SITUATING SOCIAL POLICY IN ECONOMIC TRANSFORMATION: A CONCEPTUAL FRAMEWORK

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ABSTRACT

The purpose of this paper is to provide a conceptual framework that situates social policy within a framework of economic transformation in Tanzania. The paper starts by setting out the common economic arguments about the role of social policy in economic development, and examines the arguments that social policies should only come into focus after a country has attained a certain level of wealth. The paper then goes on to demonstrate that the separation of social and economic policies leads to weaknesses within the policy planning process.

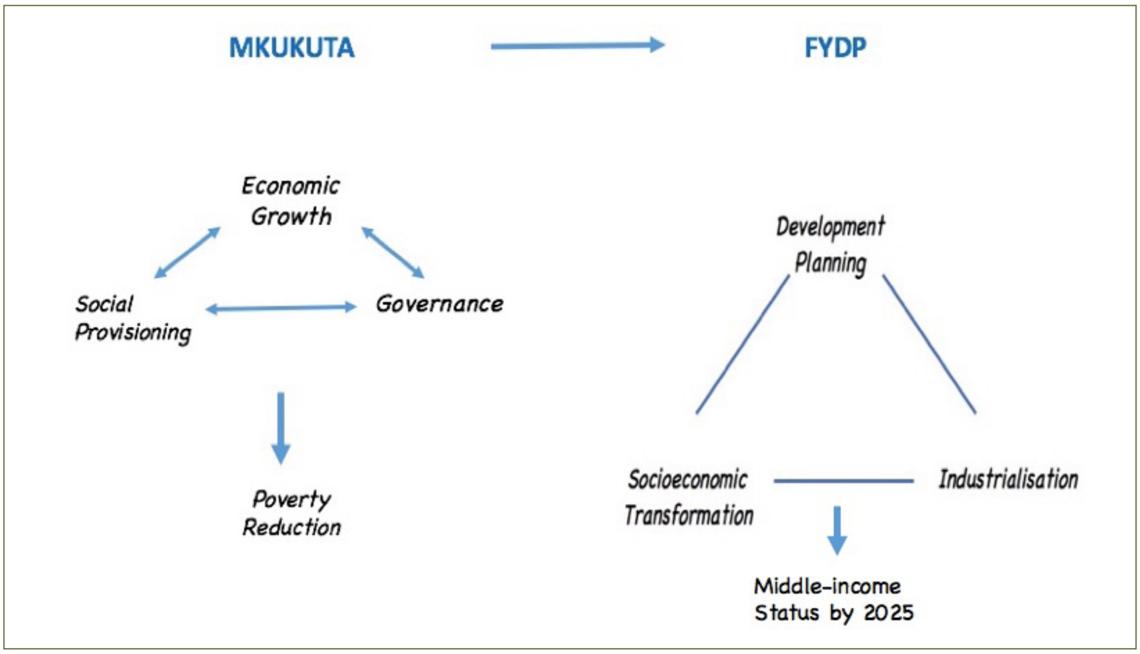
The paper provides examples, past and present, of how social policies can be used to generate economic development, particularly in the realm of innovation. The paper argues that the role of effective demand in shaping economic transformation provides the critical link between social and economic policies. To conclude, the paper examines the different institutional contexts within which social provisioning occurs in Tanzania, arguing that these different institutional contexts need to be taken into careful consideration when mainstreaming social policy into policies to promote industrialization and economic transformation.

INTRODUCTION

The overarching objective of Tanzania's Vision 2025 is that Tanzania should achieve middle-income status by 2025. In order to achieve this development objective, the goal of *economic transformation* has been placed at the heart of Tanzania's development vision. The last decade witnessed a shift in macroeconomic policy away from earlier concerns with growth and poverty reduction, as exemplified by the MKUKUTA framework, towards concerns with growth and economic transformation, as exemplified in the FYDP framework. Economic transformation is now seen as central to achieving Tanzania's development aspirations of becoming a middle-income country, as spelled out in the Tanzania Development Vision 2025. According to development planning documents produced by the Government of Tanzania, sustainable economic transformation involves a number of interrelated structural changes.

These structural changes comprise of, inter alia, a shift away from low productivity activities in traditional agriculture towards the expansion of productive capacities and employment opportunities, a demographic shift from high to low fertility and mortality, and increasing urbanization. *Industrialization* was seen to be the core component of this renewed drive towards growth with economic transformation, and was the cornerstone of the second FYDP. Finally, this shift in policy emphasis also went hand in hand with a re-emergence of *economic planning* as a key policy instrument to affect the direction of change within the economy. Planning, a word that had disappeared from policy debates during the 1980s, suddenly became fashionable again – not a return to old-style planning, but a new variant of planning that was largely modelled on East Asian experiences. The changing place of economic transformation and industrialization are illustrated in Figure 1 below.

Figure 1:Tanzania's Development Planning - From MKUKUTA to FYDP



A strong set of normative assumptions concerning the relationship between structural change and human development is embedded within this vision of economic transformation. As set out in the THDR 2014, this path of economic transformation has been associated with improvements in human development through rising wages and employment, as well as increasing the pool of resources available to the state through taxation to invest in social policies and collective goods. Higher economic growth in Tanzania over the past two decades has already been associated with a process of structural change as output, and people and resources have moved away from traditional agriculture towards services and industry. However, the impact on poverty reduction has been disappointing. Therefore, an issue which arose in the context of this renewed focus on structural change is the question of how to harmonize the MKUKUTA and FYDP frameworks to ensure that issues of poverty reduction and human development remain at the centre of the policy thrust in the drive towards industrialization. It is this question, and more specifically the related question of the role of social policy in economic transformation and industrialization, which constitutes the focus of this conceptual background paper for the elaboration of THDR 2017.

In this respect, the central argument of THDR 2014 was that economic transformation does not involve a unique unidirectional process but can involve quite different trajectories, some but not all of which lead to growth-induced human development. Crucially, the report identified the importance of output and employment growth moving in tandem in order to produce a positive dynamic of structural change. The report went on to argue that social policy also has a key role to play in shaping the relationship between economic transformation and human development. In the new phase of planning for the Five Year Development Plan II, the synergistic and complementary role of social policy has also been emphasized. The integration of social and economic policies is clearly ambitious, but it has also generated contention and debate reflecting differences in underlying frameworks for understanding of the role of social policy in economic transformation.

Social policies, defined as “collective interventions in the economy to influence the access to and the incidence of adequate and secure livelihoods and income” (Mkandawire, 2004, p. 1), have always been integral to Tanzania’s development strategies. The renewed focus on economic transformation calls for a careful consideration of the space for social policy within this vision. This involves thinking about the role of social policy in much broader terms than has been the case in recent years. While social policies are addressed in many policy documents, the approach has often been to view their importance merely in terms of achieving particular redistributive, protective, and productivist goals.

These are certainly valid roles for social policy to play in developing countries and across the world. Social policies are needed as a redistributive mechanism to ensure that the benefits of growth can be spread widely. Social policies are also critical for protecting vulnerable groups from the vagaries of the market. The role of social policies in enhancing productive capacities is also widely accepted. Social policies strengthen various aspects of production and economic performance by supporting human capital formation, alleviating risk and uncertainty, encouraging innovation, and providing financial resources for investment (Mkandawire, 2007). Developing stronger universal social services and social protection systems are integral parts of successful economic transformation (UNRISD, 2013). Successful economic transformations therefore involve social policies. Indeed, during the growth periods of the rapid industrializers in East Asia social policies were not relegated to an after-thought in industrialization (Midgley and Tang, 2001; Mkandawire, 2004). Importantly, in these economies the role of social policy went over and above the more conventional understanding of social policy in improving education, skills, and the health of the workforce.

What history shows is that social policy can play a genuinely transformative role in shaping the nature of economic transformation. For example, social policies can shape the type of economic activities, the pace and content of innovation, and the patterns of consumption that emerge as growth occurs. Ultimately social policies can shape the potential for economic growth and structural change to produce societies where human needs are fulfilled. Interestingly, the early development economists, who argued for the importance of economic transformation, also saw the importance of social policy, not as an end result but as a constitutive part of economic transformation. From this perspective, social and economic policies are not two distinct spheres of activities. In Tanzania, however, policy debates have reduced social policy to a set of social sectors while economic policy has primarily been concerned with areas that are narrowly defined as economic. This has not done justice to the diverse ways that social and economic policy are mutually constitutive. As Mkandawire argues, "in the context of development, there can be no doubt that the transformative role of social policy needs to receive greater attention than it is usually accorded in the developed countries and much more than it does in the current focus on 'safety nets'" (2004, p. 1).

The impetus for the theme of the THDR 2017 overall is that the role of social policy in general – and the potential for a transformative role for social policy in particular – needs to be given greater attention than has been afforded in recent policy debates. The purpose of this background paper is to provide a conceptual framework that sets out the space for social policy within economic transformation. The main argument of the paper is that social policies not only affect social development but can be an important vehicle for economic development. Moreover, economic policies can be an important way to achieve social development. Without a recognition of the mutually constitutive nature of social and economic policy, the types of planning process needed to put Tanzania on a growth path that achieves human development will be much harder to achieve.

The paper starts by setting out the common economic arguments about the role of social policy in economic development, and examines the arguments that social policies should only come into focus after a country has attained a certain level of wealth. The paper then goes on to demonstrate that the separation of social and economic policies leads to weaknesses within the policy planning process. The paper provides examples, past and present, of how social policies can be used to generate economic development, particularly in the realm of innovation. To conclude the paper examines the different institutional contexts in which social provisioning occurs in Tanzania, arguing that these different institutional contexts need to be taken into careful consideration when mainstreaming social policy into policies to promote industrialization and economic transformation.

IS THERE A TRADE-OFF BETWEEN SOCIAL AND ECONOMIC POLICY?

While social investment is universally recognized as being important for achieving a basic level of social stability and progress, there are very important divisions within economics about the appropriate role for social policy in economic development. An argument that stems from early neoclassical economic growth models, and which has been very influential in discussions of economic development, is that social policies should not be prioritized over policies to promote economic growth and structural change. This argument is based on the idea that wealth has to be created first before it can be spent on social welfare. Hence, in the earlier stages of economic development and transformation, wealth creation should take precedence over consumption in general and social expenditure in particular.

The theoretical underpinnings of this argument derive from the neoclassical growth model of Robert Solow (1957). In the long run, growth in this model is determined by population growth and exogenous technological change. In the short run, however, growth is determined by the rate of savings. Savings determines the rate of investment, and investment in the factors of production, labour, and capital determine the rate of growth. Consumption is assumed to be a leakage from savings and leads to lower investment over time.

The main implication of this approach is that in order to enhance growth, consumption needs to be restricted in order to maximize the resources available for investment. The negative role of consumption in economic growth is also assumed to be particularly pertinent for government consumption and social spending in particular. This is because as well as diverting resources from productive investment, government consumption is assumed to crowd out private investment and require taxes that distort the incentives to work and save. The problem with this view is that the econometric evidence on the relationship between government consumption and economic growth is inconclusive, while other Keynesian-inspired theoretical approaches suggest that savings may actually be determined by the level of investment rather than the reverse. There is considerable econometric support for this perspective (Rodrik, 2001).

Despite the evidence that government consumption expenditures can be a vital element of generating sustainable economic growth and investment, the idea that a focus on social policy can hinder the attainment of economic growth has become deeply entrenched. This is partly reflected in the widely-held assumption that there is a trade-off between achieving equity and achieving economic efficiency. This argument is based on the idea that redistribution diminishes incentives for savings and investment, leading to an ‘equity-growth’ trade-off where equity is achieved at the cost of efficiency and long-run economic dynamism. The concern is that prioritizing social policy becomes ultimately self-defeating, given that such expenditures are assumed to diminish economic growth over time. Thus, while social policy is seen as a desirable outcome of economic development, it is characterized as a poor instrument for achieving economic development. The consequence of this argument is that social policy is seen mainly as being an aspect of the end-state of development – the welfare state – and therefore not relevant to developing countries. In other words, rapid growth and economic transformation should be seen as the main vehicle to lay the foundation for poverty reduction and social development. Yet this perspective can be shown to be wrong on both historical and empirical grounds.

Indeed, the argument that social policy should wait until economic development has been achieved has been challenged by recent developments within neoclassical economics itself. New Growth Theory (sometimes called Endogenous Growth Theory), which replaced the Solow model as the main neo-classical approach to growth, incorporates increasing returns to scale, market imperfections, and positive externalities into the neoclassical model to explain the underlying causes of productivity differences. Growth in this model results from endogenous forces of investment in human capital, innovation, and knowledge (Romer, 1986; Grossman and Helpman, 1991). New growth theory therefore emphasizes the positive potential role for social investment in fostering the development of 'human capital'. Thus, in this approach social policy is given a key role in improving the supply-side aspects of human development that fuel the development of human capital, in service of the process of prioritizing industrialization. The vision for social policy in this theoretical perspective is that social investments in health and education – like education and skill development and targeted healthcare – should be prioritized alongside efforts to improve market efficiency. Social expenditures should therefore mainly target improvements in human capital, while supportive but limited provision of essential safety nets should be created to alleviate hardship where necessary.

The Separation of the Social and the Economic in Contemporary Policy Making

Over the last decade Tanzania's development strategies have engaged with the importance of social policies, but this has been focussed on addressing supply-side factors and human capital constraints informed by new growth theory perspectives. Thus, social policy and economic transformation have been treated as two distinct spheres within many policy documents, for example by identifying health and education as social while roads and infrastructure are seen as economic. In the context of past policy discussions in Tanzania, for example, this bifurcation of the economic and the social into two separate sectors was already very apparent in the layout of the MKUKUTA policy framework and the subsequent reports on outcome monitoring, in which the two sectors (which further include governance as a separate block) feature side by side, each with its own set of policies and indicators.

However, this separation into distinct sectors, and the tensions to which it gives rise, became even more apparent in the recent policy discussion concerning the outline of FYDP II, which aims "to align and integrate the MKUKUTA and FYDP frameworks and rationale for Aligned Planning Framework" into a single macro policy framework to foster socioeconomic development (Outline of FYDP II, Dodoma, 15 June 2015, p. 1). This tendency towards the compartmentalization of economic and social policies can also be seen in section 1.5 of the *Draft Framework for the Second Five-Year Development Plan 2016/17–2020/21*, which reviews lessons to be learned from history about industrialization in Tanzania, without making any reference to the fact that differences in views on industrialization can and should also be traced back to differences in views on how economic and social policies should articulate in the process of socioeconomic development.

Historically, during the heyday of the Ujamaa period under President Nyerere social policy occupied a central place within macro policy making. However, under the impetus of the economic reforms of the 1980s, and structural adjustment policies in particular, one of the most important changes has of course been in the arena of macroeconomic policy and the changing role of social policy therein. Subsequently, social policy has been shaped in Tanzania by the processes of global integration that have removed some of the levers of macroeconomic management, as well as given rise to continued donor influence within the traditionally defined social sectors. These changes in the policy environment under the impulse of economic reforms are also reflected in the changing nature of employment generation, and in the issue of the falling rate of growth of consumption in GDP that was raised in THDR 2014. Under the impulse of the HIPC initiative, however, social policies became more prominent, albeit within a perspective of bifurcation of economic policies confined to economic sectors on the one hand, and social policies confined to social sectors on the other. This view has remained dominant, with the serious implication that the distinction between economic versus social *policy* has led to a categorization of sectors that divides them between economic versus social *sectors.* It is our contention in this paper that this severely limits the way the process of socioeconomic transformation is conceptualized, both in terms of the lessons that can be drawn from past experiences, and also of how future development and change is envisaged.

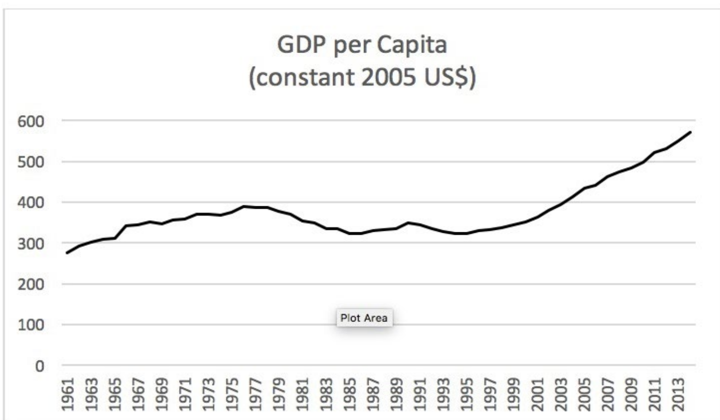
The problem with this approach is that while social policy is recognized as having positive potential in promoting economic transformation, it has also been limiting to the extent that social policies are conceptualized as a ‘residual’ category, apart from necessary (social) investments in human capital (Tendler, 2004). This exacerbates the tendency to compartmentalize social policies and treat them as distinct from economic policies. Such an approach is very different from an engagement with social policy where social and economic policies are treated as mutually constitutive, i.e. where social and economic policies both achieve social and economic outcomes simultaneously and hence cannot be separated in successful planning processes. This distinction between these two opposing views of how economic and social interact with one another matters a great deal for framing macro policies, strategies, and tactics. A constitutive approach to social and economic objectives implies a very different sequencing of policies over time. If the relation is seen as constitutive in nature a trade-off will still need to be made, given the scarcity of available resources, but not between the social sector on the one hand and the economic sector on the other. Rather, if treated constitutively the policy making and planning process needs to identify a combination of policies in which synergy can be constructed between social and economic policies to propel the process of socioeconomic transformation and development (Mkandawire, 2004, pp. 1–4).

THE ROLE OF SOCIAL POLICY IN ECONOMIC TRANSFORMATION UNDER UJAMAA

The contemporary emphasis on a separation between social and economic policy is partly informed by the perception that the economic problems that emerged towards the end of the Ujamaa period were a result of an excessive focus on social concerns and redistribution over a focus on economic growth and efficiency. There are a number of reasons to question this account of the relationship between social and economic policies during that period. Social concerns certainly did occupy a central place within macroeconomic policy making during the heyday of Ujamaa under President Nyerere. However, social concerns were not addressed simply by attention to a narrowly defined set of social sectors. Indeed, social policy concerns were not seen as being identical to a focus on social sectors. Thus, social policy was not juxtaposed against economic policy as a distinct sphere. The main thrust of macro development policies during this period viewed the interaction of the social and economic as constitutive in nature rather than additive. The interpretation of Tanzania's Ujamaa period as a period in which social policies were prioritized over economic policies is therefore conceptually wrong. This is clearly manifested, for example, in this quotation from Justinian Rweyemamu (the chief architect of Tanzania's basic industrialization strategy of the 1970s):

> As such, development is seen not only as a process of accumulation, i.e. augmenting the output capability of the Tanzanian economy, but also as a transformation of the institutional structure of our society. Tanzania's development, therefore, requires the introduction of activities that are basic needs oriented (food, habitat, health, education, communication, and transport), favouring endogenous and innovative process and which take into cognisance environmental potentials and limits. (Rweyemamu, 1976, p. 275).

Figure 2: GDP per capita Tanzania 1961 - 2013



Source: H. Gray, draft chapter 1, p. 10, mimeo.

The argument that Tanzania's economic problems stemmed from its excessive attention to social sectors is therefore unsubstantiated. It is also important to review the empirical evidence that Tanzania had an excessive focus on the social over the economic during this period. Indeed, the empirical evidence does not support the argument that Tanzania's economic problems in the 1970s and 1980s were rooted in an excessive focus on social concerns.

As shown in Figure 2 during its history Tanzania witnessed two major periods of economic growth: the first period of modest economic growth ranged from its independence to the end of the 1970s, and the second was characterized by high growth from the late 1990s to the present. Economic growth was significant but modest during the first period, which in part was due to the fact that Tanzania was a predominantly agrarian economy, and hence agriculture was by far the dominant sector. Moreover, the 1970s were characterized by a veritable state-led investment drive, backed by foreign aid. Aid focused almost exclusively on investment support, with the domestic costs of investments being financed by forced savings (Wuyts, 1994; Wuyts and Kilama, 2014b, pp. 14–19). The investment ratio – the share of gross capital formation in GDP – was exceptionally high during the second half of the 1970s, reaching a high of 31% in 1980. This was also reflected in the rapid expansion (admittedly from a very low starting point) of industrial productive capacity: While industrial investment nearly quadrupled over the 1968–79 period, value added nearly doubled over the same period. Moreover, and interestingly, employment in industry increased nearly threefold during the same period. (BOT, 1982, p. 114). Therefore, to dismiss the experience of the 1970s on the grounds that it focused solely on social sectors and ignored the economic sectors is incorrect. More importantly, this criticism deflects attention away from the valuable lessons – both conceptual and empirical – that can still be learned from the industrialization strategies and practices of the 1970s.

A concrete example that may illustrate this point concerns the policy of pan-territorial pricing. To understand its importance requires us to go back into history, more specifically, the historical legacy of a "north-south divide [that] had surfaced during the colonial period due to lack of transport and infrastructural investment in the south. (Bryceson, 2007; 83). As a result of this, "peasant cash crop production developed in the central and northern parts of the country, and the prevalence of a cash economy in the north contrasted with the largely peasant subsistence character of production in the south" (*ibid*). Lessening regional inequalities was one of the major objectives of the post-independence government – an objective that integrated both economic and social (as well as political) considerations. This objective of equitable regional development was already reflected in the 1969-74 Second Five-Year Plan with its specific focus of stimulation industrial development in nine regional towns outside Dar es Salaam (*ibid).* But it was the policy of food pricing – and, more specifically, of pan-territorial food pricing – that subsequently turned out to have the greatest impact in redressing regional inequalities. Underlying this policy was "the idea of encouraging regional egalitarianism through ensuring that producers throughout the country would receive the same price for their maize", a policy put forward during the early 1970s (*ibid*; 85). Pan-territorial pricing aimed to increase marketed surpluses of maize while also achieving redistributive goals of redressing the regional distribution of income derived from agriculture. More specifically, this policy aimed to increase deliveries of food marketed surpluses from areas distant from Dar es Salaam. This policy therefore contained redistributive aims, but it also generated important productive implications; pan-territorial pricing also dramatically changed the spatial structure of food production in Tanzania.

The regions that are now known as maize surplus areas were actually created by these policies. The Big Four (Iringa, Mbeya, Ruvuma, and Rukwa) are often referred to as the 'traditional' maize surplus areas of Tanzania, but this was not always the case. In fact, until the early 1970s Iringa was the only major maize producer among the four, other major surplus regions being Arusha, Kilimanjaro, Morogoro, and Dodoma. Pan-territorial pricing dramatically changed this state of affairs. As Raikes (1986) commented: Where most of the other [Ujamaa] policies considered here have been expensive failures, pan-territorial pricing has been an expensive success. (Raikes, 1986; 123) But looking from hindsight, pan-territorial pricing should actually be seen as an example of a successful *infant industry* policy. The reason is that its effects in creating a new spatial structure of food production capabilities were sustained well beyond the demise of the actual policy initiative that gave rise to them. For example, the statistical annexes of THDR 2014 show that nowadays these four regions rank in the upper range of the distribution of GDP per capita (Iringa ranks second, Ruvuma fourth, Mbeya sixth, and Rukwa eleventh). The initial impetus of the development of these regions, however, was to a significant extent due to the impact of the policy of pan-territorial pricing that radically changed the regional distribution of marketed food production in Tanzania.

Another important example of the different ways that social and economic policies were conceived in Tanzania is reflected in the nature of the planning process. Planning has recently come back into fashion in Tanzania, but contemporary planning is quite different from the nature of the planning undertaken during the Ujamaa period. The main difference today is that the planning process focuses on targets for quantitative expansion, but gives less attention to processes of change. The process by which future development and change is achieved has important path dependent consequences that necessitate an engagement with what happened in the past, in order to understand how processes of change will unfold and their consequences for how people live their lives from the current moment to the envisioned future. Yet an engagement with the past in contemporary planning processes means something quite different from an engagement with Tanzania's specific history of economic transformation.

For example, the concept of transformation that constituted the cornerstone for planning present-day strategies was informed by the construction of a four-sector projection model – agriculture, manufacturing, non-manufacturing industry, and services – used by the Planning Commission to arrive at planning targets, the methodology and application of which was developed by Moyo et al. (2012). Methodologically, the modelling approach consisted of applying what the authors refer to as a 'historical lens' to the question of projecting future growth rates jointly with the required structural transformation (ibid., 7). In this context, however, 'historical' does not refer to looking at Tanzania's own past history, but rather to what "the economies of richer countries looked like at the time they reached middle-income status" (ibid, 7.). In other words, the approach consists of modelling the structure of a 'typical' middle-income country, based on a set of *comparator countries* that reached middle-income status in the past fifty years (ibid.). Projections are then made by comparing the existing structure of the Tanzanian economy in 2010 with this 'typical' structure to be attained by 2025 (ibid.).

The main advantage of this approach to planning is its simplicity, because it is easy to follow and replicate (ibid.). However, the authors also pointed out that this approach has serious limitations. First, it ignores the challenges posed by Tanzania's unique features, which inevitably shape possibilities for and impose constraints on the future economic trajectory of the country. Second, this approach assumes that the conditions of growth confronted today are similar to those that have prevailed in the past fifty years (ibid.). Finally, and importantly, this approach focuses attention on projecting outcomes, and not on analysing the underlying processes of change (ibid.). For example, with respect to education as an instrument of social transformation, the *Draft Framework for the Second Five-Year Development Plan 2016/17–2020/21* repeatedly stresses the importance of education for skill development, particularly in a process of industrialization, and mentions the achievements already made in increasing enrolment at different levels of education. It calls for consolidating these gains in education, including scaling up BRN initiatives, strengthening school management, inspection, and standards, and, in particular, improving the quantity and quality of specialized skills to raise the competitiveness of the human resource in general and for strategic industries under FYDP II. This includes addressing skill level mix and skill mismatch by ensuring that training is demand driven. However, there is no discussion about the fact that the actual processes of educational change in the recent decade or so not only involved an expansion in numbers, but also witnessed a concurrent significant decline in the quality of education (Sumra and Katabaro, 2014). The decline in quality suggests that major tasks for planning should not consist only of how to consolidate gains made in quantity expansion but also of how to reverse this trend in the declining quality of education, which has had a very differentiated impact with the poorest receiving the lowest quality of education. This propels a trend towards social polarization in terms of inequalities of opportunities.

Finally, it is also important to point out how the social arena contains hierarchies that can be intentionally or unintentionally exacerbated by forms of social policy. For example, the dramatic decline in the quality standards of broad-based basic education in Tanzania (Sumra and Katabaro, 2014; THDR, 2014), witnessed in the recent decade not only constitutes an important impediment to the intended drive towards the expansion of manufacturing production, but also further propels social polarization in access to education and jobs, since parents who can afford it send their children to private schools or abroad to secure quality of education. Conversely, jobless growth within formal manufacturing and services, combined with increased labour flows (absorption) into informal sector activities that rely on intensifying the use of labour rather than raising productivity, limit the scope for education and skill development in fostering productive capabilities. These examples illustrate that social policy and expenditures – and social investment in particular – not only create opportunities but can also impose constraints on the processes of economic and social development and transformation.

The Economic is Social…

The main conclusion from the preceding discussion is that social policies not only affect social development but can also be an important vehicle for economic development. Another implication is that economic policies can be an important vehicle to attain social objectives. Indeed, Fredric Lee argues that “economics is the science of social provisioning” (Lee, 2005, quoted in Cumbers et al 2015). This perspective is particularly important when it comes to the relationship between employment, productivity, and pay. This relationship constitutes a key mechanism linking economic growth and transformation with poverty reduction and social development. An important normative assumption embedded within the contemporary debates around the importance of economic transformation is that when labour moves from lower productivity activities in traditional agriculture and in the informal economy to higher productivity activities, this should lead to rising wages.

It could even be argued that “an economic strategy that generates more and better paying employment in good conditions may be the best ‘cash transfer’ programme of all, since it would give the poor access to jobs that provide more income and more dignity” (Ghosh, 2011, p. 855). This example should not be seen, however, as an argument to downplay the importance of cash transfers as instruments of social policy pure and simple, but rather to illustrate that economic policy is an important instrument for social development in its own right. Conversely, an economic strategy that propels economic growth and transformation of GDP, but generates jobless growth outside agriculture and informal production and hence leads to labour moving in the opposite direction to output, is likely to engender a process of persistent redistributive failure that cannot easily be corrected through greater reliance on social safety nets. (This was essentially the argument put forward in THDR 2014.) In the process of economic transformation, there are a number of different ways that changes in production and changes in distribution interact. Employment growth, productivity growth, and growth in average labour earnings can all vary within and across sectors. These differing characteristics of economic transformation not only influence outcomes in terms of inequality and poverty reduction, but also lead to systemic drivers of social failures that cannot be easily remedied by narrowly defined social policies.

A critical insight from recent history is that while higher productivity offers the scope for higher wages, the relationship between productivity growth and rising wages is not automatic. For example, the path of economic transformation experienced in Vietnam involved a rapid growth of manufacturing employment as well as the expansion of output from agriculture. This led to impressive falls in poverty rates. Rising wages as people moved into higher productivity activities was an important element of this, but the increases in real wages were even higher than the rises in productivity in Vietnam, partly as a result of minimum wage policies (Gray, forthcoming). However, Vietnam is an exceptional case, since in other countries, both rich and poor, wage growth has not kept up with productivity growth over the last thirty years.

In Tanzania, economic transformation has occurred along a path with lower rates of employment growth, particularly with lower rates of growth of manufacturing employment and a slow rate of growth of agricultural productivity. Further, real wages have grown at a slower rate than productivity growth in Tanzania. While productivity growth offers the scope for increasing wages, there are intervening processes of wage determination that are both economic and political, and which mediate how higher productivity is translated into growth. Moreover, the nature of changes in employment patterns embedded within a process of economic transformation can also lead to poorer social outcomes, and may actually offset the intended outcomes of targeted social policies. For example, the effective scope for education and skill development to foster the growth of productive capabilities within the economy can become severely limited if labour predominantly flows into informal sector activities that rely on intensifying the use of labour rather than raising productivity. Policies that focus on skill development in order to promote human capital (as advocated by new growth theory) need to take into account the actual patterns of labour flows as a starting point.

The *Draft Framework for the Second Five-Year Development Plan 2016/17–2020/21* calls for the development of capabilities of labour. However, policies to promote capabilities are clearly differentiated between a set of economic policies that seek to promote a labour-intensive path of manufacturing growth, and a set of social policies that address the capabilities of the poor "in order for them to effectively utilize the resources around them". The Plan envisages that (full-time) labour will need particular forms of policies to promote capabilities that include "support provision of skills, joint/group savings and investment e.g. VICOBA, etc. entrepreneurial skills, extension services, counselling and encouraging the able-bodied poor to engage in productive activities, etc.". This set of social policies is clearly aimed at what is perceived as the mass of self-employed. Yet there is little discussion in the draft framework of the implications for planning of the actual patterns of labour flow in Tanzania. In particular, the path of economic transformation in Tanzania over the past thirty years has involved a significant expansion of employment within the informal sector, which involves large sections of the working population relying on a portfolio of activities ranging from various forms of part-time and casual wage labour to self-employment. In statistical categories and in economic discussions, these tend to be too readily lumped together as 'self-employment', and they often remain hidden in labour force summaries since many of these activities are classified as 'secondary activities' and are thus left out of aggregate totals (Wuyts and Kilama, 2014b; Rizzo, Kilama, and Wuyts, 2015).

Many of these activities, however, involve insecure and precarious forms of wage employment and conditions, where the distinction between being employed or being unemployed is not clear-cut. Instead, employment is characterized by various forms of voluntary and involuntary part-time employment. This results partly from high levels of underemployment in the economy. Therefore, effective employment policy needs to both expand employment opportunities and enhance the quality of work available in order to address in-work poverty. Furthermore, some of these informal activities involve large-scale intersectoral flows of labour towards industry (for example, mining and construction). These intersectoral shifts form an essential part of the actually existing processes of socioeconomic transformation (THDR 2014; Wuyts and Kilama, 2014a), the existence of which and its importance for social policy do not feature in the planning framework at all.

Another important way in which the economic and social aspects of employment require a constitutive approach is that wages have two dimensions: wage as a cost of production, versus wage as a source of livelihood. The former matters in terms of securing competitiveness and the feasibility of labour intensive production. Yet if livelihoods are not improving as employment opportunities expand, then the objectives of economic transformation and planning are undermined by the expansion of the working poor. Indeed, both sides of this equation matter and bind economic and social objectives together. Therefore, the question of how social policy should seek to address the reality of the widespread prevalence of varied forms of insecure, casual, and part-time wage labour is left out of consideration. Instead, the Draft Framework calls for "undertaking reforms/review of the current social support and protection schemes such as the Cash Transfer scheme under TASAF to eliminate risk of creating dependence among the able-bodied", which appears to ignore the existence of involuntary unemployment or underemployment. An alternative approach that could improve the quality of employment would be through the targeted use of public employment schemes that reduce the insecurities inherent in these labour arrangements.

The specific characteristics of economic transformation with regards to employment, productivity, and wage determination are therefore of great important for shaping the social outcomes of economic change. The scope to use economic policies to achieve social ends has been shaped by a range of factors, including changing economic policy frameworks and by the processes of economic and financial global integration that have removed some of the levers of macroeconomic management. Nevertheless, if economic policies are not considered in light of their social implications, persistent redistributive failure can be built into the system. In the long run this risks creating a system that depends on a set of much more expensive and ultimately ineffective social policies that cannot address the underlying drivers of poverty and inequality.

THE ROLE OF CONSUMPTION AND EFFECTIVE DEMAND IN ECONOMIC TRANSFORMATION

As argued in the previous section, macroeconomic policies have tended to adopt a supply-side approach under the influence of new growth theory. In contrast, the role of effective demand in shaping economic outcomes in Tanzania has been underplayed. The lack of attention to effective demand is not unique to Tanzania, and the view that the main constraints facing developing countries result from a lack of productive capacity rather than from shortages of effective demand is widespread. Consequently, the interface between economic and social policy tends to be only perceived in terms of whether or not social policy contributes to the development of productive capabilities – for example, by investing in education for the development of human capital.

From a Keynesian perspective, effective demand is critically important for determining the rate of investment, rather than the rate of interest alone. However, this Keynesian dimension to economic thinking had little or no impact on policy debates on industrialization, both past and present. In this respect there is an interesting parallel between the view that social policy is only relevant to the end-state of development. Further, as Townsend (2004) pointed out, many economists hold the view that Keynesian theory of effective demand – multiplier analysis in particular – is largely irrelevant for developing countries.

This perspective emerges from the view that it is supply-side constraints that impose the limits to growth in developing countries. This argument suggests that "Keynesian employment policies are relevant only in circumstances in which the means of production exist, but goods are not being produced because there is too little effective demand" (Mkandawire, 2004, pp. 41–42). This view on the irrelevance of effective demand analysis for developing countries was summarized by Stewart as follows:

More expenditures by government or consumers would not raise output and employment – it merely raises prices and imports, for it is not effective demand that is lacking, but factors on the supply side. People are idle because 'there are no machines for them to work with, few managers to organise them and few skills or basic educational qualifications to be employed'. (Stewart, 1972, quoted in Townsend, 2004, p. 42)

There is nevertheless an important tradition of development thinking that did not accept this notion that the theory of effective demand is irrelevant for developing countries. In particular, Kalecki engaged with the role of effective demand in economic transformation and showed that economic growth could occur at the expense of the poor if it went hand in hand with inflation in the prices of necessities (1963).

Kalecki's concern was not with inflation in general, but with one particular type of inflation, namely the persistent rise in the price of necessities as a result of economic growth. Hence, it is not just the rate of inflation that matters, but also the type of inflation. The point is that different types of inflation are characterized by different ways in which relative price movements of broad categories of commodities behave (see also Warren, 1977, p. 2).

Consequently, lumping often diverging relative price movements together in a single index of inflation can be misleading and may lead to the problem of what Myrdal called 'misplaced aggregation' (Warren, 1977, p. 2; see also Myrdal, 1968, Vol. 3, Appendix 3).

More specifically, Kalecki pointed out that macroeconomic adjustment mechanisms differ markedly between agriculture and non-agriculture. His argument went as follows. Growth in income propelled by investment brings in its wake a growth in demand for consumer goods, and necessities in particular. Whether this leads to inflationary pressures on their prices depends on the ability of the supply of necessities (i.e. domestic production or importation) to respond to growing demand. If supply responds, prices will remain relatively unaffected. Furthermore, if supply responds through the expansion of domestic production, growth will be further stimulated as a result of multiplier effects in the economy. However, if supply is unable to respond, prices will increase with negative consequences on real incomes.

Now, Kalecki (1954; 1963) argued that in a developing economy both processes are likely to be at work. More specifically, in agriculture, short-run market equilibrium is primarily achieved through price adjustments, which bring demand in line with the available supply (which mainly depends on the previous harvest). In other words, a bumper harvest will lead to falling prices; conversely, when the harvest is low (for example, due to adverse weather conditions), prices will rise to match demand with diminished supply. In contrast, in industry (and services), quantity adjustments tend to dominate the scene with prices determined as a mark-up over variable costs. Capacity utilization therefore rises or falls depending on the level of effective demand. Finally, if the rise in the price of food pushes wages up in the non-agricultural sectors, prices of non-agricultural goods will also rise as a result of this cost-push effect.

But Kalecki's argument was not just about the short run. In fact, he was also deeply pessimistic about the capacity of agriculture – and the production of staple crops in particular – to respond to the growth in demand within a longer-term perspective. His argument was not Malthusian in nature, but rather based on his belief that the institutional arrangements of agriculture production and exchange in developing economies limited their potential growth in productivity and output. These institutional factors were the prevalence of feudal landownership and the domination of peasants by merchants and moneylenders. The problem of financing development, or so Kalecki argued, consisted of securing adequate growth in agriculture through the removal of these institutional obstacles (1963, p. 51).

This dimension of the role of effective demand was and is largely ignored in Tanzanian debates, both past and present. Yet the experience of the 1970s and the subsequent crisis of the early 1980s shows that this was nevertheless an important dimension to be considered. Wangwe (1983) and Lipumba et al. (1988) both argued that industrial development in Tanzania during the 1970s was characterized by a mounting tension between capacity creation and its utilization. These problems emerged from the fact that economic strategy had focussed primarily on supply-side constraints without giving sufficient attention to demand and consumption. As Wangwe (1983, pp. 490–91) pointed out, the balance between competing uses of foreign exchange was heavily tilted in favour of investment, not least because it was definitely easier for importers to obtain suppliers' credits with long repayment periods (as preferred by the Ministry of Finance and the Central Bank) for capital goods imports than it was for intermediate goods imports, and because at the time foreign aid consisted mainly of project aid as investment support, with an inbuilt bias towards investment. As foreign exchange became tighter, approval of investment projects increasingly depended on the availability of such foreign finance.

One of the key constraints on Tanzania's industrialization drive was the fact that the growth in the recurrent costs that follow in the wake of these investments had been ignored. The share of consumption in GDP actually fell quite dramatically during the period (Wuyts and Kilama, 2014). Despite the characterization of the era as prioritizing current social consumption over economic development, the problems with the investment drive were actually partly the result of the downplaying of demand. An important reason for the problems that emerged in Tanzania's industrialization drive of the 1970s was that effective demand was overlooked in the planning process. In particular, Tanzania's economic policy during the 1970s was built around an investment strategy propelled by foreign aid. This successfully forced the pace of economic development, but too little concern was given to its recurring implications – particularly the multiplier effects on demand that this investment drive inevitably generated.

Lipumba et al. (1988) tackled the issue raised by Wangwe (1983) from a perspective of econometric modelling. In their model, consumer imports and intermediate imports are constrained by "the supply of foreign exchange obtained from the previous year's exports, and (for intermediate imports only) also foreign transfers" (p. 360). In contrast, imports of capital goods were less constrained since these depended on last year's export earnings as well as on available foreign capital (particularly foreign aid). Thus, it is possible for domestic investment to continue unabated, even if export earnings are falling. In contrast, in their model capacity utilization in manufacturing critically depends on imports of intermediate inputs. It is this process, they argue, which led to the paradoxical situation where "capital stock continued to grow, but its utilization rate dropped dramatically (from 100 per cent in 1973 to 27 per cent in 1984) so that the elasticity of output to intermediate inputs became very large".

Wangwe (1983) and Lipumba et al. (1988), therefore, recognize the tension between capacity creation and its utilization in industry as competing users of scarce foreign exchange. What is interesting, however, is that neither sought to investigate whether or not a further link exists between investment in industrial capacity creation and the foreign exchange constraint itself. To bring the demand side into play would have required linking the industrialization debate with the parallel debates that took place during this period on agricultural pricing policies, and investigating their interconnections.

To be fair, Lipumba et al. came close to doing this since their supply functions for export crops feature the real producer prices of food crops as key variables, but they did not investigate how domestic investment itself can affect the price of food. The reason, as they readily admit (1988, p. 360), is that food production does not feature at all in their model since "so little production is marketed and the data are very weak". However, the authors make the implicit assumption that increases in export production replace food crop production one for one in value terms. Nevertheless, even in view of this assumption it is surprising that they did not pay more attention to the mechanisms through which capacity creation could affect relative prices in agriculture. This would have allowed them to examine in how changing relative prices in agriculture could have affected export volumes and the foreign exchange constraint.

This perspective is particularly important given that production decisions of Tanzanian peasants are strongly influenced by relative prices. Indeed, after a careful assessment of trends in agricultural production, Ellis (1984, p. 48) concluded that one matter which the trends seemed to settle beyond any doubt was the sensitivity of Tanzanian peasants to changes in the relative producer prices of alternative crops. Raikes (1986) held a similar view, although he further stressed the importance of the price of food on the parallel markets rather than on the official markets.

Lipumba and Ndulu (1989, p. 15) provide some interesting econometric evidence to support this view. At the aggregate level, they show that Tanzania's export quantity index varies positively with the real exchange rate and negatively with the real price of food crops. In fact, the cross-elasticity of export volume with respect to changes in real food prices equals -1.35, which indicates a high responsiveness to relative price changes. More detailed crop-by-crop estimations show that this relative price responsiveness is highest in the case of annual crops, cotton, and tobacco, and lowest for the slow responding perennial crops, coffee, tea, and sisal (Lipumba and Ndulu, 1989, p. 20). In a more detailed study on cotton, Dercon (1993) obtained similar results. He suggests that the supply responsiveness of cotton growers is more a relative price response than an aggregate supply response. What this means is that peasants are more prone to switch between crops than to increase the aggregate supply of all crops.

Bringing in the demand perspective along with the supply constraints allows us to link both debates. The point is that a policy which aimed at developing the home market through investing in import substituting industrialization ended up by eroding the most critical component of the home market: the exchange with the peasantry. The main mechanism through which this happened was via a high and rising rate of investment, which exerted upward pressure on the relative prices of food versus cash crops and led to a decline in export volumes, which in turn negatively affected industrial output (but not investment) and the supply of manufactured goods in the countryside. In this process, the state's investment policy became delinked from its agricultural pricing policies by the dynamics of the market, propelled by the investment drive. The industrialisation debate, however, proceeded side by side with the discussions on agricultural pricing. This was based on the implicit assumption that each had its own degrees of freedom, rather than the former constraining the scope of the latter as a direct result of the multiplier effects of the investment drive itself. Consequently, the movements in relative prices were essentially endogenous to the investment strategy, and hence played an important role in determining its adverse outcome during the early 1980s (Wuyts, 1994).

It is our contention that this issue of the role of effective demand is not only relevant to understanding the debates of the past, but also has important implications for today's strategy of industrialization, albeit that the context is obviously different. The key point is that the theory of effective demand teaches us that it is not sufficient to juxtapose investment against consumption, favouring the latter to propel the industrialization drive. This is because it is also important to consider the recurrent implications of an investment strategy inasmuch as, from a Keynesian perspective, investment brings in its wake a demand for consumption. This also applies to public investment, where the fact that a higher rate of investment inevitably brings forth the need to cater for the additional recurrent expenditures that follow from its implementation is often overlooked.

TRANSLATING NEEDS INTO EFFECTIVE DEMAND

There is, however, another set of questions that needs to be answered about the specific content of demand and how needs are reflected in patterns of effective demand. The relationship between needs and effective demand often goes unexamined in economics because of the assumption within mainstream economic theory that consumption patterns and hence patterns of demand reflect subjective preferences of individuals rather than underlying needs (Bugra and Irzik, 1999). The implication of this is that "the strict adherence to consumer sovereignty largely excludes policy oriented investigations of the relationship between human needs and consumption" (ibid, p. 193). Other approaches such as Veblen's institutional analysis examine consumption from the perspective of the divide between consumption that meets needs and consumption that establishes rank and status in society, called conspicuous consumption. Questions about the underlying social and economic drivers of consumption lie beyond the scope of this analytical framework. Nevertheless, recognizing the role of human needs in shaping consumption and patterns of effective demand can help to provide a bridge between social, macroeconomic, and industrial policies.

Examining the characteristics of effective demand and making links between needs and demand opens up questions about the direction of economic transformation and the types of industrial activities that should be promoted in order to bring about human development. In dealing with issues concerning economic growth and transformation, "the emphasis has been on building technological capabilities through satisfaction of demand, without much probing of the choice of demand to satisfy" (Srinivas, 2016, p. 80).

In other words, this neglect of the demand side of the equation tends to ignore the role of social policy in structuring effective demand, not only in terms of the overall level of effective of demand, but also, and importantly, in terms of shaping the processes that convert (or fail to convert) needs into effective demand (ibid., p. 78). As Srinivas argues:

> It is thus particularly important to understand the nature of demand in industrialising economies, where markets are especially various, complex, and uncertain while technological capabilities on the supply side are being rapidly built. While these economies may well be compared internationally on the supply side, their demand sides are diverse and sectorally distinct (…). In the seminal 'catch-up' literature …, the emphasis has been on building technological capabilities through satisfaction of demand, without too much probing of the choice of the 'demand' to satisfy. But there have been traditions … deeply concerned that industrial policies were tilted towards promoting export growth and the satisfaction of domestic demand for elites, and not the lower-income groups. This can lead, as the Latin Americans (and leaders such as Gandhi too) worried about, to deep inequalities skewed to emulating consumers of industrialised economies. (2016, p. 80)

In this respect, much can be learned from the approach that underscored the development of the basic industrialization strategy of the 1970s, which sought to integrate the direction of economic development with a concern for satisfying basic needs and achieving a more equitable income distribution. There was far more attention paid to linkages between the pattern of industrialization and the need to achieve greater convergence between demand and needs, as Rweyemamu made clear:

> To begin with, the selection of activities must be guided by Tanzania's basic needs at the present conjuncture (food, habitat, health, education, communication and transport) and the known available resources. The satisfaction of basic needs requires at least in an indirect way that most of these activities are *appropriately defined*. The output of the engineering industries is required in the production of machinery that is subsequently used in the reproduction of all our basic needs. Consider food, for example. Tanzania's food consists essentially of cereal grains, vegetables, meat, fish, and fruits. The production of each of these foods at a *marketable* level requires the use of machines: agricultural implements, machinery to produce fertilizers, seeds, insecticides, fishnets, slaughter houses, etc. The same is true for housing where machinery is involved in basic construction and furniture making. Health, education and communication also use machinery in the provision of such basic inputs as hospitalware, books, communication equipment, transport equipment, etc.
>
> … However, there are a number of important interrelations. … Chemical industries have extremely high linkages in an industrial system and are used in the production of basic goods in various ways: pharmaceuticals, fertilizers, preservatives, paints, dyes, etc. (Rweyemamu, 1976, pp. 279–280)

What is clear from this is that Rweyemamu did not consider social concerns as pertaining to separate sectors, mainly to do with consumption; he also linked these explicitly to the types of industries that were needed to supply them. It is thus not surprising, for example, that pharmaceutical industries emerged in Tanzania during this period.

The type of state activities that should be followed to promote a path of industrialization does not necessarily entail a return to the state-led industrialization strategies of the 1960s and 1970s. Indeed, what is needed is a capacity for problem solving on the part of the state to reconcile industrial and social goals as an essential part of development plans (Srinivas, 2016). Indeed, as Srinivas further argued, no explanation of this interrelation would be complete unless "we attend to why a state so capable along one dimension, can be so wanting in another". History has shown that in some cases major advances in social development came to a halt or were even reversed because of adverse effects in terms of sluggish economic development, but in a similar vein, other cases showed that rapid economic growth and transformation did not always go hand in hand with broadly shared social development, but instead accentuated economic inequality and social polarization.

While it is possible to agree with the broad point that social and economic policies can be mutually constitutive, there is still an issue as to whether the ways in which economic policy affects social development carry the same weight as the ways in which social policy affects economic development. Put differently, if economic policy carries greater weight than social policy in terms of enhancing overall socioeconomic development, then surely economic policies should be prioritized at the early stages of economic transformation. This is an important point, which in fact boils down to a nuanced version of the argument that premature emphasis on the role of social policy in the early stages of economic transformation could turn out to be self-defeating. The point, however, is that these two dimensions – the way in which economic policy impacts on the social sphere, and the way in which social policy affects the economic sphere – do not operate independently from one another, but require a capacity for *problem solving* on the part of the state to reconcile industrial and social goals as an essential part of development plans (Srinivas, 2016).

Looking at social policy from this broader perspective opens the door for a more context-specific transformative approach to inserting social policy and its relation to economic policy within development planning. In this respect, Srinivas (2016) argued that for policy design to be effective, the old 'state versus market' debate is not very helpful, instead putting forward a problem-solving heuristic that seeks to understand the difficult process of planning for social provisioning along three particular institutional fronts: (1) production, (2) consumption and demand, and (3) delivery. All three need to be brought into the picture, which cannot be achieved while maintaining a dichotomy between 'economic sectors' on the one hand and 'social sectors' on the other.

…BUT THE SOCIAL IS NOT SIMPLY ECONOMIC

It has been argued that social and economic policies should be considered as mutually constitutive in order to plan for a process of economic transformation that improves human wellbeing over time. This is an important observation given the tendency to dichotomize the social and the economic into two separate spheres. Nevertheless, there *are* important distinctions between the economic and the social sphere related to the “different rhythms and modalities of market-based capital accumulation (the commodity economy) on the one hand, and non-market-based social reproduction (the unpaid care economy), on the other” (Elson, 2002). The definition of social policy provided in the introduction to this paper implies that systems of social provisioning occur through numerous overlapping social institutions. These include households, families, and communities, as well as markets and the state. These social institutions that provide care vary enormously across and within countries in terms of their specific histories, as well as the cultural, economic, political, and power relations in which they operate.

In both richer and poorer countries, the unpaid care economy plays a major role in delivering social provisioning (Elson, 1991). An analytical framework for integrating social policies into economic transformation must also take cognizance of the way that social relations shape social provisioning within the main non-market, non-state spheres that currently provide care and protection in Tanzania. Assumptions about gender and gender roles play a key part in the unpaid care economy as well as within other social institutions that make up the interlocking framework of social provisioning. A challenge for integrating social and economy policies is therefore to examine “how gender-sensitive variables, which capture reproduction as well as production, and power as well as choice, can be incorporated into the analysis of growth and structural change” (Elson,2002; 3).

In this regard, it should also be pointed out that subsuming social policy within a narrow economic agenda can also have negative implications, not only for livelihoods but also for other aspects of capabilities and freedoms. For example, in East Asia many gendered social policies served to maintain a flow of low-waged female labour and promote rapid growth in manufacturing by reinforcing the gendered segmentation of the labour market. Social policies were often implicitly involved with creating this flow of low-paid labour by restricting women’s rights to work after having children and therefore limiting their abilities to coordinate through collective action to push for higher wages (Seguino, 2002). In a society such as Tanzania that is undergoing significant socioeconomic change, institutional frameworks for providing care are in flux and traditional arrangements for caregiving are therefore under strain. As new institutional configurations are constructed to address social provisioning, an important question relates to how these institutional frameworks valorize and reward care giving. This again goes back to the point that it is not economic transformation that matters per se, but the nature and content of this transformation. Whether the primary focus is on economic transformation or social provisioning, the point is that there is a need to be much more explicit about the ‘ends’ of development, which, as Nyerere eloquently expressed, are ultimately to enhance human freedom.

CONCLUSION

The main argument of this paper is that there has been a tendency to view the relation between the economic and the social as pertaining to two sectors, the economic versus the social, each requiring its own set of policies. The analytical framework presented in this paper shows that economic and social policies are constitutive rather than additive in nature. Effective policy design for development planning requires a form of mainstreaming of social policies into economic policies. This can be achieved not by returning to the old macroeconomic policies of the socialist era, which are more difficult to achieve in the era of global mobility of finance and capital. Instead, it demands problem-solving heuristics that seek to understand the difficult process of planning for social provisioning along three particular institutional fronts: (1) production, (2) consumption and demand, and (3) delivery.

Taking these three dimensions into account requires breaking away from this simple dichotomy between economic and social sectors and looking at them from the perspective of how outcomes are produced, which demands they respond to, and the extent to which these demands converge with needs for human development. A further set of questions should address the mechanisms of delivery that need to be developed to ensure that industrial development supports social goals. These elements are all crucial if Tanzania's renewed planning to bring about economic transformation does not proceed along one dimension only, while remaining wanting in the other. To reconcile economic transformation and industrial development with social goals therefore requires a constitutive and integrative approach. Without such an approach, the risk is that economic transformation will fail to deliver on the promise of improved outcomes for human development over time.

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