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The State vs. the Urban
Informal Economy in
Tanzania*

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As the economic crisis intensified in Tanzania over the 1970s and 1980s, one of the main sources of state-society tension came about over the boundaries of state control of the economy, and, in particular, over how people should pursue their livelihood. This paper focuses on the informal economy, i.e., those sectors of the economy that are outside of Government regulation, control and supports. With the worsening of the crisis and as state capacity broke down, the informal economy began to fill in the gaps by providing commodities, services and sources of income which the state could no longer guarantee. The state, however, sought to curtail most informal enterprises on a number of grounds that will be explored in this paper: 1) that these activities did not constitute "productive work," 2) that they lay outside of state controls and regulations, and 3) in the case of Party members, that they violated the Party code against having additional sources of income.

Underlying these conflicts is the failure of state leaders to take people's own values, priorities and forms of organization as a starting point for policy development and implementation. Moreover, the state has ignored the informal economy to the detriment of the nation's own development goals. It has pumped its scarce resources into inefficient import-dependent large-scale industry, while leaving the more cost-effective small-scale industries largely outside of its sphere of assistance. These small-scale enterprises are oriented towards building internal

linkages, using local resources and supplying local markets with cheaper goods.

The paper first provides some background on various dimensions of the informal economy and explores some of the roots of state-society conflict that underlie tensions between the state and those participating in the informal economy. It shows briefly how the conflict has unfolded in the post-colonial era. The paper then delves into four specific arenas where state policy has come into conflict with popular notions of the right to subsist and the right to control ones means of seeking a livelihood.

The first example is the Human Resources Deployment Act that in effect declared self-employed entrepreneurs to be "loiterers" and "unproductive" members of society and sought to move them out of the cities into "productive" farming.

The second example has to do with licensing of small-enterprises, a policy that replaced the earlier Human Resources Deployment campaign, which for all practical purposes had failed. The legalization of small-scale enterprises was a victory for the self-employed, but it brought about new tensions between the state and the urban poor, who saw state regulation of their income-generating activities as a violation of yet another societal principle: an economic justice which protects the poorest members of society in their struggle to survive. A third example of state-society conflict explored in this paper is the debate over the Leadership Code which forbids Party members from

having sideline incomes. The economic realities of today have forced most ordinary people to abandon this policy or reinterpret it in a way that suits their purposes. While the issue of sideline incomes may have been resolved in practice, it is far from a settled matter within the Party itself.

Finally, the paper looks at how the Government leaders' ideas of how small-scale producers should organize themselves diverge from people's own forms of organization within the informal economy. Once again the central issue of control is shown to be at the heart of this conflict. The state's regulation of the informal economy has been constrained by the weakness of the state apparatus in its ability to enforce its many restrictions on economic activity. It has also been limited in recent years by competing political interests both within and between the Party and the Government over how far to go in restricting sideline activities. In addition, the state's initiatives have been curtailed by the fact that the people have, through their continued involvement in informal economic activities, resisted state efforts to control how they go about making a living. It is this latter constraint that is the focus of this paper, which shows how societal pressures have gradually begun to force the state to back down from its narrow definition of "productive work" and to implicitly accept the *de facto* situation where most workers have no alternative but to seek other sources of income.

These kinds of societal pressures have been responsible in some cases for policy changes toward greater legitimization of the activities of small-scale producers. In broader terms, one might be able to talk about a tacit agreement that has been reached between state and society, where Government leaders, in turning a blind eye to various informal economic activities, are seeking to safeguard their own legitimacy, while the urban poor are attempting to hold on to their right to determine how they go about making a living.

LEGITIMACY CRISIS

Tanzania's political rhetoric is populist with a socialist emphasis on egalitarianism, communalism, self-reliance and opposition to "capitalist exploitation." The country's political structures are organized from regional, district, ward, branch levels down to ten-house cells that are intended to serve as a mechanism for democratic grassroots participation in the political process. Tanzania's leadership enjoys relative stability compared with most African countries, evident in the 1985 transfer of power from President Julius Nyerere to the current President Ali Hassan Mwinyi one of the few peaceful transfers of power in post-colonial Africa. Many of Tanzania's individual leaders like Nyerere, Mwinyi and the late Prime Minister Edward Sokoine have enjoyed genuine popular support. In spite of all this, few today would dispute the fact that the

confidence in the Government and ruling mass Party, Chama Cha Mapinduzi, is not as strong as it was 20 years ago. As one Party branch leader, who is a textile worker, explained to me in a frank discussion:

It is difficult to be a Party leader today because people are not secure. People no longer attend meetings. Nothing happens. They don't have food so they don't care. Party leaders treat people like small children and tell you, "Don't cry, I'll give you sweets." In the past the Party was secure, and the life of the people was considered. People even came to cell meetings at that time. Today they come only if we press hard for them to come. At that time it was something to be a Party leader. Now if you come around they don't want to be troubled by you. In cells, people have so many life problems, so they don't attend the cell meetings.

The crisis of confidence is not simply a response to the unprecedented economic hardships people have faced in the past ten years, although this is certainly an important factor. The legitimacy crisis is also not about the leadership's own integrity, although much of the popular political discourse dwells on the extravagances of individual leaders and how they have amassed wealth through irregular means. The crisis is not even over ideology, although within academic and intellectual circles ideological disputes are more apparent. As this paper will show, few citizens reject outright the notions of self-reliance, communalism or non-exploitation, but their interpretations of these concepts are vastly different from what the state is trying to impose on them.

What then is this legitimacy crisis about? One Party cell leader I spoke with put it succinctly: "You can't force people to go along one narrow road. People have their own *akili* [minds, intelligence]. They aren't going to go along with force." Rarely are local practices, forms of organization, belief systems and technologies taken into account or used as a basis for policy development. In spite of its ideological emphasis on "bottom-up" grassroots participation, in practice, the state leadership has often adopted a paternalistic, all-knowing attitude towards people and sees its obligation to enlighten and bring "modernization" to the "traditional" sector from "top-down." This stance has been reinforced by the donor agencies in their various development projects.

At the heart of this state-society conflict is the issue of how much control the state should have over how people pursue their livelihood. Time and again the state has touched a nerve by attempting to control the variety of ways in which people go about making a living by violating one of the most basic societal principles: the right to subsist. Yet violation of this principle has undermined the very legitimacy of the state, forcing it to back down from its most extreme positions that branded most informal income-generating activities "unproductive."

This paper is based, in part, on fieldwork conducted between 1987 and 1988 in Dar es Salaam, Tanzania's largest city, which has a population of close to two million. My

study involved a cluster survey of 287 people (142 men and 145 women) in two of the most heavily populated parts of the city, Buguruni and Manzese. Both are primarily working class and informal sector areas. In these two areas I not only interviewed ordinary citizens, but teachers, religious leaders and other important local figures as well. My study also involved hundreds of unstructured interviews with small entrepreneurs throughout the city and a city-wide snowball survey of employees and spouses of such employees in the middle to upper income brackets. In addition, I interviewed Party and Government leaders, from the Cabinet and Central Committee down to the City Director, Regional Commissioner, District Commissioners and Party ward, branch and cell leaders. The study included interviews with 300 party cell leaders in Manzese and Buguruni, representing ten-house cells, which the Party branches are divided into.

THE URBAN INFORMAL ECONOMY

While it is widely acknowledged in urban areas that everyone has some *mradi* (project) or some *mpango* (plan, scam), few have analyzed the broader dimensions of these survival strategies.

The urban household has seen many dramatic changes in the past decade. One of the most important changes has been the position of the worker, who only ten years ago could more or less support his/her family and other relatives as well on his/her wages. Tanzania has

experienced a 65 per cent drop in real wages from 1974 to 1984, one of the sharpest declines in real income in Africa. At the same time, consumer prices increased tenfold from 1976 to 1986 (Ghai: 1987; ILO, 1987; Stein, 1988).

The largest expense for the urban poor is food. According to my survey the average amount a household spent on food per day is 325 shillings (median is 200 Tsh). In other words, the typical household of six can feed itself for only four to six days of the month if it relies solely on a formal wage. This means that most urban households are primarily surviving on income derived elsewhere, i.e., from informal income-generating activities of household members. In fact, a minimum of 80 per cent of the urban household income necessarily comes from these income-generating activities. The median income from a project in Manzese or Buguruni is 6000 Tsh per month, four times the official monthly minimum wage. The mean is 15,458 Tsh a month. The mean is skewed by the low informal incomes of women, for whom the average monthly income from their projects is only 5346 Tsh a month, while for men it is 29,064 Tsh a month (20 times what the average worker makes from his official income). Those in the upper and middle income brackets whom I interviewed made on the average 51,130 Tsh a month from their projects, which is about eight times their own formal salaries as professionals or semi-professionals.

When informal incomes are so much greater than formal incomes and when individuals of all income brackets are engaged in such activities, one has to reevaluate statements made that the informal sector has only limited potential for growth compared with the "modern sector." Bienefeld made the observation 13 years ago that the "ability for the informal sector to accumulate capital to raise the forces of production is both limited by and dependent on the activities of the 'modern' sector" because this modern sector can "take over any sphere of production or any market which may be developed through non-capital intensive activities, thus destroying the informal activities" (Bienefeld, 1975: 71). While this may be true in the long run, in Tanzania today it is the deterioration of the formal sector and its inability to provide necessary products, services and adequate wages that has allowed for precisely the opposite process to take place, i.e., the expansion of the informal economy.

In fact, the new realities in Tanzania and in most African countries today, where the majority of the urban population, both employed and unemployed, obtain most of their income from informal income-generating activities, necessitates a serious re-evaluation of concepts that are generally taken for granted, including terms like "unemployment," "marginality," "modern vs. traditional sectors," etc.

These informal activities have given new importance to the economic role of women, children and the elderly in the urban household. In the past, urban women in Tanzania were described as "relatively inactive" in terms of self-employment and employment (Swantz, 1985: 129-30). The few studies on urban women that were done in the 1970s bore this out empirically (Westergaard, 1970: 7), yet today the majority of urban women (66 per cent according to my survey) are self-employed. It should be noted, however, that the fact that so much of the household income is derived from informal sources is not an indication that the urban poor are thriving. Rather, it is a statement about how extremely low the official wages are. Even with these sideline sources of income, the average urban family can barely make ends meet.

Wage earners in general account for only 21 per cent of the adult urban population in Dar es Salaam and women wage earners constitute only four per cent of this same population (Bureau of Statistics, Ministry of Finance, Planning and Economic Affairs, 1984). Of those employed in my survey, many have simply found employment untenable and have left work either to engage in projects or to farm on a full-time basis. Of the respondents who left employment 30 per cent did so in the 1970s, while 64 per cent left after 1980 (See Table 1). Forty percent left within the past three years alone. When asked why they left their jobs, the

most frequent response was low pay (45 per cent), followed by layoffs due to plant closures (17 per cent).

TABLE 1. YEAR LEFT EMPLOYMENT
[n=93]

Year left employment	Total %
1950-59	1
1960-69	5
1970-79	29
1980-	64

The problem is the same even for better educated higher income employees. In Manzese I interviewed one university-trained TV engineer who had studied in the USSR for six years and had worked ten years with the Government-run TV station in Zanzibar. With two children and a wife to support, he left his job in 1987 to go into business with his father running a bar. He explained his predicament:

There is no benefit in working. I liked my job and would return to it if I could, but I can't feed my family on those wages. Even though I have studied a lot, there is no benefit. My earnings of 2790 shillings lasted only five days of the month.

Of those who had left employment for reasons other than retirement, 87 per cent had gone into self-employment and 40 per cent had gone into urban farming. Of those who remained employed, 38 per cent planned or hoped to leave their jobs to engage in small enterprises or farming or both. One quarter were undecided and the remainder said

they would continue doing both their jobs and sideline enterprises or find a better sideline activity.

Most (64 per cent) began their enterprises within the past five years, while only 15 per cent had started their enterprises in the previous five years. Women had started projects even more recently, with 78 per cent starting their businesses in the past five years, while only 47 per cent of men started them in this same period (See Table 2). For most self-employed people (69 per cent) this was the first time they had attempted a project.

TABLE 2. YEAR STARTED SELF-EMPLOYMENT
[n=190]

Year started self-employment	Men %	Women %	Total %
1950-59	4	0	2
1960-69	7	3	5
1970-79	26	10	18
1980-	64	87	76
	100	100	100

Concurrent patterns are found in rural-urban migration statistics, which up until the 1970s showed a steady increase, contributing to a 9 per cent growth of population in Dar es Salaam. The majority of migrants found their way into self-employment. Of those I surveyed, 25 per cent had come in the 1960s and 43 per cent in the 1970s, but after 1980 the numbers drop to 18 per cent. In the 1960s and 1970s it was those in younger age brackets

who were the most active in rural-urban migration. This is reflected in the fact that the largest number of those who said they migrated to the city were between the ages of 30 and 39. Today, however, unlike youth of ten to twenty years ago, the majority of the 15-19 age group (57 per cent) were born in Dar es Salaam. While these migration figures would have to be substantiated by more extensive studies, it nevertheless appears that clear patterns are emerging.

There is a great variety of the kinds of enterprises people engage in, ranging from food vending to framemaking, tailoring, shoemaking, carpentry, masonry, beer sales, laundering, hairbraiding, market sales to running small restaurants and kiosks. The largest number of self-employed people were found in area of vending of fuel, processed food and other goods such as water, newspapers, vegetables and fruit. Of those involved in the manufacturing sector, tailors made up the majority, while in the area of services, launderers predominated.

Women and men, however, engage in different kinds of enterprises. Women are mainly involved in the making and selling of pastries, fried fish, porridge, beans, tea, soup, retail charcoal, firewood, kerosene and flour. Men, on the other hand, tend to be the tailors, market sellers, carpenters, masons, launderers, mechanics and shoemakers.

Ethnicity has some impact on the kinds of activities people engage in because many of the activities are organized along kinship lines, making it relatively easier

for those with such connections to gain the training, information, and contacts to start similar businesses. For example, one third of those selling market goods are Luguru, since they are the ones with connections to traders and growers of fruits and vegetables in the Morogoro area. The Chagga are prominent in making local beers (especially *mbege*), while there is a preponderance of Pare store owners, Haya prostitutes and Zaramo charcoal traders.

One constraint that keeps youth and women locked in certain low income generating projects (e.g., street vending) and keeps them from branching out into more lucrative ventures is lack of capital, which in turn is reflected in the low incomes derived from their projects. Men, for example, reported four times higher starting capital than women and had 5.4 times higher returns from their businesses. However, in general, the majority (54 per cent) have low starting capital requirements of less than 1000 Tsh, and 30 per cent have starting capital requirements of 1000 to 5000 Tsh.

The determinants of the kinds of projects middle and upper income brackets engage in are slightly different. For these groups it is not only starting capital, but contacts at work who can provide resources and information necessary to the operation of successful projects such as raising chickens (layers and broilers), tending cows (for milk) and pigs, running hair salons, etc. Others who started out with such informal projects had been successful in branching out

into more formal private sector businesses like setting up shipping and receiving companies, secretarial service companies, private schools, textile factories, bakeries, flour mills and dry cleaning businesses. Some were exporting prawns to Botswana and importing chicks from Zambia. Incidentally, although the majority of women in the city are relegated to low-income generating projects, women in the higher income brackets are involved in some of the most lucrative projects private citizens can engage in. Many of them have left professional or semi-professional jobs as secondary or vocational school instructors, nurses, accountants and secretaries to become the main breadwinner in the family through their projects, while their husbands retain their formal jobs and the status and connections that goes along with them. Not more than five years ago it was virtually unheard of for women to be managing such ambitious private enterprises.

Historically, the lack of education has been one factor that has kept those involved in informal sector activities out of employment and forced them to resort to their own self-employment. Lack of education is also said to adversely affect the types of goods produced, the ability to absorb technical information and has kept managerial skills limited (Aboagye, 1985: 22-23). However, given today's situation where even the middle and upper income salaries fall below subsistence levels, people of all classes with all levels of education are involved in self-

employment. In and of itself, employment is no longer a guarantee of economic well-being even in the higher income brackets. It is, however, important as a source of contacts with whom one can trade resources and information that will advance one's sideline project and in this way affect one's income.

SOURCES OF STATE-SOCIETY CONFLICT

To understand the basis of the conflict between the state and those involved in the informal economy, one has to look at the more general question of the sources of state-societal conflict. The roots of state-society conflict in Tanzania are the same as those in other African countries. The clash initially derives from the colonial legacy of the modern African state, which inherited an administrative apparatus that was alien to the society it sought to rule. At independence there was a change of hands and the apparatus that was taken over by national elites remained virtually intact. The state's organizing principles and policy orientation evolved out of Western forms that had little in common with local political and economic organization and thinking.

The sources of power, legitimacy and authority for preindustrial society had little to do with a state that derived its existence from the logic of a capitalist state in the industrialized West. As we will see in the case of the informal economy, the present laws regarding the urban poor originate from the English Poor Law that evolved out of a different set of historical circumstances. Not surprisingly, many of the cornerstone socialist policies of the Tanzanian state had their antecedents in British colonial policy. In spite of its socialist rhetoric and nationalism, the new state faced many of the same dilemmas

of governance that the colonial state did and often sought similar measures to deal with these problems.

Although this state-society chasm has been at times ameliorated by nationalistic sentiments and the popularity of various leaders, there remains a fundamental incongruence between many important societal values and organizational forms and those the state is trying to implement.

The ideological underpinnings of Nyerere's socialist policy had its origins in British Fabian socialism and in Western notions of bureaucratic modernization prevailing in the 1950s and 1960s. Nyerere was profoundly influenced by Fabian socialism, which advocates state ownership of the means of production and state intervention to equalize incomes and provide social services. The state, while representing mass interests, is seen as the great unifier and provider of the masses. It is the protector against the external forces of capitalism that are threatening to dominate the country (Coulson, 1982: 327). Nyerere's stated ideology emphasized the need to develop policy from bottom-up and the need to rely on the masses. However, what prevailed in practice was the belief among the educated elite who ran the Government, Party and parastatals that they were the forces through which "modernization" would be brought in top-down fashion to the masses.

This explains the extreme paternalism exhibited in the press, where leaders are quoted daily, admonishing peasants and workers against corruption and idleness and exhorting

them to exert more effort in building the nation. Typical headlines are: "Use fertilizer urges Nyerere" (Daily News, 7/8/87); "Nyerere calls for good animal husbandry" (Daily News, 8/8/87); "Mwinyi stresses hard work for all" (Daily News, 8/18/87).

One of the consequences of this state-centric approach to governance was the need to keep expanding state control over society, usually at the expense of society. State intervention in the economy expanded dramatically after the Party's 1967 Arusha Declaration, which resulted in the nationalization of major financial, commercial and manufacturing institutions. In the years following the Arusha Declaration, hundreds of new public institutions and parastatals sprung up in almost every sector. The state exerted a growing influence in virtually every area of social life. From 1972 to 1975 the state carried out a massive campaign to resettle rural people into villages; it launched a Universal Primary Education campaign in 1976 and expanded health and water services. The state abolished cooperatives in 1976 and replaced them with crop authorities under the direct control of the Government. After 1975 its investment policy emphasized industrial investment at the expense of agriculture. Hiring in Government agencies increased as did Government expenditure. The state exerted greater control over small-scale enterprises, including those of agricultural smallholders. In the end, the economy simply could not sustain this kind of Government expansion

and as a consequence Tanzania became even more dependent on foreign aid and loans (Boesen et al., 1986).

The continued expansion of the state, in turn, produced new tensions between state and society. This was clearly visible in the agricultural sector, which provides a large portion of the surplus in the economy that goes directly to the state. The expansion of state control necessitated even further squeezing of surplus out of the rural population through the reintroduction of coercive agricultural legislation, the establishment of tightly regulated crop schemes, as well as the aforementioned implementation of the villagization scheme and the abolition of cooperatives (Boesen, 1979: 141). Cooperatives were reintroduced in 1983 although their independence was sharply curtailed.

The response of the rural population was to resist state encroachment, not by overt means, but rather, by strategies of day-to-day non-compliance, a notion popularized by James Scott (1986). This is what happened in no small measure to Tanzania's ujamaa collectivization program in the 1960s and 1970s. Goran Hyden (1980) has shown how peasants tried every step of the way to extract all they could from the state in terms of public goods and services, while evading Government pressures to collectivize farming and regulate their production. The effect of people's "evasion of the state" was the state's retreat away from villagization in the 1980s, and even an admission on the

part of some top Government and party leaders in recent years that the policy was ill-conceived and poorly carried out.

Similarly, throughout the 1970s monopsonic (single buyer) crop authorities paid poor prices to cash crop producers, sometimes two-thirds below world market prices. This resulted in a series of individual strategies that had collective impact. Most significantly, agricultural producers sold the majority of their crops on parallel markets to obtain better prices, depriving the Government of badly needed foreign exchange and revenue. They also shifted to the production of food and other more lucrative cash crops. The level of officially marketed crops dropped so low as a result of this uncoordinated "collective action," that it necessitated a change in policy on the part of the Government, which since 1986 has increased producer prices, ranging from 30 per cent price increases for cotton and tobacco to a 80 per cent price increase for coffee. It was these kinds of strategies and pressures from below through the parallel marketing system that laid the basis for many of the liberalization measures that the state adopted later on. The paper will show how similar strategies of non-compliance were adopted in the urban context.

The expansion of state control over the economy in agriculture had a direct affect on the urban informal sector. As mentioned earlier, low Government producer prices led to an increase in parallel markets. Others left

agriculture altogether to work in small-scale enterprises, often in the cities. Even though rural areas had need for small-scale manufacturing enterprises, many were forced to move to the cities to engage in these activities where there were greater supplies and markets. Moreover, the Villages and *Ujamaa* Villages Act of 1975 had a prohibitive affect on individually owned small-scale enterprises in the villages because this act stated that all small industrial units were to be owned by the village, which itself would function as a multi-purpose cooperative society (Havnevik, 1986: 280).

As the crisis deepened and shortages became more pervasive, hoarding, price hiking and sales of scarce commodities took place in parallel markets. Official pricing and Government rationing of foods that evolved to deal with the shortages had the opposite effect of pushing even more commodities into the parallel market (Boesen et al., 1986: 27). An Economic Sabotage Act was passed in 1983, revised in 1984, and a National Anti-Economic Sabotage Tribunal was set up to investigate and try offenders of economic crimes like hiking, hoarding and smuggling. While initially the efforts of this tribunal were welcomed, the authorities quickly lost support when they started harassing and turning against ordinary people, most of whom participated to one degree or another in parallel markets. What compounded frustrations was the fact that the largest operators who were taking advantage of the crisis to make

enormous profits were left in most cases unscathed by the anti-corruption campaign.

The severe commodity shortages due to the balance of payments crisis led to the growth of informal activities to meet people's basic needs. This period in the early 1980s saw an increase in the small-scale manufacture of such products as soap, tie-and-dye material (cloth was virtually unobtainable until 1984), furniture varnish, mattresses, kerosene lamps, etc.

In the meantime, the adverse affects of the government overextending itself were compounded by external factors like the declining terms of trade after 1977, especially for Tanzania's largest export commodity, coffee. Another such external factor was the rise in import prices, especially Tanzania's oil bill, which trebled after the 1978 oil price increase.

The crisis that ensued forced a retreat in state intervention in the economy. The retreat began with various stabilization and adjustment programs in the early 1980s and became even more visible after 1984 when a new emphasis was placed on the shrinking of Government expenditure, privatization, liberalizing internal and external trade, reduction of price controls on goods, raising producer prices, decentralizing political structures in the countryside and encouraging greater private and foreign investment ventures. Popular non-compliance with state

regulations had an important role in many aspects of this retreat as the rest of this paper will show.

THE BATTLE OVER HOW TO DEFINE "PRODUCTIVE WORK"

One of the sharpest conflicts between the urban self-employed and the state over control of the means of securing a living came down over the issue of whether or not the income-generating activities or the urban poor could be considered "productive." One of the first attempts to regulate the informal sector came in 1973, with the abolition of urban trading licenses in a response to pressure from shopkeepers (Bienefeld, 1975: 67). Three years later the Government attempted its first resettlement of "unemployed" (mostly self-employed) residents of Dar es Salaam into neighboring villages. It wasn't long before the majority of them had returned to the city, some only a few hours after being moved out. The Government then enacted a Penal Code amendment in 1983 which banned people involved in so-called "unproductive" activities from the cities since they were considered "idle and disorderly persons" (Shaidi, 1987).

The Penal Code amendment and the variations on it that followed had their origins in British vagrancy laws which date back as far as 1349. They were enforced by the authorities more vigorously in 18th and 19th century England as a means of securing cheap labor for industry and to round up so-called criminals. These laws were transferred to

Tanzania in the form of the Penal Code, which targeted prostitutes, beggars, gamblers, suspected thieves, rogues and vagabonds. In addition to this code, the colonial Government introduced the Townships (Removal of Undesirable Persons) Ordinance, which to this day is still in force. Under this Ordinance a District Commissioner can order an undesirable person who has no regular employment or "reputable means of livelihood" to leave the town. Another colonial Ordinance still in force is the Destitute Persons Ordinance that pertains to people found to be without employment or able to show that he has a "visible and sufficient means of subsistence." The magistrate can order such a "destitute person" to find work, detain him or return him to his usual place of residence. One of the main aims of these vagrancy statutes was to provide cheap labor for settler communities and keep people in the rural areas where they could continue cash crop production that was so crucial to the colonial state (Shaidi, 1987).

Soon after the enactment of the Penal Code amendment, the Human Resources Deployment Act was passed in October 1983, requiring all Tanzanians to be registered and issued labor identification cards. Under this act, also known as Nguvu Kazi, those who could not produce proper identification were to be resettled in the countryside. In the Dar es Salaam region all unlicensed self-employed people, including fish sellers, shoe repairmen, tailors, etc., were to be considered "idle and disorderly" and

treated as "loiterers." President Nyerere ordered the Prime Minister to be "bold" in implementing the Nguvu Kazi act, saying: "If we don't disturb loiterers, they will disturb us." The loiterers were compared with economic saboteurs and racketeers "whom the nation has declared war on." Nyerere depicted this campaign as a strong vehicle for promoting economic production (Daily News , 9/26/1983). The leadership justified the operation by the need "to increase productivity and make the country self-sufficient in food" (African Business, December 1983). Immediately following the enactment of the Deployment Act, the national service soldiers and people's militia started rounding up thousands of suspected loiterers on a random basis and sent them to cultivate in the countryside.

The campaign was not successful. No sooner were truckloads of people dropped off in rural areas than most of these same people returned to the city to resume their small-scale enterprises. Moreover, since the campaign in effect was targetting the majority of urban dwellers, the task, not surprisingly, proved to be far beyond the capacity of the state. By 1984 the mass detentions were curtailed significantly.

One top City Council official explained to me why the local Government changed its position: The City Council decided to change the 1983 Government policy after analyzing the situation. The Government could not provide work for all and could not repatriate the people in the countryside. We

failed to send them into the regions and then we failed to send them even to villages near the city.

One of the ironies of the whole Nguvu Kazi enterprise that aimed at shifting people to the countryside to engage in so-called "productive work" is that these days those who have farms outside the city or on the outskirts of the city are in an enviable position. Today it is widely recognized that the rural life holds more promise than urban life, where in order to eat one needs cash which is hard to come by. As one textile worker who purchased a farm of six acres in 1976 said:

If I do statistics in my head, life in the villages is better than city life. One has a plot and can sell ones crops. You have no problem if you rely on the crops that you grow. Life in the cities is harder. Where I work many have left their jobs since 1982 and many more since 1985. They have decided to go back to the villages or be self-employed.

In principle, people had no objection to farming and would have welcomed a viable scheme that gave them land and a means to cultivate. The campaign was doomed to failure, however, when the Government resorted to force in an offensive against the people, with little regard for the realities faced by the urban poor. As one cigarette vendor who was born and raised in the city said to me:

The Government just collected us young men and dumped us in the forest to farm. They gave us plots but no capital, no houses, no food. . . . We had no choice but to come back to the city and

continue selling cigarettes. If I had a place to live and the means I would have stayed to farm.

ECONOMIC JUSTICE AND THE CONFLICT OVER LICENSING

By 1985 the Government's position toward the self-employed had softened. Now micro-entrepreneurs could obtain licenses for 56 different small business. People's insistence on going about their own affairs completely disregarding official policy finally pressured the state into recognizing their right to be self-employed in jobs of their own choosing.

The shift in emphasis was seen in other ways as well. President Mwinyi, for example, publicly called on the Dar es Salaam City Council in 1987 to stop harassing women and youth food vendors and to let them continue their activities. City Council representatives, however, continued their harassment of unlicensed entrepreneurs, reflecting perhaps some of the competing interests between local and central Government.

The change from 1983 was also evident in the fact that the Government has begun to recognize, even if only minimally, the importance of the small-scale enterprises to the national economy. It "reinterpreted" the Human Resources Deployment Act to see the informal sector in a more positive light. A recent study sponsored by the Government in cooperation with the ILO Jobs and Skills Programme for Africa explored the possibility of using the Human Resources

Deployment Act as the basis for a National Human Resources Scheme to deal, as the author put it, with the "failure of the modern sector to absorb an increasing proportion of the labour force." The new policy toward the informal sector would make it essential that special attention be given to its role in creating employment because of its ability to do so at low levels of capital investment (Aboagye, 1985: 1). Referring to this change in policy toward micro-enterprises, one young man I interviewed said:

Up to now the Government has failed because it wants people to work, but it fails to provide work. They arrested people and sent them to the villages without capital. Even in the past we were not loiterers, we were doing *shughuli ndogo ndogo* [micro-enterprises] but the Government did not want to recognize what we were doing. Now at least they have considered that.

While many find the legalization of informal sector activities an improvement over the past policy which branded their businesses "unproductive," regulation of these micro-enterprises through licensing has posed a new set of problems. In a country where wages are not adequate, where there are few Government welfare provisions and where the people themselves have to care for their own sick, elderly, disabled and unemployed, licensing regulations are often seen as an affront to popular notions of economic justice. As one resident of Manzese said to me:

I don't know why the Government wants to license *shughuli ndogo ndogo* [micro businesses]. They do not have any capital. Some with small businesses have lost their husband and have six to seven children and can't get employment. Others may be

too old to work. They just want to make money to live. And then the Government wants them to pay for a license. This question should be looked at again. Even the president has said that people should be left alone to do their small businesses. But it won't make a difference because the City Council won't stop their harassment.

In order to pay the license fee one has to often go through the bureaucracy and pay bribes three or four times the cost of the license itself. This brings out underlying class tensions as well. As one self-employed carpenter, who in 1982 left employment with the Government-owned electricity company, put it:

Licenses only bring problems. Bribery is so common it isn't even worth mentioning. I have a license, but I had to pay a 10,000 shilling bribe to get it from the City Council. I just paid it because I got tired of coming back day after day and being told that they had not filled out the forms. The militia harass a carpenter for not having a license, but we make more income than they do. A clerk at the City Council makes 2000 shillings a month. Such authorities know that if they arrest you, you will pay a bribe. It is their means of obtaining revenue. Those in top posts are not hungry because they squeeze the people below.

Most self-employed operate their businesses without licenses (87 per cent according to my survey) since they find their sources of inputs and markets too unreliable to warrant investing in a license. It is generally the youth and women, who are more likely to be involved in these unlicensed and less stable enterprises. Women are nine times less likely to have licenses than men. For this reason it is especially women and youth who find themselves the targets

of harassment by City Council militia. The militia usually extract bribes from them or confiscate their goods. This kind of harassment confounds most people, who cannot see the logic in making the poorest members of society pay for the right to seek a living. One Party branch leader said that he had taken all steps within his power to raise the issue of licensing with the City Council and to try and abolish the licensing of small business, but nothing had come of his efforts. He explained:

Those who can't farm have to do small businesses, but they have to do these with difficulty and without freedom. The City Council militia can come and harass them for not having licenses and then take away their wares from them. If I know the authorities, it won't be easy to get them to do away with licenses. These small businesses should not be licensed. The local Governments should find another source of revenue and leave the people alone. They don't get much revenue but still the City authorities harass them.

The paying of licenses, the bribes involved in obtaining a license and the harassment of entrepreneurs without licenses by City Council militia are all seen as violations of societal notions of economic and redistributive justice, to borrow terms popularized by Karl Polanyi and James C. Scott. These notions of economic justice are based on reciprocity and mutuality. Survival strategies are seen as collective strategies, rather than as individual endeavors. The goal for most people is not so much egalitarianism as propounded by state ideology, but

rather the idea that those with the means are obligated to assist the less advantaged.

Nowhere is this more evident than in the flexibility or the willingness to bend the rules in favor of those who aren't as well situated. For example, tailors, shoemakers, market sellers or medicine men/women usually do not have one flat rate for their goods and services, but rather charges according to the means of the customer. If the customers are better off, they charge full price. If they are poorer, they pay less.

For the state, it appears that the fundamental issue in licensing these entrepreneurs is not revenue, but rather control. In 1987-88, for example, 6,082 micro-business licenses were granted out of 10,000 requests. Last year these businesses brought in 3.6 million shillings revenue, which is one per cent of the entire City Council annual revenue. I asked a top City Council official why licensing of the smallest entrepreneurs was so important, given the unpredictability of their income and the fact that most are just barely feeding their families. He responded emphatically, "But how are we going to control them if we have no licensing system?" He cited the cleanliness of the city and public health, which would be jeopardized, if people sold wherever and however they pleased. In addition, they felt there was a need to limit the numbers of people doing business and ensure that people were selling in places that had been approved by the City Council. The City

Council, he said, would not be able to do its job properly if it could not control and manage their entrepreneurs in this way.

THE DEBATE OVER SIDELINE INCOMES

The battle over the right to subsist has also come down around the question of sideline incomes of Party members and civil servants, who generally are Party members.¹ The Party Leadership Code declares that Party members, including their spouses, cannot have sources of income or projects in addition to their jobs and in particular cannot hire employees to operate these projects. Not surprisingly this Party policy has come under criticism in recent years as official salaries have fallen below subsistence levels and people of all income brackets have been forced to rely on their projects.

Differences over how to regard these sideline incomes have spilled over into an ongoing conflict between the Party and Government authorities, which is part of a much larger struggle within the leadership over the whole direction of liberalization. Government leaders, in general, have had to be more responsive to the popular pressures of their political constituencies and have therefore moved more quickly toward loosening up their position on sideline incomes. On the other hand, the Party leadership, which places a premium on ideological correctness and consistency, still officially adheres to the Leadership Code. The Government loosened its stance in May

¹The following section on sideline incomes includes extensive extracts from a chapter of mine, "The Informal Economy and the State in Tanzania." In: Smith, M.E., Ed. The Informal Economy. Monographs in Economic Anthropology, No. 4. Forthcoming.

1987 when President Mwinyi said that since the Government could not afford to pay people adequate salaries, they should be free to do various income-generating activities to support themselves (Daily News 5/2/87). Shortly thereafter a Parliament session also discussed the possibility of changing from the present six-day to a five-day work week so that workers could undertake activities to supplement their incomes (Daily News , 7/22/87). Once again, these are examples of the Government acknowledging the *de facto* situation in which the majority of wage earners and their families are pursuing informal sideline incomes. The Party, however, has not been as receptive to these sideline activities. I talked to a member of the Central Committee about this and asked if the Party policy wasn't unrealistic given the present situation. He said:

There is nothing wrong with the policy. It is just the people who aren't implementing the policy correctly. If one has two jobs, one's formal job suffers and you end up cheating the state If you employ someone to do your sideline job, then you are violating the Leadership Code because you are making money off the sweat of another person and that is exploitation. . . .

Other Party leaders have been reported saying that people who do poultry keeping and other small projects are "enemies of our socialist policies." In a recent interview with the Chairman of the Commission for the Enforcement of the Leadership Code Selemani Kitundu, he said that public leaders (which includes civil servants) are prohibited from having secret incomes and engaging in business which condoned exploitation of man by man. Since many people who

work use relatives and employ distant relatives in these projects, Kitundu criticized leaders who used their relatives or friends who are Party members to run huge businesses on their behalf (Daily News, 7/29/87). Naturally, there are Party members who take a more lenient view. Given the economic realities of today, people themselves see the matter in pragmatic terms and as a matter of survival rather than of adhering to an abstract ideological principle.

Once again the question of the right to control ones means of pursuing a livelihood comes to the fore. Moreover, given the fact that most civil servants make so much more income outside their jobs than on their jobs, it is a wonder that they choose to remain employed at all. Most people who engage in their sideline projects see them as an honest way to earn a living and find the notion absurd that they might be undermining the Government or Party in some way.

I talked to one plumber who works at a Government hospital but also does sideline plumbing to support his wife and children. He makes the minimum wage even though he has worked at the hospital 15 years. When I asked why he continues to work when he could make so much more in his private sideline business if he did that full time, he answered indignantly: "But I have to work at the hospital! How would this country develop if everyone left their jobs? My work at the hospital is my contribution to the nation and my *mradi* [sideline project] is how I feed my family.

"Another typical but more critical response to our question was what one local college administrator, who himself has a kiosk, chicken business and piggery, said: "Men of politics are cheats. The big shots in the Party have three incomes themselves and they are telling us not to have projects." As far back as 1981, a Dar es Salaam resident wrote a telling letter in the People's Forum column of the Daily News that laid the issues regarding sideline incomes squarely on the table. He was responding to the suspension of 102 Zanzibari workers for carrying out sideline activities:

The practice of indulging in personal miradis [projects] has become very common these days. We therefore need to ask the question why? Is it because our workers have suddenly become so greedy, bent on making as much money and as fast as possible? It is true that there are some workers especially the top bureaucrats, who are in a position to accumulate money rapidly through corrupt practices. . . Most of the Government workers in the middle and lower levels, however, are hardly in a position to accumulate much. . . . the cost of living of the middle and lower income workers has increased nearly twice as fast as their wages since 1969. This is not taking into consideration the fact that many of the essentials can now be obtained only at "black market prices." [They] have to choose either to reduce their consumption below the minimum necessary for survival, return their families to the rural areas, or find other means of supplementing their incomes through petty corruption or petty personal businesses (Daily News , 2/9/1981).

The biggest change in recent years with respect to sideline incomes is that workers with such incomes are no longer harassed, questioned, spied on, and even suspended as in the aforementioned case. Nevertheless, in spite of

Mwinyi's statements, there is still apprehension about these sideline jobs because the Party's position remains so ambiguous. Workers I spoke with still fear being discovered with a sideline job, not so much because they are untaxed or unlicensed (although this is a growing concern), but because they might jeopardize their formal job. Even though middle income people make considerable amounts of money through these sideline incomes, they can't register them because this would be an admission that they have two incomes. They don't want to lose their formal job because it is important as a source of capital if their sideline enterprise fails. It provides numerous benefits, e.g., some obtain housing, which is scarce, through their jobs. In spite of its low pay, the formal job also holds a great deal of status, especially for professionals. It is a source of contacts that can help with the sideline business. Moreover, it offers important resources since it puts one in a position to exchange one's own resources and favors with other people.

WORKING ARRANGEMENTS OF THE SELF-EMPLOYED

Finally, one of the key areas where Government leaders have diverged from small-scale producers is in their notions of how production at this level should be organized.

When the Government and donor agencies have made available assistance to small-scale enterprises, they have generally neglected the micro-scale enterprises. The Government's Small Industries Development Organization

(SIDO) that is aimed at assisting small-scale manufacturers, has directed most of its energies to creating larger industrial estates that pool infrastructural resources (Havnevik, 1986: 283). What little assistance is rendered small industries through SIDO is available primarily to cooperatives and small public organizations, rather than to small-scale partnerships or single-owner enterprises (SIDO, 1983: 16). Yet according to this research and other studies, the majority of small enterprises are carried out on a micro-scale of less than five individuals, which means that the self-employed, even the licensed, remain for the most part outside of the state programs for loans, subsidies and other benefits.

The majority (92 per cent) of the self-employed I surveyed owned their own businesses, while only seven per cent were in partnerships. Most (47 per cent) worked with relatives on a regular basis, usually just with one or two other unpaid family members, while 41 per cent worked alone. Only five per cent had paid employees and two per cent had apprentices.

Among the main difficulties faced by micro-entrepreneurs is the lack of loans and the fact that they pay exorbitantly high prices for inputs and equipment compared to larger-scale industries. Since they purchase inputs on a smaller scale, they cannot always apply for permits to purchase goods at cheaper Government prices and usually end up buying these same inputs illegally at hiked

prices. SIDO's emphasis on cooperatives is especially problematic. In all the interviews I conducted, I came across only one cooperative. It was a carpentry cooperative started four years ago by an ambitious and innovative man. He runs the cooperative efficiently and at a profit, with money left over each month to save and invest in the training of an accountant. The cooperative has 20 men and 12 apprentices. The problems they faced in getting established and maintaining themselves are indicative of what others are up against and may explain in part why cooperatives are an unpopular form of organization for small-scale entrepreneurs. Not only were they delayed in getting their license by many requests for bribes by the authorities, but now they are unable to secure a loan because they have been told that the premises where they work are not surrounded by four walls.

Apart from the difficulties (e.g., bribes) that most reported in obtaining the necessary permits to operate, another reason why cooperatives are few and far between has to do with the fact that cooperatives need to be registered and pay sales tax and they are subject to price controls. Informal sector producers tend to avoid registration so that they can operate without these sales taxes and price controls (Bagachwa, 1982: 345).

One carpenter who had been in business 10 years and had six men working for him gave yet another often mentioned

reason for why he wouldn't join a cooperative. He said: "They simply don't work. You can't make them work. There is too much jealousy and selfishness and each person is looking out for themselves." Underlying this sentiment is the concern that under conditions of uncertain sources of raw material, equipment and markets, it is difficult to establish trust necessary to run a cooperative among individuals who are not relatives and not necessarily friends.

Nevertheless, despite the aversion to cooperatives as forms of organization there is considerable reciprocity and working together in the day-to-day functioning of enterprises. Assistance comes readily from relatives and friends in the form of loans, in providing starting capital, running the projects, and in providing information and resources through one's formal job. In fact, this entire economy thrives on this kind of cooperation that in the urban context increasingly relies on relationships broader than kinship ties.

What the Government has ignored are the ways in which people do cooperate and pool resources in order to advance their economic situation. At the same time, economic cooperation is rarely just that. It is through such reciprocity and mutual cooperation that social relations are expressed. These are relations that have more significance and importance than merely economic utility and efficiency of cooperation.

At the family level, for example, I found in my interviews a father and his four adult sons making picture and mirror frames under a mango tree. The fifth son, who is a taxi driver, helps after work. Another group of four brothers made children's flutes under a tin roof outside the home of the eldest son, who owned the business. It is common to find husbands, wives and children all involved in a family business running a foodstall or small restaurant. A mother may prepare pastries and have her children or younger sister sell them in the streets. Under such arrangements of family employment, the income is divided according to need. Working arrangements with non-family members may take on different forms. I found two groups of neighbor men who shared the same sewing machines. While one group worked the night shift at a nearby textile mill, the other group used the sewing machines in their sideline project. Then when the second group was at work during the day, the first group used the machines.

Street vendors operating separate businesses tend to sell together for reasons of companionship, taking over their friend's stall when they go for lunch or to run an errand. They also sell together for purposes of security in the event that the City Council militia come to harass them.

Cooperation takes other forms as well. The majority of entrepreneurs got their starting capital from their own savings. But relatives were the second most important source of income. These observations are

corroborated in the studies of Aboagye (1985:13) and Bagachwa (1982). For women, however, the main sources of starting capital were their husbands. There was a notable absence of reliance on banks or other formal institutions.

CONSEQUENCES OF GOVERNMENT POLICY

While the Government's conditionality on loans and assistance toward small-scale entrepreneurs is problematic in that it does not take into account existing forms of organization, an even more basic issue is the Government's lack of interest in utilizing the full capacity of this sector, while relying heavily on large-scale industry.

This is an especially serious problem when one considers that small-scale industries in Tanzania are more productive than the large-scale industrial sector. They rely on local resources and technology and because they are not dependent on imports, they are less vulnerable to external shocks. Small-scale industry, according to Kwan Kim, is "at least five times as effective as its large-scale counterpart in terms of output measured per unit investment." Moreover, "for every shilling's worth of goods produced in the small enterprise, foreign exchange savings through import substitution are calculated at 39 cents [0.39 shillings]. A comparative estimate for large-scale industry is not available. It is doubtful, however, that it will be as high in view of the high import intensity of national industries." (1988: 96).

Even where imports have made their way into the domestic market, the local informal sector has suffered much less than its large-scale counterparts. This is because of the flexibility of these entrepreneurs who are quickly able to fill another niche and meet new demands. Moreover, they are able to provide products at prices more affordable to their clientele and often with a quality and esthetic not found in imported mass produced products. For example, in the tailoring business, the influx of *mitumba*, imported second hand clothes, should have adversely affected local tailors, who up until now had little competition from the formal sector. Not only did I find that tailors were for the most part unaffected by the imports, but they reported having found increased business in repairing *mitumba*. While eliminating various projects like soap making and tie-and-dye, import liberalization has for the most part given impetus to the informal economy by providing raw material and equipment with which to start new projects. However, I should hasten to add that as the informal enterprises expand and become incorporated into the formal private sector, import liberalization will in the long run undermine their markets as is already the case with many larger scale industries, both public and private.

CONCLUSION

The informal economy has been a catalyst for change, forcing a redefinition of the boundaries of state control as seen in

the recent liberalizing, privatizing and state-shrinking trends. While external pressures, e.g., the International Monetary Fund, have played a role in this liberalization process, internal pressures from below have been equally if not more important in bringing about change in the political economy of Tanzania. One arena of this conflict has been in the battle for the urban self-employed to control their means of subsistence. Those involved in this informal economy have been quietly and effectively changing the premises of politics from within society through strategies of non-compliance, rather than by overtly confronting the state. So basic are the issues at stake that these pressures have forced gradual state recognition of the way people go about procuring a livelihood.

For the urban self-employed the battle has taken place over the right to subsist. The first challenge was to redefine "productive work" in terms other than what the state found acceptable. As a result of this struggle, micro-businesses were given recognition and could be registered and licensed. The disagreement over licensing, however, has become another source of conflict, with new opposition mounting over the issue of making the poorest members of society pay for the right to seek a livelihood. This comes into direct conflict with popular notions of economic justice, which protect those with less means to provide for themselves by exempting them from requirements made of other members of society.

The issue of the right to subsist has also manifested itself in the fight over the rights of the employed to have sideline sources of income and over the issue of how the self-employed should go about organizing their work arrangements. In spite of its grassroots oriented ideology, the post-colonial state ended up following patterns established by the colonial state. In practice it ignored people's own initiatives, their own rationales, and their own forms of organization. It set out to impose development from above in a way that created a severe disjuncture between state and society, bringing the leadership to the brink of a legitimacy crisis. Societal resistance through non-compliance has forced a growing recognition among state authorities that development will only take place when people's own values, priorities and the existing technologies at the local level are taken into account as a starting point for policy development.

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