

Evaluating the Compatibility of Economic Reform with Political Liberalisation in Poor African Countries – a case of Malawi

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Synopsis

Economic reform is a necessary condition for democratic development. Given that the role of political liberalisation is to enable people then economic reform is the policy instrument capable of delivering the desired transformation on the premise that personal freedom is a derivative of economic freedom, and that by opening up the market and unleashing popular participation in the economy, economic reform facilitates convergence of a free society and a market economy.

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Abstract

This paper investigates claims that fundamental policy changes aiming to disengage the state from the economy do not provide appropriate discourse for a new government in a newly democratised state. This view has a lot of support among Stalinist-Marxist scholars who believe that unmaking a welfare state simultaneously as the process of reassigning power to the people is a contradictory and politically suicidal undertaking.

Based on the analysis of change in Malawi, this paper offers philosophical counter-arguments supporting the view that economic reform is a necessary condition for democratic development. The main argument is that, given that the role of political liberalisation is to enable people [previously trapped in an econo-political hegemony] to make decisions about their own lives, then economic reform is the only instrument capable of delivering the desired transformation. This is on the premise that personal freedom is a derivative of economic freedom, and that by opening up the market and unleashing popular participation in the economy, economic reform facilitates convergence of a free society and a market economy.

The paper also argues that political rhetoric signalling the reversal of economic reforms as a socialist alternative has the potential to sustain a sitting reformist government in power as in the case of the reformist National Action Party (PAN) which rules in Mexico while the PRI founded in 1929 remains outside government. The paper also observes that a platform critical of economic reform is bound to ignite apprehension for potential loss of personal and economic freedoms that arose from a process of reform.

However, owing to an observation that change from one party to multipartyism in Malawi was brought on largely by economic policy failure, the paper supports the argument that resource scarcity, degradation and poverty (measured by household food scarcity, social indicators, and the incidence of malnutrition) pose a major threat to democracy.

Although the question of whether the individual citizens would prefer a return to autocracy in the hope that there will be economic prosperity may be outside present options, the fact of economic instability in the free market economy is certainly not a satisfactory recompense for emergence of new and wider freedoms.

Introduction

For twenty-seven years (1966-1993), Dr H Kamuzu Banda governed Malawi as a one party state in which authoritarianism had become the defining characteristic of the former British colony. Life President Banda personified unlimited power as he enjoyed premier authority and prestige over the entire legislature and courts of law. Such omnipotence, combined with the his dominant role in business to exhibit a capitalist cum political and constitutional phenomenon of "imperial Presidency".

Malawi had the deceptive appearance of being a peaceful country when compared to her neighbours. With a clean history, devoid of political uprising, civil wars, coups, genocide or revolutions in living memory, Malawi was a complete illusion, which western donors sought to use as an example of how capitalist rule promoted peace and prosperity in a region where the Cubans and Soviets were active. To a significant degree, this concealed the true nature of governance in Malawi for the benefit of an international agenda accorded great significance during the cold war.

However, the grim truth was that under the one party system, Banda commissioned the Malawi Young Pioneers (MYP), a paramilitary wing that also served as his instrument of repression. The MYP formed the main artery of the intelligence network surpassing the police while their military skills and endowments rivaled those in the military forces. The mainstream police force also remained in the shadows of the special branch responsible for pursuing suspected political subversives, while a youth league of the Malawi Congress Party (MCP) spearheaded the coercion of membership and extortion of financial and material contributions to the party.

The regime also controlled news effectively – keeping stories of distress and unrest from reaching people in the country. Such restrictions also applied to international observers and members of the foreign press. Any radical ideas that might cause discontent were sieved out from reaching Malawians while intellectual freedom was limited. Against such a background, the regular message reaching the nation were indoctrinating claims by Dr Kamuzu Banda that Malawians were amongst the most affluent in the region.

The impeccable nature of Banda's political synergies was that he prevailed at a time when all democratic processes providing the means for popular uprising had been systematically curtailed. The National Assembly existed, but there was total absence of parliamentary processes or any participatory democratic environment normally entrusted with popular

expression to challenge policies of the Life President. That also meant obligations for executive accountability to the people remained extinguished.

In addition to the exclusive privilege of exercising political power without consultation and therefore quickly, the government of Dr Kamuzu Banda was also as free from public scrutiny as not to be required to offer any form of explanation, horse-trading or appeasement for any political or economic policy.

However, 30 years later, the people of Malawi successfully agitated for change, forcing Dr Banda to hold a one party-multiparty referendum, which went in favour of pluralism in 1993. Subsequently, a newly established party, the United Democratic Front won the election, thus forming the first democratic government in Malawi.

There is still some controversy regarding the main driver of the impetus for change in Malawi that started in 1992 which is as puzzling as the transformation of Malawi into a dictatorship. In the 1960's, Dr Kamuzu Banda had first appeared on the political scene as a leader of the Malawi Congress Party that won majority victory in the 1961 general election, thus becoming Nyasaland's first Prime Minister in a multiparty national assembly that took Malawi to self-government in 1963.

Malawi later attained full independence from her British colonial masters on 6th July 1964, and thereafter ending the reign of Queen Elizabeth II as the country attained Republican status in July 1966. Driven by sound ideals of unity, the Malawi's Republican constitution declared the country a one party state and that Malawi Congress Party was such only party. The consolidation of Dr Banda power was to come in 1971, when the MCP convention unanimously declared him Life President of the Party and automatically the republic.

There are a number of arguments defining the change that occurred in the 1990's. The 'exogenous' argument is that change in Malawi was the inevitability of the wind blowing from collapse of communism in Eastern Europe. Essentially, change to multiparty in Kenya and Zambia within Africa merely relocated the centre for political gravity to the mainland Africa. The liberation of Namibia, release of Mandela and subsequent freedom in South Africa is also believed to have played an important role, reflecting on change in a pan African context.

The 'political opportunism' argument is that after the collapse of Soviet Union, the old African leaders who had led their nations to independence were thought to have lost their usefulness as allies of the west in the fight against communism. The basis of this argument is

that nationalist leaders became expendable, but is extended to include the fact that the west desired a new layer of surrogate less radical leaders elected in makeshift democracies to submit to economic reforms and therefore allow the escalation of western economic influence via 'globalisation'. The speedy withdrawal of aid in 1992 before Malawians themselves had started agitating for change in a meaningful and organised way seems to bear testimony.

The 'natural enlightenment argument' provides an alternative view to the process of change, defining the momentum as a result of the exposure of Malawians abroad and through education that galvanised a new awakening that leaders were lying to the people who needed to enjoy their basic freedoms. This argument is supported by the fact that the arrival of the UN and aid agencies in the wake of the Mozambican refugees in Malawi brought new ideas and methods of doing things and opened the country slightly (Cammack, 2001).

This paper is motivated by the 'reverse economic leverage' argument that change in Malawi was brought on by policy failure. This argument is founded on the resource scarcity and degradation had begun to have an impact before the 1992-94 transition, reflected in the fact that poverty – measured by household food scarcity, social indicators, and the incidence of malnutrition – had deepened amongst the peasantry.

The premise to the 'reverse economic leverage' argument is that Malawians remained in relative submission for a considerably long period because the root causes of unrest, such as resource scarcity, were less acute than in the 1990's. From independence to the late 1980's, people still had access to virgin land and forests, and could better feed their families. The western donors and apartheid South Africa, had also been helpful, being willing to bail the regime out with massive grants and loans.

This argument is also sustained by the fact that the war next in Mozambique, which pushed at least a million refugees into Malawi while cutting off access to northern Mozambique, a market and source of food for Malawi, exacerbated the competition over resources, especially land and forests. As Banda's development policies failed, and as donor funding made little impact – except to make the elite richer at the annoyance of the ordinary people, attempts by the likes of John Tembo to hold on to power as the aged president intermittently lost the capacity to rule shattered the delicate balance that held Malawian fear for political authority and the pressure for economic survival.

This state of affairs generated an opening for a cadre of unhappy elite – many of whom had been senior MCP politicians – willing to oust the old man and his cronies, a revolt that took place in the larger context of post-cold war reform supported by the west. Back home, many

of the peasantry, the small middle class and the idealists believed in 'change' and gave their support for the opposition to carry the mantle of 'multipartyism' and democracy.

This paper is motivated by the significance of the 'reverse economic leverage' argument to investigate the relative importance of political and economic freedoms with regards to the perception of the new government. This paper therefore investigates claims that fundamental policy changes aiming to disengage the state from the economy may have weakened the economic appeal of the government. The Stalinist-Marxist view is that such economic reforms do not provide appropriate discourse for a new government in a newly democratised state because unmaking a welfare state has enormous political costs.

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ABBREVIATIONS:

MCP Malawi Congress Party - (Governing party under one party rule 1961-1994)

**UDF United Democratic Front – (Governing party under democracy 1994 – 1999,
re-elected 1999)**

ADMARC – Agriculture Development & Marketing Corporation

AFORD - Alliance for Democracy

Politics and Economic Reform

Malawi adopted democracy in 1993 after ending 30 years of one party dictatorial rule and economic philosophy based on dominant role of the state, elitist agricultural policies and comprehensive ownership of the means of production of wealth, its distribution and consumption (Stambuli, 2002).

The advent of a political liberalisation in Malawi at the same time as the beginning of more radical economic reform, which also coincided, with election of a new government in 1994 presents the case of '*simultaneous transition*' (Armijo, Biersteker & Lowenthal, 1995), from which an interesting challenge emerges in the study gravitational influences between economic and political transformation in traditional Africa. Economic reform is wedged in between the choice of short-term electability under the altar of populist [but economically unsound] policies and the practice of economic prudence for the long-term good of the country.

Incompatibility of economic reform with political liberalisation arises from the belief that fundamental policy changes requiring disengagement of the state from the economy may not be appropriate at a moment that government would want to use the state machinery to award concessions in pursuit of broad based popularity. In '*The Myth of the Authoritarian Advantage*', Maravall (1995) describes the dismissive Marxist view that it does not matter whether or not sustaining socialism resulted in fiscal profligacy, as long as it provided a stepping-stone to the consolidation of political power.

The view that economic reform is incompatible with political liberalisation also has support among welfarists who believe that unmaking of a welfare state simultaneously as the process of reallocating state power to the people was an immense and contradictory undertaking for any government. Their logic is that it is suicidal for a government to start a reform program involving heavy welfare losses a time when the electorate had been granted the means of political assembly, demonstration and protest via interest groups and labour unions.

In the case of Malawi, a compelling threat lay within the euphoria of change. The recently displaced government of Dr Kamuzu Banda and Malawi Congress Party (MCP) lay in wait for the slightest disillusionment among the electorate in order to attempt another swing back into power via a right wing mobilisation. Since the new constitution had provided guarantees against human rights abuses and recognised other freedoms as a birthright, the MCP rhetoric of a return to a welfare economy was the most attractive offer against a government whose

program was based on the removal of subsidies, further expenditure cuts and disposal of state assets.

The apprehensions outlined above seem to have wider resonance among states facing a challenge between a free market economy and a socialist state. Extensive trade reforms have been undertaken in China to open up the country to the international economy. However, at the same rate, democratic reforms have not appeared on the reform agenda. Such apprehensions of developed states underscore the complex nature of the challenge facing the new Malawi government in advancing a reform agenda.

At the other extreme is the indictment of democratic politics for the slow pace of economic development because of inherent risks of advancing changes that shift the tide of popularity to political contenders. Nowhere has this been exemplified more than in Japan where, despite a widening economic stalemate there is only a short list of financial reforms required to revitalise the economy. However, the Japanese government argues that it can only do that which is "politically possible" and not necessarily 'economically correct'.

These arguments suggest that the government of Dr Banda may have been better placed to undertake reform without risking its mandate. There can be no dispute to the impeccable nature of Banda's political synergies as his reign coincided with a period when all democratic processes - providing the means for popular uprising - had been systematically curtailed.

The National Assembly existed, but there was total absence of plural parliamentary processes. The participatory democratic environment normally entrusted with popular expression was as completely non-existent as the obligation for executive accountability to the people.

Moreover, the state bureaucracy had also taken over as the leading actor and the principal source of policy, in collaboration with the political executive and without much involvement of interest groups. An environment existed in Malawi where virtually all notion of conventional dissent had disappeared; and it may have been easier for the Malawi Congress Party to push a reform program while authoritarian control captivated all spheres of social relations.

This was in addition to the exclusive privilege of exercising political power without consultation and therefore quickly.²

² The government of Dr Kamuzu Banda was also as free from public scrutiny as not to be required to offer any form of explanation, horse-trading or appeasement

Political liberalisation and Reality

The intuitions outlined in the preceding section suggest that economic reform may be vital for progress, but more compelling is the fact that the policy setting must be understood and supported by the electorate. In “*Linkages Between Politics and Economics*”, Nelson (1995), observes that one of the problems of a country where there has been no political liberalisation is that the case for economic reform is commonly argued without direct reference to politics.

That doesn't mean that economic reform is undemocratic, but reform is presented in the exotic context, and with reference to countries where plural politics have been in place. It also means that any discussion of the connection between economic reform and political liberalisation can be easily misunderstood because both aspects represent novelties that dictatorial regimes have resisted. This is an exact reflection of the experience of Malawi.

It can be argued that the fact that Malawi economy remained on a downward trend since 1978 should have warranted re-examination of both the political and economic factors that needed redress. The fact that public sector expansion continued after fiscal resources had begun to deteriorate should have drawn attention to the need for public sector reform before it was instigated by donors. Much of the worsening poverty in Malawi owes a lot to the fact that state enterprises gobbled a combination of taxes and aid and external and domestic borrowings, but still remained the main cause of fiscal, monetary and balance of payments instabilities and the fact that private enterprise development remained constrained.

However, implications of government's intransigence to reform include the fact that the regime maintained restrictive industrial, trade and financial policies that depressed savings, hindered private investments and encouraged capital flight. The appropriate economic regime would have entailed Smithian ideals of a lesser role of the public sector aided by liberalization to eliminate price distortions, and elimination of unrealistic interest rates and exchange rates. Malawi also needed to embark upon privatization to ease off fiscal pressures while industrial liberalization would have helped to develop a new competitive culture in business.

The reaction of the new government to the foreign-exchange crisis that developed in the lead-up to the 1994 election probably exemplifies the fact that economic reform provides a lasting way of dealing with problems of socio-econo-political hegemony. The Malawi Kwacha was falling everyday and the country was close to bankruptcy, in the sense of being unable to service its foreign debts. The economic reality was that imminent bankruptcy could not be legislated away by a democratic vote, but it had to be addressed without repudiating the debt as suggested by other sections of the political establishment.

The government adopted a response that involved implementing confidence-building policies that sought to allow the government to sell new debt to fund its trade commitments for the benefit of the private sector. A Stand-by arrangement agreed with IMF in November 1994 was adopted as an explicit policy decision, supported by the independent judgments of the business community and offshore investors, while at the same time meeting the condition of receiving assistance from multilateral and bilateral donors.

The new government also allowed the Kwacha to devalue allowing the inflationary effects of excessive pre-election monetisation to pass through. The government went on to implement restrictive monetary and fiscal policies and other corrective policies thereby preserving Malawi's autonomy.

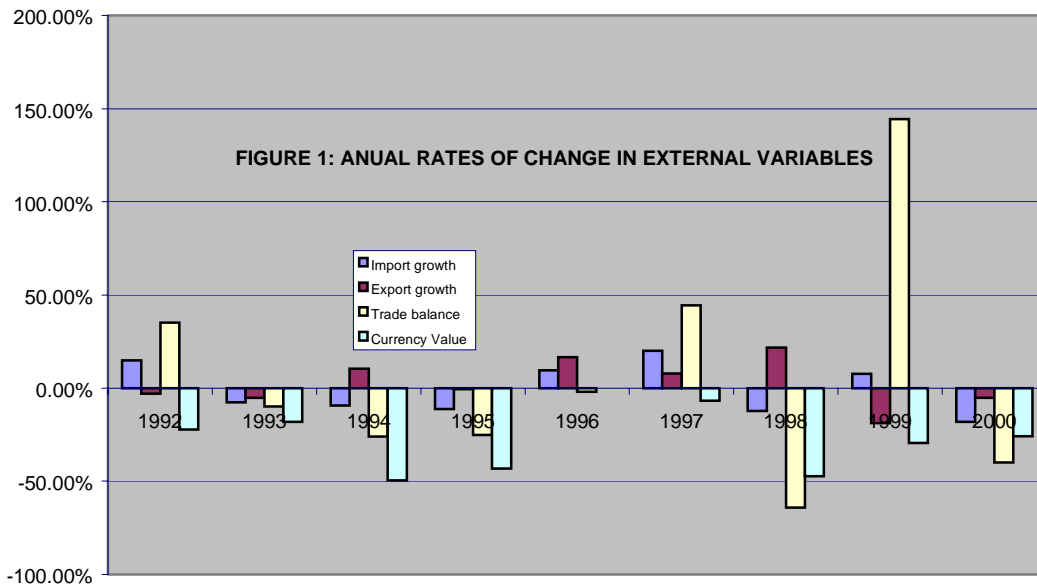
As demonstrated in Figure 1, the Kwacha later stabilised and the economy was brought under control. The efficacy of real exchange rate depreciation was that it spurred rapid and unprecedented growth in exports while restraining import expansion. The net effect was a major improvement in the balance of trade and services also reflected in improvements in the foreign reserve position and renewal of investor confidence.

Politicians, especially from the displaced Malawi Congress Party, had actually prognosticated that the country would repudiate foreign debt and plunge itself into international mistrust and subsequently face isolation. Indeed, repudiation could be done, lawfully and 'democratically', but the cost would have been huge. Imports of goods and services would have fallen, the country would face high interest rates for many more years and foreign investment would have dried up, with catastrophic effects on living standards.

The reform process engineered by the government was a response to an inescapable economic reality. As stated in Hough (2001) homegrown reforms work better than measures introduced from outside, reforms in Malawi were undertaken by the country on its own behalf, and in a way that preserved both the legitimacy of the political system and the country's long-term economic prospects, than being imposed from the outside with all the risks to political and economic resistance that would entail.

From a democratic perspective, the most objectionable aspect of the currency crisis that began in February 1994 had been a decision of the Banda government to conceal the true financial state of the country from the electorate. Like the peso at the time of commissioning the currency board in Argentina, the Malawi Kwacha had been extremely overvalued at the time of floatation, foreign reserves had been run down and the country owed substantial foreign

liabilities. The pressures were worsened by the fact that levels of seignorage had risen to the equivalent of 4% of GDP.³



The incoming UDF government of 1994 cannot be held to have acted undemocratically in moving away from its election manifesto when the state of the economy was found to be incompatible with the parlous situation that it discovered. In contrast to the mistaken analysis of most observers at the time, subsequent measures undertaken by the government have generally sustained the economy and achieved higher average rates of economic growth than the final years of the MCP regime. The spirit of prudent economics has been uplifted and increased information is now available to electors and strengthened the democratic arrangements in Malawi.

In this elementary sense, it can be argued that the economic reforms implemented by the government over the last eight years are legitimate and also promote a culture of democracy. Malawi is a fully-fledged liberal democracy with universal adult suffrage embodying equality of political rights while regular elections also give voters the opportunity to judge the government's performance and to confirm it in office or replace it.

It follows therefore that since freedom of political association is assured, individuals freely seek to stand for an established political party or set up a new party or pressure group, the 1999 election, in which UDF was returned to office with an increased majority than in 1994

³ This can be likened to company directors who wish to raise capital on the basis of a prospectus that misrepresented its financial state; in company law this is a serious offence and directors would rightly face serious charges.

should provide an unequivocal endorsement of its stewardship. The outcome of the 1999 election was a ratification of the general thrust of the economic policies of the first 5 years. They may not have produced wonders, but the reality is that no other party made a better offer. More specifically, the electorate overwhelmingly supported the key policies that are necessary for long-term economic success.

The only significant party that pledged to reverse the reforms - the Alliance for Democracy - lost the most ground among the voters, while the far right Malawi Congress Party made some gains but too limited to bolster its position. The flagship of a UDF government is the process of reducing the size and influence of government, and the people of Malawi are clearly signalling their acknowledgement that excessive government, including state ownership and control of private activities, is on the endangered list of activities.

There might be other concerns against the conduct of government, but decision of the 1999 election gives the reforms democratic legitimacy. Even though defects such as a number of broken political promises may be apparent in their execution, the verdict of the electorate is that they are not significant enough to condemn the overall economic stance of the government.

Political liberalisation and Other Values

In a free and open society like the one developing in Malawi, democracy is a fundamental, but delicate attribute. As well as valuing equal political rights and the power to throw a government out, citizens also value the rule of law and the rights of other citizens. These values arise from political liberalisation, and so are the obligations.

In some countries, democratic assemblies have voted to discriminate against minorities and to deprive them of basic civil rights. Governments have adopted institutional arrangements and legal constitutions, which despite an independent judiciary, a free press and inbuilt moral restraints, offer little protection for minorities and individuals against tyrannical majorities. Despite the principle of majority rule, government has the obligation to protect the entire citizenry.

The lesson from Malawi is that a free society and a market economy are superior to the socialist alternative because by minimising the writ of politics they create a more effective form of political liberalisation for enabling all people - ordinary people as well as political people - to make decisions about their own lives. Economic reforms seeking to unleash the market are therefore consistent with democratic development.

Some further insights can be made with regards to privatisation, which is an unpopular policy among the majority of workers in state enterprises in the country. Yet, its soundness as policy for promoting free enterprise and also averting further fiscal resource haemorrhage caused by subsidization has been proven in much of Eastern Europe. The converse of this argument is that nationalisation was once a popular idea among workers who sought quick access to jobs while governments ignored concerns of the majority who preferred private enterprise to make a profit for their own capitalist good.

This point brings out the limitations on the scope of collective, political decision-making, and the argument from Malawi is that by proceeding with privatisation as well as suspending the execution of condemned prisoners, the government is saying some things are appropriate to be decided by government, others not. Indeed, the private sphere of life - markets and voluntary activities - does not require conformity, whereas majoritarian politics does. However, to scream at government without relent [for ignoring majority opinion] is to give politics a far greater role than should be desired.

The majority-minority paradigm subsists the same way that a death penalty for murderers often receives majority support in opinion polls around the world; while opponents of the

death penalty advance principled arguments against it, remain an ignored minority. As long as there is democracy, there will obviously be some areas of disagreement that will exist between the government and its own people.

In a democracy it is inevitable to have majorities oppose policy decisions, but the government position is clearly that counting heads is no substitute for pursuing scientific truth and sound policies. To favour whatever the majority favours means the government has no views of its own and would provide no protection to minorities.

It is in the same context that government in Malawi faces the challenge of deciding on civil service reform, land reform, the policy on surtax, and liberalisation of the energy and communications sector alongside decisions on the future of ADMARC. These are policies questions in which the majority voice could be quite inhibitive. Land is presently held idle by a majority of the estate farmers who are fully aware that starvation in the country owes so much to such practices.

Similarly, the fact that during the last four years of the previous government the civil service employees register rose by 25% while productivity declined suggests that many of the jobs do not serve a useful or economically justified purpose. Along similar lines, potential loss of jobs among workers in telecommunications, energy sectors and the grain marketing board are likely sources of resistance to well designed programmes of liberalisation.

Democracy: Limited or Unlimited?

Economic reform, as that term has come to be understood in Malawi, evidently means scaling back industry-specific government interventions in favour of market decision making. This is a strategy advanced by the new government on the grounds that state interventionism have failed, or at least performed worse than voluntary processes of economic action under a democratic environment.

Despite such novelty, opponents of the market-orientated policies advocate the need for government to play a more intrusive role, especially in the provision of subsidies to smallholder farmers. This stance is not a variation to reform but a complete reversal and it is defended on the grounds that it is more 'democratic', as it enables the state to reflect more effectively the popular will of the people from the rural areas who had elected members of parliament.

Given the prominent role of the Agriculture Development and Marketing Corporation and machinations of the political establishment under the Banda regime, it should be understandable that an average Malawian has no basis to trust markets. The critics' way of thinking reflects a view that the governments should be safely given wide discretion instead of devolving it away. The critics seem to suggest that it is more important for the government to evade electoral defeat than to promote democracy.

In practice, they portray government attempts to relinquish power to the market as an experiment in unlimited democratic politics for which there are dangers of instability. The truth is that government actions amount to re-enfranchisement of the will of the people. In reality it is the suggestion of the people that the 'will of the people' itself is often indeterminate and unstable while government insists otherwise.

The reality is that the mechanism whereby political decisions are made in Malawi shows that the democratic government cannot confine itself to exercising power from the agreed verdict of the last election by a majority of the electorate. The government is being forced to bring together and keep together a majority in the country by satisfying the demand that issues be thrown to a multitude of special interests in the country. This allows a process to develop whereby each individual or interest group will consent to the special benefits granted to other groups only at the price of their own special interests being equally considered during the debate.

Such a bargaining environment anchors the principle of a democracy more than people who persistently call upon the government to act using authority derived from the last election. The general point here is that widely shared interests do exist around which Malawians could in principle form a consensus. The government recognises such interests to ensure that they have the weight they deserve in the political process because a particular action of a government will not in itself command wide support.

The emerging reality in Malawi is that a community cannot collectively oversee the particular actions of government, whenever and wherever they occur. However, society may only compel government to act according to its collective wishes only by laying down agreed general principles that control the conduct of government.

A very important aspect of economic reform policies of the new Malawi government is the invisible elements of the constitution that it has crafted for itself. Ever since Malawi is used to having a simple constitution: a unitary state and a single legislative house with defined limits on its powers. However, the fact that economic reforms have accompanied the ideals brought about by change in political dispensation over the last eight years means that Malawi is gradually acquiring what may be loosely termed a new economic constitution.

These reforms include legislative changes that are directed towards establishing the rules within which economic policy decisions are taken. Some of the laws passed in Malawi require the government to comply with open processes with the aim of facilitating policies that reflect long-term and genuinely shared interests, rather than becoming hostage to the short-term interests of influential minorities.

There is evidence that Malawi has started to detach her judgments about the general interests of society from those of particular interest groups that enjoyed unbridled support during the days of Banda and the Malawi Congress Party. Although Malawians remain ambivalent about, and even in some respects hostile to, the economic policy upheaval of the last eight years, current indications suggest that they agree in increasing numbers, that the country is 'on the right track', or at least things are not as bad as they could have been.

The rank and file may see only a dim connection between the upheaval of reform and the greatly improved economic openness and prospects of better private sector influence in future years. The main reasons have to do with the time span involved in transmitting macroeconomic benefits down to the level of the micro economy. Even when macro indicators are very good, microeconomic indicators may still remain weak and disappointing. However, the fact that there are no demands for reversal of economic reforms means that on

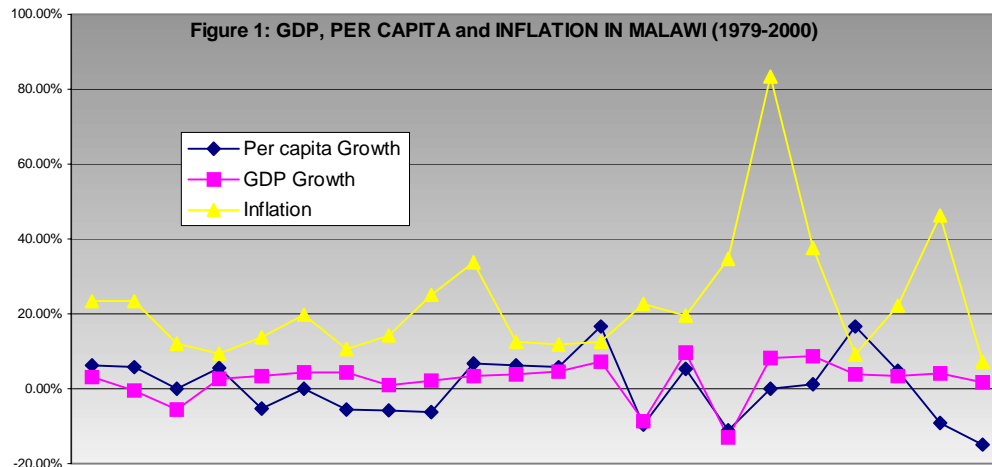
the whole it is believed that things have improved or, at least, things have become more promising. The final outcome eludes all expectations but the problem is limited to materialisation of those improvements at the level of the family household.

Political liberalisation and Prosperity

Another challenge to the connection between political liberalisation and economic reform is the attainment of prosperity. Evidence in this context remains elusive, but in an exploration of the interactions between growth, economic liberalization and democratisation during transition, Fidrmuc (2001) find that democracy facilitates economic liberalization and liberalization has a strong positive effect on growth during transition. This is consistent with Malawi's robust economic performance from 1994-1997, with GDP averaging 5.5%.

Pockets of economic malaise to which Malawi has been afflicted are consistent with the argument of Fidrmuc that the marginal effect of democracy (after controlling for progress in economic liberalization) is negative during early years of transition. This brings out two issues; namely, that progress in democratisation in turn depends on past economic performance and that reforms require to be sustained if the real benefits are to materialise in the micro economy.

The significance and relevance of the former argument to Malawi lies in the fact that between 1980-90 the economy had only grown by 1% and that nearly 20% of GDP had been lost between 1990 and 1994. This presents a background in which Malawi's reforming economy would have to seek sources of economic expansion. However, re-election of UDF in 1999 is consistent with Fidmuc's assertion that economic performance is an important determinant of electoral outcomes.



As reflected in Figure 1, per capital GDP in 1990 had remained at the same level as 1981, after growing at negative rates for five years between 19983-1987. Much of this period was

characterised by economic stagnation as a result of a low-level equilibrium trap characterised by a loss making state enterprise sector, a constrained smallholder sector and an inward looking industry that had exhausted all available capacity for growth. Much of the stagnation arose from declining export commodity prices that had also undermined the growth of domestic aggregate demand.

Following phenomenal losses of GDP in 1992 and 1994 and the advent of economic liberalisation, Malawi economy has maintain positive growth throughout the eight years of democracy. In fact figure 2, constructed using eight year averages shows that growth has remained robust. However, per capital GDP has suffered enormously as a result of excessively high rates of inflation. The inflationary experience of 1995 was exceptional, which government boldly brought under control by 1997 with positive implications for growth in per capita GDP unparallel in Malawi's entire post 1978 history (except for 1991).

The downturn in per capita GDP that began in 1998 is reflective of the most rapid deterioration in living standards in Malawi across the one party and multiparty dispensations. This trend reflects much of the fiscal profligacy accompanying the pre-1999 election spending which triggered exceptional inflation. Implications of the 2000 currency depreciation have also embedded the cycle of inflation that is now magnified by the food shortages from the 2001 and 2002 farming seasons.

The prime case for political liberalisation extant in Malawi is that it is the only system of government consistent with individual freedom. Despite the belief that a trade-off between individual liberty and economic prosperity has generated a lot of consternation in the interim, there are some indications of enhancement to the productive capacity of the economy which have been undermined by episodes of drought affecting the agricultural sector the main source of national output in the economy.

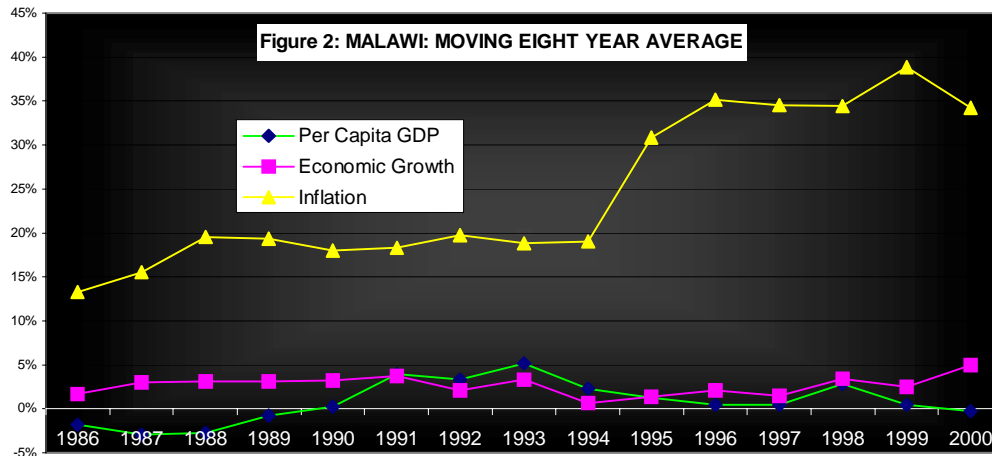
Technically, the biggest potential test that political liberalisation in Malawi faces is whether it promotes prosperity that can be perceived at the micro level better than the manifestations of the same economy under Dr Kamuzu Banda. The question of whether the people of Malawi prefer a return to autocracy in the hope that there will be prosperity is surely outside present options but the fact of the economic instability of the free market is certainly not a satisfactory recompense for emergence of new and wider freedoms in the country.

There is a school of thought, associated with authoritarians of both the Left and the Right, which advances its own position. Some political leaders in the governing party already believe that "too much political liberalisation makes for bad economics". On this view Dr

Banda's model of governments is perceived to be more successful economically because they could simply impose economic reform without fear of being rejected by the voters. On the international scale this view is influenced by an interpretation of the economic success of the Asian 'tigers', which, though scoring highly in terms of economic freedom, score rather low in terms of political freedom. They would question why Malawi needs democracy when Hong Kong, which has not even had a government of its own, is more successful.

On the other hand, there is a compelling and inspiring case of Chile, which is performing well economically as a democracy. However, unlike Malawi, Chile experienced radical economic reform under the military dictatorship that seized power in 1973. The Chilean road to prosperity holds a certain fascination for some elements in the Russia where it is believed that political liberalisation should have been deferred until economic liberalisation had been implemented.

The logic of these arguments is that the government of Dr Banda should have undertaken bold reforms prior to the advent of political liberalisation in Malawi, a proposition, which seems to support the view that authoritarian government promotes economic prosperity better than democracy.



However, the evidence gathered over the last 200 years suggests that such a proposition is palpably false. The historic record is that it is the democracies of Western Europe, North America and Australasian that have far outstripped most of the non-democratic world in achieving high material living standards. Typically, authoritarian regimes in Africa, Latin America, Eastern Europe and much of Asia have rarely been economic basket cases. Successful authoritarian regimes have been the exception rather than the rule, and, as such

countries advanced economically, they have invariably become more democratic, except perhaps in China.

Separate studies have also shown that the underlying motor of economic growth is economic freedom, including the security of property rights, and that democracy is the form of government that is most likely to protect economic as well as political freedom. As a survey 'Democracy and Growth' published in *The Economist* of 27 August 1994 showed, a close correlation exists between political liberalisation, economic freedom and prosperity.

Although some authoritarian governments do provide considerable economic freedom, and are trusted by international investors not to change their minds, most do not provide a reliable basis for investor confidence. Authoritarian governments lack mechanisms for peaceful succession; the nature of the new regime is unpredictable; and investors face the prospect of measures, which would expropriate or devalue their assets at the instance of change.

Rightly or wrongly, these observations rehash the debate into a choice between individual freedoms that are better protected by democracy and material progress of the autocratic regime. The argument for political liberalisation is strengthened by the fact that it is more than a general rule that democratic societies are more likely to be economically successful than their alternatives although it does not follow that political liberalisation guarantees economic success.

Malawi's own track record of reform shows that political liberalisation makes available a particular path to poverty because of the tendency of electorates in democratic countries to throw sand in the wheels of change. As expected incomplete reforms have more severely negative consequences on the economy than when reforms are carried out in full. The real obstacle to reform arises from special interest groups that aim to advance their own agenda at the expense of the general interest of society.

The experience of Malawi has also been that the departed government aimed to stifle the economy with strikes and demonstrations. However, as the recent history of Malawi suggests, democracies are also capable of self-correction and self-reform.

Democratic Consent

Appropriately, this final part examines whether or not economic reforms have acquired democratic legitimacy in Malawi. One key barometer is that by broadly endorsing the key reforms in the 1999 election, voters in Malawi appear to have conformed to an international trend. Everywhere, some people are grumbling bitterly about moves from state paternalism to greater economic freedom, but most are putting up with it because there is a general recognition that the alternative does not work.

The Malawi experience contrasts Mexico's legacy of "undemocratic development" in relation to "the perfect dictatorship" of Life President Banda. This is in the context of the fact that the latter, at least, had change in presidents within the enduring reign of the Institutional Revolutionary Party, but on a platform of economic reform, but within the party. Despite losing power to the National Action Party (PAN), President Ernesto Zedillo presided over the development of Mexico to a true two-party competitive democracy.

Contributing to Economic Viewpoint, Barro (2000) observed that the expansion of democratic rights by itself did not provide reason to raise the assessment of Mexico's long-term economic prospects. Instead the prospects of Mexico depended on economic and legal reforms, in which President Zedillo had made little progress. It was President Salinas and his Finance Minister, Pedro Aspe, who started opening Mexico in a serious way.

Admittedly, Mexico has been growing fast since 1996—gross domestic product averaged 5% growth through 1999. This pace of economic activity was driven mainly by export growth, which reflected slashed tariffs under the North American Free Trade Agreement and a strong U.S. economy, but Mexico itself used a series of privatizations and deregulations, progress in macroeconomic stabilization, improvements in fiscal management and discipline to take full advantage of the impetus from NAFTA.

On the contrary, resistance to reform in Malawi is exemplified by the enduring reign of one party and one president who resisted legal and economic reforms. In terms of omissions, Banda can be criticized for doing nothing for privatization, especially in the energy, telecommunications and the banking system, which become a burden on taxpayers and a non-participant in investment financing.

It was only the change of 1993 (30 years later) that brought out the novelty of political competition identifying the role of civil society, new dimensions to labour relations, the enhanced role of peasants, more transparent relations between business and government and

dialogue with opposition parties, as well as changes in the culture of the military built under the one party state.

The desire for democracy was unmistakable among the people, but resistance had been strong on every front. However, after such a long time, the choice lay between a "difficult democracy" and no democracy. The problems arising from building democracy from the foundations of extreme authoritarianism meant that every such effort could only result in "democracy with adjectives". Furthermore, developments in freedom of expression, freedom of organisation, the accountability of leaders to citizens, the rule of law, and the changing balance between the weak and the strong could not be achieved simultaneously as changes in the state-market balance, changes in international relations, against the background of deep rooted economic inequality.

Creating effective labour unions was an integral part of supporting the transition and also consolidating the participatory democratic processes in Malawi. That demanded a labour organization-strengthening program to support free and independent labour unions and other labour-related organizations in order for them to play a more effective role in policy advocacy and also monitor the implementation of key policies, including economic policy in government. The role of labour was directly critical to democracy, as to the governance and development processes such as elections and conflict mitigation that became common with free enterprise.

Creating a new paradigm of external relations required a complete shift from the "rightist" isolation of Dr Banda and Malawi Congress Party to "leftist" diplomacy of an open state. The main challenge was to ensure that this was aligned with internal politics. Furthermore, internationalisation - featuring strengthened ties with the outside world - could only be pursued as part of democracy, neo-liberal economic development to tackle the great twin challenges of poverty and inequality.

Notwithstanding arguments from leading political scientists that in democracies "special interest groups" hinder reform, the record established so far is that Malawi replicates the fascination of how liberal economic reform in India persisted through the 1990s without any such apprehension. This is in contrast to the fact that Rajiv Gandhi's had failed many attempts at reform in India in the late 1980s when it was still a democracy.

The claim by political scientists is based on the belief that coalitions of vested interests and lobby groups prevent change in democracies. This has led to further advocacy for transparent processes and good sales pitches by government in order to carry out a program of economic

reform. The reality observed in Malawi is that it is the converse that is true. Diversity of vested interests represent the fragmentation of power groups (through political and ideological formations) and multiple sources of influence on the political landscape some of which is too contradictory to form a coalition. Such diversity consumes the attention of groups towards each other that the government has been able to carry out "reform by stealth".

The starting point in democratic development was recognition of the motivations of Malawian political and economic elites and their perception of threats and opportunities arising from change of government. Because of the protective nature of elites and their apprehension to cries for equality from among the poor the choice of liberalisation programmes ensured that many traditional sources of patronage remained untouched.

The essential challenge of liberalisation therefore lay in creating new opportunities for the benefit of the poor. The natural challenge upon the poor themselves was the need to evolve from a state of complete submission to take up new economic opportunities while building new coalitions among themselves in response to a changing environment. As for the privileged interest groups, the natural challenge was the need to evolve from a state of complete domination to accept new economic environment of shared opportunities which did not threaten existing coalitions.

The most crucial aspects of the process of change have been informal institutions such as party-affiliated political networks and personal interests of members of the UDF central executive and the cabinet in making changes. On one hand the country needed the continuity of private institutions associated with the previous regime, while maintaining reforms of the entire economic system and without unwinding any of its features for the benefit of any section of the new regime. The outcome of reforms in Malawi has confirmed that people are merely afraid of change and that once change has taken place they begin to anticipate benefits and slowly begin to climb down from their original position of resistance.

Conclusion

It can be argued that despite apprehensions of members of the ruling party for the most radical reforms of a government that came to power in 1994, the negative effects arising from a platform of rapid and widespread reform have not endangered popular electability. The same government was easily re-elected in early 1999 and remains way ahead of other parties promising reversal of reforms.

Taken individually, privatisation and the removal of workplace privileges and protection seemed very unpopular, yet the government gain popular support from the fact that poor farmers could freely grow lucrative tobacco while small businesses became recognised. The government also recognised women bodies as well as people with disabilities.

The explanation for this paradox is that individual voters have perfect but simplified knowledge of when policies and practices don't work. Even when uncertainty exists in policies introduced under the platform of reform the fact that past policies are acknowledged to have failed remains the basis for negative support.

Sometimes, reforms received support from among those that were getting hurt. The junior civil servant who is paid for turning up daily at the workplace and then playing cards might be expected to defend his job. However, common sense compels them to realize that such practices are unsustainable and not supportive of national development. Despite public lamentation, there was a general acquiescence and acceptance of compensation in the form of a redundancy payment.

There is no doubt that transition from state paternalism of the Malawi Congress Party to a market economy has proved to be a wrenching experience, but a sufficient number of Malawians know that a return to state paternalism would make things even worse. The majority acknowledge that they have to go through the economic transition so that their children, at least, have a chance of a better life. Despite all the resistance displayed between elections to avoid the costs of change, at election time their ability to take the long-term view comes to the fore and induces them to put the general interest before their immediate, particular interests.

Roger Douglas has actually established that governments actually lose support if they give up on reform. This would seem to indicate that if the previous Malawi Congress Party government had spent the last two years of leadership pressing on with reform and offering new ideas for building on Malawi's successes, drawing more people into the mainstream of

the economy, there is a possibility that at the time of the election there would be a new ray of hope. The adverse position of Malawi Congress Party was exemplified by its insistence upon defending ideals that society had reviled enough not to accord further experimentation.

A point of comfort to the government is that critics of Malawi's reforms, which are in line with worldwide trends towards economic liberalisation, have failed to put forward an alternative programme. Repeatedly, opposing contenders to power have not come up with positive ideas for scrutiny and debate.

After 8 years, unconstructive criticism is wearing a little thin. Political competition means that policies can only be compared with practical alternatives - not with what might happen in some ideal, imaginary world emerging from a vacuum. Those who only offer criticism and abuse, as is the case in Malawi, fail to engage in the real issues that policy makers are forced to confront. The country is, therefore, entitled to regard their contributions as empty.

The greatest challenge for Malawi now is continuation of economic reform. If the government is so constrained by intra-opposition obstructions for which there are no ready alternatives on offer this is a danger to reform. The only consolation is that opposition will at least be unable to reverse those reforms that have already occurred, especially with regard to changes, which would require specific legislation.

Malawi has moved to a stage where reform is accepted as the way forward and loss of reform momentum will lead to loss of political support. Any government critical of change but without setting a new direction in Malawi is bound to be beset by policy paralysis which is likely to create opportunities for populist reform parties to regain the initiative. The future course of Malawi therefore lies in politicians finding a way of building on the eight years of change in the context of the current government.

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