment to work in Tanzania. Studies have shown that most workers in post socialist countries in the former USSR satellite territories and Europe are not committed to work which use high order principles such as job security, and safety as opposed to low order motivation principles such as good salaries.(Alas & Rees,(2006). This findings provide insight as to why most workers in Post socialist African countries spend very little time in their offices because they are not satisfied with their jobs due to low wages thus use office hours to do their own jobs not related to their works.

The researcher noticed a cartoon in a Swahili newspaper (Mwananchi newspaper, 23 September, 2014) which indicated job negligence and loose management in most Tanzanian organizations. In this cartoon there is a long cue of customers, but the customer care don't seem to give any attention to them as he is busy talking to phone about his week end pleasure plan. One of the customers complains "is this a customer care or a customer disturbance?". This cartoon portrays a clear message that there is a need to solve this problem of lack of work commitment in Tanzania which needs to be addressed from its roots. The roots in this case is the socialist workers behavior of negligence and job dissatisfaction resulting from both loose managerial socialist legacy and lack of appropriate motivation. Market cannot be expected to bring a miracle in the catch up industrialization strategy if human capital is de motivated and poorly managed.

Finally on public-government dependency; this study found that, socialist policies made its citizens so dependent to the government by giving free of charge services. Market policies have forced the government to withdraw from providing free of charge services has made reaction from low and medium income earners who were major beneficiaries of socialist redistribution policies. For example 91.20% of respondents participated in the survey said they want the government to continue giving free of charge services, while the rest were either neutral or supported cost sharing. The hatred to capitalism and market policies have escalated to violence against investors, workers revolts have increased claiming that investors are exploiting them and a series of nonstop students strikes against cost sharing have significantly rose since adoption of market policies almost two decades ago.

One cannot underrate the impacts of such revolts in the performance of market policies. For example attacks on investors' projects, long-term workers revolts and students strikes may destroy the reputation of Tanzania to investors and thus retard the achievements realized in foreign direct investment attraction s. Hatred arising from social and economic inequality may result into security and political instability especially when unpatriotic people use such opportunity for self ends. For example if you look at the students strikes which have risen significantly in the last two decades, they don't simply convey dissatisfaction with market policies but also they show a development of a new political trend among the youth and elites against the incumbent regime. The symbols used during these strikes convey a message that undertaking market policies is unpatriotic and exploitative, thus they want to fight for preservation of socialist values. Good example of such indicators include songs to praise the founder of Tanzanian socialism and curse capitalism and the incumbent leaders, carrying of National flag, singing national anthem and freedom fighters songs as well as imitating the speech of J.k. Nyerere-the founder of socialism highly inspired among the youth.¹⁵

5. CONCLUSION

Based on the findings of this study, two main conclusions can be drawn. *First*, socialism played a significant role in industrial paralysis in Tanzania during socialist era. Weakness within socialist system and policies contributed a lot in the institutional ineffectiveness and thus poor management of both, human, financial and natural resources. Socialism was also passive in promoting innovations and technological development, this might have frustrated industrial sector leading

¹⁵ <http://www.youtube.com/watch?v=cXIVzJ2CC0s>.

to its paralysis. The worst of all was the prevention of private sector from participating in the economy, which overburdened the government leading to severe failure to meet the demand of all sectors as a planner and investor. Under such model monitoring and evaluation was not practical giving room to corruption and misuse of resources.

Socialist model delayed decision making due to centralization and fueled underperformance among bureaucrats due to too long span of control. In addition, socialist redistribution policies created public-government dependency syndrome. This discouraged savings culture because citizens were assured of their welfare which was free of charge. In other words internal resource mobilization at individual level and national was crippled where as savings culture was replaced with consumerism culture. Apart from internal weaknesses with the socialist model, Tanzania was isolated from international system which is pro capitalist. This had a big impact on Tanzanian industrial sector and Tanzanian economy in general. While huge aid flew to capitalist developing countries, Tanzania had to rely on USSR unreliable aid which led to the underperformance of the economy and its downfall in 1980s following collapse of USSR.

Secondly, this study found that socialist legacy and national culture significantly complicate policy reforms and restrain smooth functioning of market economy in Tanzania. This finding is consistent with previous studies presented in this study. The findings proved presence of bureaucratic hostile attitude to entrepreneurship, negative attitude to capitalism by the public, consumerism and non saving culture, less commitment to work of most Tanzanian workers, and government dependency syndrome. This study links the rising trend of workers revolts, citizens-investors conflicts and series of student's strikes for several decades now is an indicator of the conflict between Tanzanian culture and socialist legacy with the newly introduced capitalist economic ideology in the form of market policies. More than 40 years socialism and J.K Nyerere's Charisma and ability to influence acceptance among the public and academicians remain unshakable and big legacy influencing behavior and intellectual endeavor of Tanzania for many decades to come if all is left to go on as it is now.

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• **Audio Visual Links:**

- [53] <http://www.youtube.com/watch?v=cXIVzJ2CC0s>
- [54] <http://www.youtube.com/watch?v=2UZgQzwYFqo&feature=related>
- [55] <http://www.youtube.com/watch?v=jXEWaGIIff0E&feature=related>