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The Economic History of Zambia

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The economic history of Zambia

Abstract

From the 1930s the economic history of Zambia has been dominated by the fortunes of its copper industry. In the middle of the twentieth century, copper-mining generated rapid export-led economic growth, raising real GDP per capita three-fold and transforming Zambia into a semi-industrial economy. At independence, Zambia had a higher GDP per capita than almost any other country in Sub-Saharan Africa apart from South Africa. Over the thirty-five years from 1965, however, Zambia's economy contracted, reducing GDP per capita by one half. This collapse followed the decline in value of copper exports, as production shrank (especially as a share of global production) and the copper price fell. The weak demand for copper combined with government mismanagement. Only in the 2000s did the economy begin to grow again.

1. Introduction

The economic history of Northern Rhodesia and Zambia has been dominated by the fortunes of its copper industry for almost a full century. In the middle of the twentieth century, copper-mining generated rapid export-led economic growth as the demand for the territory's output far exceeded what was possible from the very limited domestic market. Over thirty-five years, from about 1931 to 1965, copper exports raised real Gross Domestic Product (GDP) per capita in Zambia three-fold, transforming Zambia from a pre-industrial into a semi-industrial economy. Zambia continued to lag behind South Africa, but it had overtaken (in terms of GDP per capita) both Southern Rhodesia and Kenya. African mineworkers on the copper mines were among the best-paid African workers on the continent. By 1965 – the year after independence – Zambia's GDP per capita was higher than almost every other country in Sub-Saharan Africa (with the notable exception of South Africa).

Over the thirty-five years from 1965, however, Zambia's economy contracted, reducing GDP per capita by one half. This collapse followed the decline in value of copper exports, as production shrank (especially as a share of global production) whilst the global copper price fell. Zambia dropped out of the ranks of 'middle income' countries (as categorized by the World Bank) into the 'lower

income' category. The rise and fall of Zambia's economy were clearly shaped by the global demand for copper. The fall was also shaped by mismanagement on the part of the Zambian government. Only in the 2000s did the economy begin to grow again, returning to the 'lower middle income' category in 2010. The experience of Zambia contrasted dramatically with the experience of neighbouring Botswana, whose rapid economic growth was also fueled by mining. Botswana's GDP per capita rose as Zambia's declined. In 1965, GDP per capita in Botswana was only one half of Zambia's. By 2010, it was nine times higher.

The early economic historiography of Zambia viewed copper mining and export as the engine of economic and cultural 'modernization'. Mitchell wrote in 1951 of the 'revolution' transforming the country (1951: 20). 'Where once there was only bush with scattered African villages linked by a network of winding paths', wrote Epstein, 'there are now large towns of multi-racial composition, linked with one another, and with the outside world, by road and rail, telephone and wireless' (Epstein, 1958/1973: xi). 'Tribesmen' became 'townsmen', creating a new, urban culture and identity (Mitchell, 1956; Epstein, 1958; Powdermaker, 1962; Magubane, 1971). Whilst later scholars focused more on the conflicts and ambiguities inherent in these processes of social and economic change (Perrings, 1979; Chauncey, 1981; Parpart, 1986, 1994; Sakala, 2001), they too focused on the transformation driven by copper mining.

Economic decline after independence coincided with more critical perspectives. Copper was widely seen as a brake on economic growth, inhibiting the growth of other sectors, exposing the economy to the vicissitudes of the global copper market, and allowing foreign-owned companies to steal the country's wealth. The result was 'underdevelopment' (Shaw, 1976; Biermann, 1979; Turok, 1979; Gertzel, Baylies and Szeftel, 1984; Sardanis, 2003, 2014; Haglund, 2010). At the same time, other scholars pointed to mismanagement by successive governments, which viewed the industry as both a cash cow (generating resources to be used to promote development or the political interests of the ruling party) and a convenient scapegoat to blame for the politicians' own failures (Bates, 1981; Sardanis, 2003, 2014). As the economy shrank, the concept of 'modernisation' itself was cast into doubt (Ferguson, 1999).

This paper assesses the role of copper in the rise, fall and faltering recovery of the Zambian economy over the century since the 1910s. Copper mining might have distinguished the Zambian economy from some of its more completely agrarian neighbours, but copper was not the only element in the country's economic history. Through most of the century covered in this paper, most people in

Zambian depended primarily and directly on agricultural production. Scholars have closely studied production by both settler and (increasingly differentiated) indigenous farmers (Makings, 1966; Dixon-McFyle, 1976; Muntemba, 1977; Bates, 1981; Vickery, 1986; Moomba, 1989; Chipungu, 1992; Moore and Vaughan, 1994; Chabatama, 1999; Tembo, 2010). The paper compares the economic histories of Zambia and neighbouring countries with respect to both mining and other sectors.

2. Economic growth and change in colonial Northern Rhodesia

Copper, along with gold, iron and salt, was mined for at least a millennium before capitalist exploitation began on a large scale in the 1930s. Mined minerals were used in local, regional and even international trade (through the east coast of Africa). The local people also used the minerals as a form of currency, and for the manufacture of such items as ornaments, hoes, axes and knives (Roberts, 1976). Capitalist mining started in the form of zinc and lead mining at Broken Hill (Kabwe) where a mine was opened in 1904 (Mufinda, 2015: 23). This development prompted the construction of the first railway in the protectorate in order to ease the transportation of lead and zinc to the export market (Bancroft, 1961; Mufinda, 2015). But mining remained of much lesser importance to the early colonial economy than agriculture.

Peasant agriculture production dominated the pre-colonial and early pre-colonial economies. Farmers grew maize, millet, sorghum, cassava, beans, and groundnuts, and raised poultry, sheep, goats and cattle. Among the most productive farmers were the Tonga and Lenje on the southern plateau and the Lenje in the midlands (Chipungu, 1992; Muntemba, 1977).

The construction of the railway made farming by European settlers possible, almost all within 20 miles of the railway line. Elsewhere, European farmers also settled around Abercorn (later Mbala), which was ideal for coffee production and ranching, and Fort Jameson (Chipata), where they cultivated cotton and then tobacco (sponsored by the United Tobacco Company). By 1910 there were 54 settler farmers in different parts of the country. By 1926, there were 343. These settler farmers produced primarily food for export, especially maize and beef for the Belgium Congo. Only in the 1930s did the internal market on the Copperbelt outgrow the export market (Pim, 1938). The one non-food export of importance was tobacco. By 1925, tobacco worth £94,500 was sold in Fort Jameson; by 1943, the value had risen to £225,600 (Kanduza, 1983). Coffee was also exported from Abercorn, at least until the pest infestation in 1937. As in South Africa and

Southern Rhodesia, settler farmers benefited from privileged access to credit, markets, extension services and discounted railway tariffs. They were also provided with free labour in wartime (Gann, 1965; Vickery, 1986).

As in South Africa and elsewhere, productive land was ‘alienated’ for settler use – and the indigenous population was often resettled into ‘reserves’. The number of settler farmers in Northern Rhodesia was, however, a small fraction of the number in either South Africa or Southern Rhodesia, so the extent of land alienation – and resettlement into reserves – was correspondingly small. As of 1927, only about 12 million acres of land – or 6.5% of the total – was under European occupation (Pim, 1938; Mvunga, 1977, 1981; Tembo; 2010).

Migrant labour constituted a major export in the pre-colonial and early colonial periods. From the 1860s men had migrated to South African mines, where they were popularly known as the “Zambezi boys” (Gann, 1964; Pim 1938). Migrants remitted some of their earnings as cash and returned home with bicycles, bedding, cooking utensils, clothes and other manufactured goods. Prior to the 1930s, colonial authorities encouraged labour migration to the Belgian Congo, Tanganyika and Southern Rhodesia, as well as to South Africa, in part to generate tax revenues to pay for the administration of the colony. Hut and poll taxes were imposed in the early 1900s (Pim, 1938; Gann, 1964; Gardner, 2012). Labour was recruited and channeled through various agencies: the Southern Rhodesia Native Labour Bureau, Robert Williams and Company (on behalf of the Katanga mines) and the Witwatersrand Native Labour Association (for South Africa, especially in Barotseland).

Economic development only took off after the Colonial Office took over the administration of the territory from the British South Africa Company in 1924. This was a contrast with neighbouring Katanga, where copper was already being mined on a large scale. Rising global demand for copper, driven by the automobile and electrical industries, transformed the economy and, as elsewhere in Africa, laid the foundations for the “managerial capitalism” associated with large firms with long-term business strategies (Butler, 2007).

The first indication of the large-scale development of capitalist mining was the reopening of the Bwana Mkubwa mine. With fresh injections of foreign finance, the company included some of the most prominent and influential figures in southern African mining. By the late 1920s, four other mines – Roan Antelope, Mufulira, Nkana and Nchanga – were being developed. Blister copper was exported from the 1920s and electrolytic copper from the 1930s. By 1931, about 30,000 men were employed on the mines (Gann, 1964, Baldwin, 1966; Butler, 2007).

The new mines in Northern Rhodesia were faced with two models for managing labour. The mines in Katanga had already introduced a policy of labour stabilisation, employing men on three-year contracts, allowing their wives and children to settle around the mines and providing educational, social and other amenities. South Africa and Southern Rhodesia provided a very different model: Unskilled labour was employed on short contracts, families were not tolerated, and few amenities were provided; migrant workers were required to return to their rural areas after each contract. The Northern Rhodesian mines initially adopted the South African model, but from 1935 some of the mines shifted to a policy of labour stabilisation. This policy was first adopted at the Roan Antelope and Mufulira mines owned by the Roan/Rhodesia Selection Trust (RST). Later, the mines owned by Rhodesian Anglo American (Nkana, Nchanga and Bwana Mkubwa) followed suit (Parpart, 1986, 1994; Chauncey, 1981; Sakala, 2001; Dandule, 2012).

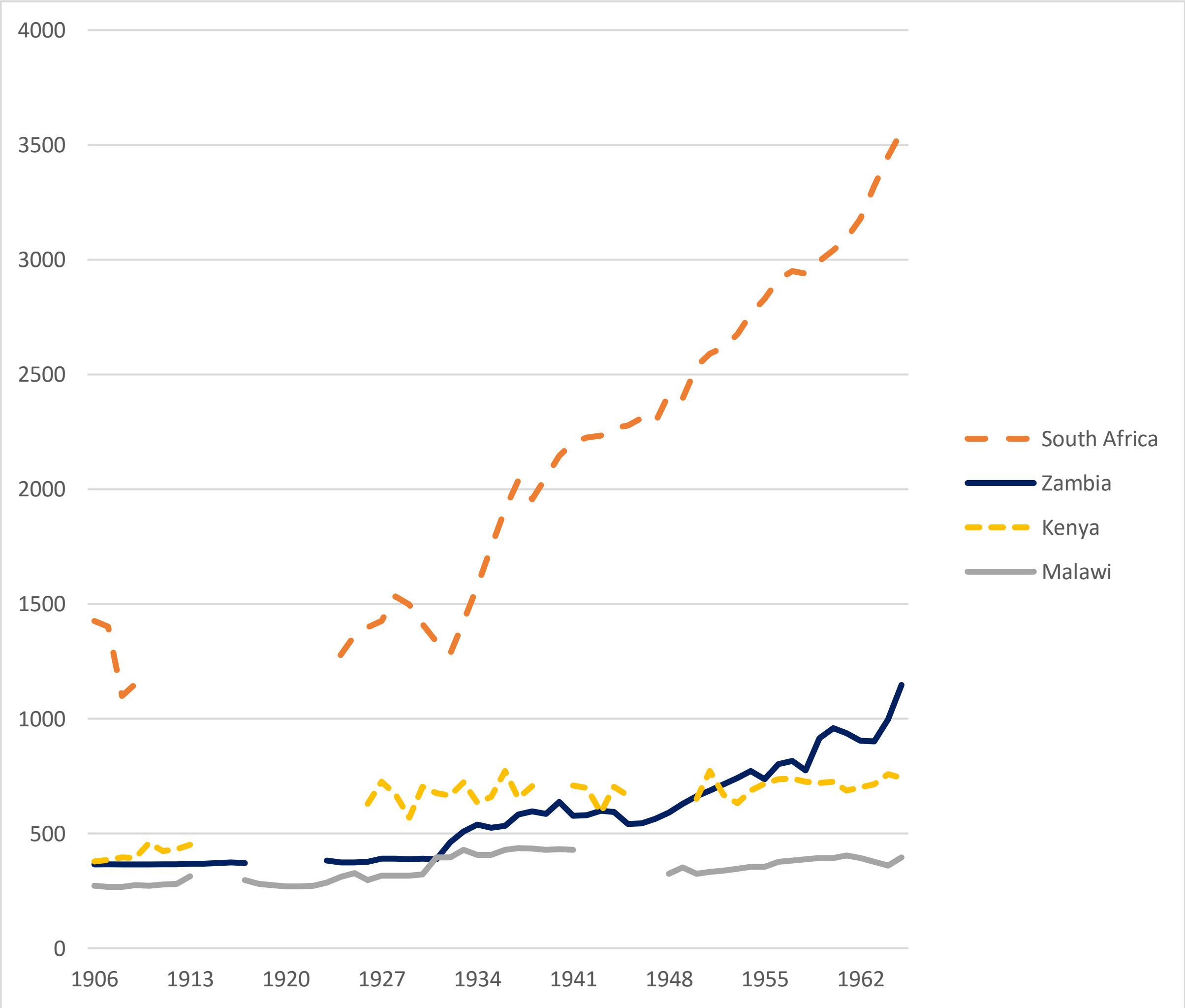

Figure 1: GDP per capita ($ 1990), 1906-65.
Source: Broadberry and Gardner, 2022 dataset.

Although Northern Rhodesia was poorer than countries such as Kenya and Uganda on the eve of the First World War, the country's fortunes drastically changed once the first copper mine began operations (Broadberry and Gardner, 2022: 12; see Figure 1). GDP per capita in Northern Rhodesia was only a little higher than in Malawi in the early twentieth century, but from the 1930s it accelerated ahead (see Figure 1). The copper mines generated not only export revenues but were also a crucial market for local agricultural producers. This distinguished Northern Rhodesia from Malawi, where tobacco and tea exports fuelled a temporary boom in the 1930s but without growing the internal market for other produce (ibid.: 13).

No sooner had the first mines started producing copper, than the Great Depression struck in October 1929. The global Depression led to a drastic curtailment of mine development. Some 58 per cent of the workforce lost their jobs by 1932. The country's development work was suspended, and plans for expansion were temporarily shelved due to reduced government revenue. Despite the shock of the slump, its effects in Northern Rhodesia were less severe than those experienced by producers of copper elsewhere. A key advantage was that the Copperbelt companies were relatively low-cost producers. For instance, Roan and Nkana worked at only around half capacity during 1932–3, and both Mufulira and Nchanga remained closed (Butler, 2007; Munene, 2022).

3. The colonial copper boom and embrace of 'development'

Between the 1930s and 1960s, Northern Rhodesia benefitted from steadily rising global copper prices (with some short-lived drops) and expanding production (see Figure 2), which meant that export revenues improved rapidly. This boom began, strongly, in the 1930s. A striking feature of the Copperbelt producers' response to the Depression was that once prices began to recover by the late 1930s, they opted, like other low-cost producers in Canada and the Belgian Congo, to increase production. Northern Rhodesian copper production rose from 6,400 tonnes to 211,500 tonnes in the 1930s. Approximately one half was exported to Britain as it recovered from recession. British demand was driven by its automobile and electrical industries and, from 1937, rearmament. Rearmament also fuelled demand in Germany, which accounted for one-third of Northern Rhodesian exports (Kanduza, 1984; Butler, 2007: 20-21).

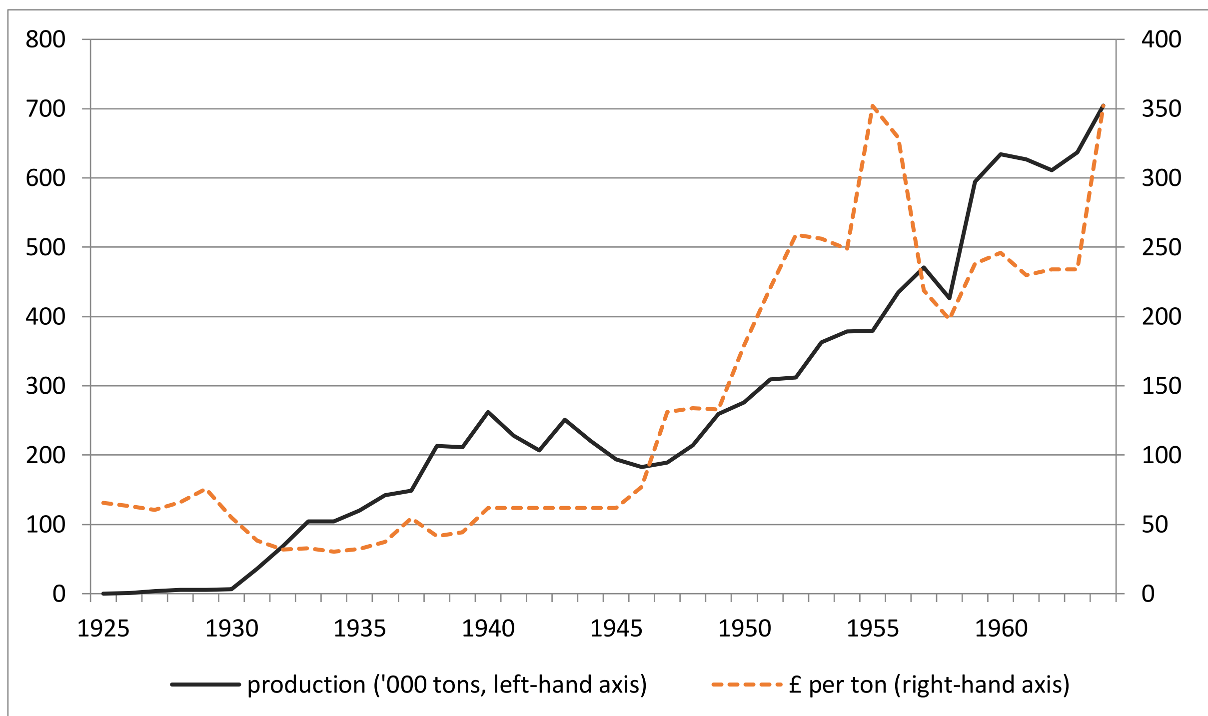

Figure 2: Copper price and production, 1925-64.
Source: Drawn using data provided by Juif and Frankema, 2018.

By 1939, Northern Rhodesia was the world's fourth largest producer of copper, adding not only to the Copperbelt's economic value to Britain, but also to its strategic importance, at a time of heightened international tension. In these circumstances, after a lengthy period of development, the mining companies began to earn healthy profits. In 1933, for example, the profits of the Rhokana Corporation – which operated the Nkana mine – rose from £831,221 to £2,175,057. In 1935, both Roan Antelope and Rhokana were in a position to pay their first dividends (Butler, 2007: 23). Thus, by the 1930s these extraordinary developments on the Copperbelt had clearly established copper mining as the dominant sector of the colony's economy, far outstripping settler agriculture.

Copper production was capital and skill intensive (Baldwin, 1966: 9). As a result, thousands of skilled and semi-skilled miners migrated to the Copperbelt from all over the world, attracted by high wages (Phimister 2011a, 2011b; Money, 2021). In the mid-1930s, skilled European workers were paid, on average, twenty times the wages paid to unskilled, African workers. Real wages for European workers rose slowly in the 1950s. Real wages for African workers rose faster, but by 1960 were still only one-tenth of the European average (Baldwin, 1966: 87). Juif and Frankema (2018) show that the purchasing power of African mineworkers' wages rose steadily in the country, more than doubling between the 1930s and 1950s. As such the purchasing power of their wages was substantially higher than that for

comparable workers in the major towns of East and West Africa (Juif and Frankema, 2018: 327).

Whilst copper mining dominated the economy, the colonial government began to worry about the welfare of its colonial subjects in rural areas. As the Second World War neared its end, the British government cautiously proposed that colonial governments implement 'development' and welfare schemes, framed by multi-year 'development plans'. These were intended to enhance economic efficiency and productivity, improve living standards, and thus reduce socio-political unrest in the colonies, while demonstrating to the USA and other critics Britain's commitment to 'constructive imperialism'. British officials were also concerned about Britain's economic and political power relative to the USA after the war. For its part, the USA was eager to see colonial markets opened up to its own trade goods (Tembo, 2016). Under the 1945 Colonial Development and Welfare Act, Britain provided for grants to the colonial empire totaling £120 million over ten years.

In response, the Northern Rhodesia government published its first Ten-Year Development Plan in 1947, drawing on provincial and district plans prepared over the preceding four years. The plan proposed that £13 million be spent over ten years on various social and economic programmes. It soon became apparent that far less money was available, and budgets were adjusted downwards (Tembo, 2016).

Peasant agriculture was prioritized for the first time under the 1947 plan. Officials in London envisioned a 'revolution in African productivity' in agriculture as well as industry, through improved farming methods (Tembo 2016). Close to £1 million was allocated to peasant agriculture (Tembo, 2010). The first programme to be funded was the African Farming Improvement Scheme (AFIS) in Southern province. Through this scheme, peasant farmers were resettled in arable areas and were given access to extension services from the Department of Agriculture. The goal was to improve peasant farming methods by encouraging the use of manure and ploughs, the adoption of weed destruction strategies, and the conservation of natural resources (Chipungu, 1992; Chabatama, 1999; Tembo, 2010). The Department of Agriculture started another programme, the Peasant Farming Scheme (PFS), in Katete district in the Eastern Province in 1948. Overcrowding in the 'reserves' in the area inhibited agricultural production. The government provided farmers with loans for livestock, implements and land-clearing. The scheme was extended to neighbouring districts in 1949 and later to the rest of the territory (Tembo, 2010).

In encouraging peasant agriculture, the Northern Rhodesia government was acting in line with colonial administrations elsewhere in East and Southern Africa. This was the period that Low and Lonsdale (1976) famously described as 'the second colonial occupation', as agricultural extension officers (and other 'development' personnel) fanned out across Africa. Across much of British Africa, also, 'welfare' officers sought to tackle the social 'problems' of 'detribalisation' that accompanied economic and social change, such as urban juvenile delinquency (Lewis, 2000). Much of the developmental effort was misguided, as expatriate colonial officers imposed inappropriate 'solutions' to local problems.

Following the devaluation of sterling in 1947, the Northern Rhodesian copper mines acquired a new importance to Britain. As the price for copper was now based on the American dollar price, devaluation raised the value of copper in terms of British pounds. Whilst the dollar price of copper rose – by almost half between 1949 and 1953 – most of the mines' inputs (including wages, transport, and fuel) were priced in British pounds. The production of colonial commodities such as copper reduced Britain's dependence on the USA, upheld the international value of sterling, and enabled the country to earn dollars. Production expanded further on the Northern Rhodesian mines (Roberts, 1976; Tembo, 2021).

Global demand for copper was buoyant, especially in the electrical and automotive industries that were rebuilt after the war. In 1947 *The Economist* estimated that as much as 50 per cent and 40 per cent of all copper imported by the US and Britain respectively was consumed by the automobile industry, with ship-building accounting for another 20 per cent. The demand for copper also rose in other sectors, including construction (for roofing and plumbing) (Tembo, 2016, 2021). The American government's creation of a strategic copper reserve also aided the market's buoyancy. This benefitted producers by keeping surplus war stocks from coming back onto the market and adding to available supplies (Phillips, 2000: 228-9). The Korean War and the deepening of the Cold War further boosted demand for copper for weapons in the 1950s, resulting in a sharp rise in the price of the metal (Coleman, 1971: 146). Northern Rhodesian mines later benefitted from disruptions to American and Chilean production. Faced with strong demand, the mines invested heavily in expanded production – in some cases using American government loan finance, specifically for the RST's new Chibuluma mine (Butler, 2007: 131) and to Rhokana for the establishment of a cobalt refinery. Another new copper mine, owned by Rhodesian Anglo American, opened at Bancroft whilst a new open-pit mine was opened at Nchanga (Berger, 1974).

While all these developments were taking place, the balance of power in the region took a new shape. For some time, the political influence in the region had been shifting from London to members of the European population in central Africa. White politicians in Southern Rhodesia wanted to benefit from the prosperous copper mining industry in the north, and renewed their efforts aimed at amalgamating Northern Rhodesia, Southern Rhodesia and Nyasaland (Malawi) (Gann, 1964: 397-439). In the meantime, the RST and Rhodesian Anglo American made another significant administrative change by moving their head offices from London to Lusaka in 1951 (with Rhodesian Anglo American relocating to Kitwe in 1953) (Gann, 1964: 14).

The establishment of the new Central African Federation in 1953 worked to the primary benefit of the white settler population in Southern Rhodesia. Resentment over the flow of copper revenues to other parts of the Federation shapes Zambian nationalism (Larmer, 2010: 34). Whilst Zambian nationalism had much in common with parallel movements across the continent, as Africans agitated for indigenous control of political institutions, it also acted as a deterrent to foreign business entities in the country.

Following the creation of the federal government, the copper mining companies moved their headquarters to Salisbury in 1955 in order to be close to the new centre of political power. In the Federation's first seven years, the Northern Rhodesian copper industry contributed around £70 million in tax revenue towards the infrastructural development of the other two territories. Of this amount, by far the greater share went to Southern Rhodesia. In addition to the taxes they paid, the mining groups assisted in the Federation's development by providing loans, on very favourable terms, to the Federal and territorial governments. In 1956, for example, the Mufulira mine agreed to lend the Northern Rhodesian government £1 million, and the Nyasaland government £0.5 million. These sums were to be used exclusively to finance rural development (Butler 2007).

The largest project under federation was directly linked to the Northern Rhodesian economy. Despite the 1947 plan's emphasis on agriculture, the Federation government proceeded to construct a massive dam on the Zambezi River at Kariba, creating the world's largest man-made lake. The Federation government was enthused with modernist ideology and imagined that massive electricity supplies would literally fuel mining-led industrialisation and economic growth. The dam did generate the electricity required for industrial growth on the Copperbelt (and in Southern Rhodesia). At the same time, a total of 57,000 people were evicted from their farms and villages along the western (or Northern

Rhodesian) side of the Gwembe valley before the reservoir filled in 1962-63, on the eve of independence (Tischler, 2014).

Had it not been bound to the Federation, Zambia might have undergone a very different path of economic development. Business interests in Northern Rhodesia preferred to build an electric power station on the Kafue River rather than at Kariba. The location at Kariba and the allocation of electricity benefitted secondary industrialization around the Federal capital, Salisbury (in Southern Rhodesia), even though the Copperbelt arguably offered a larger market. Moreover, the Copperbelt mining companies were heavily taxed. Most importantly, the Kariba dam project locked the soon-to-be-independent Zambia into an understanding of modernization that centered on the mines and paid little attention to the countryside, except as a source of labour (Butler, 2007; Tischler, 2014). companies were heavily taxed.

A lower copper price and reduced production in the late 1950s proved temporary. By 1960 copper production had reached a record level. Northern Rhodesia overtook Chile as the world's largest exporter of copper. In the early 1960s, also, the copper price wobbled and Northern Rhodesian production fluctuated, but by 1964 – when Zambia became independent of British rule – production was once again at maximum (Butler, 2007). Zambia was thus born on the back of a highly buoyant mining sector.

4. Independence and copper-fueled overambition

Zambia became independent in 1964 with an economy dominated by copper mining. Copper (with cobalt) accounted for 47% of GDP, 92% of exports, more than one half of government revenue and 18% of formal employment; industrialisation had also resulted in more than 20% of the population living in urban areas. This placed Zambia in a unique position in the region. No other country in East, Central or Southern Africa – not even South Africa – enjoyed similarly strong flows of either foreign exchange or government revenues. Conversely, no other country was as reliant on exports, let alone a specific commodity export. Gold-mining was integral to the South African economy, but even it accounted for only 60% of South African exports and about 20% of GDP in the first decades of the twentieth century (and less thereafter).

At the same time, a large majority of the population of Zambia remained in rural areas. Many urban workers later returned to rural areas. Productivity in agriculture was low and poverty was widespread. The 'structural inefficiency' of agriculture

meant that Zambia had to import food. As Elliott commented, ‘no other country in Africa faces such a contrast between, on the one hand, an urban industrial sector that is growing and developing very rapidly, and on the other, a semi-stagnant rural economy which seems to defy, often at very considerable expense, all attempts at restructuring it in the process of growth’ (1971: 9).

Economic growth in Zambia depended on maintaining a balance between protecting the copper industry and using it as a source of revenues to be used to promote economic diversification and social development. In South Africa, the state was largely successful in the middle part of the twentieth century in expanding production in both manufacturing and large-scale agriculture, in part through the judicious use of revenues and foreign exchange generated by the gold mining industry. By the 1950s South Africa had a substantial manufacturing sector as well as a competitive agricultural sector (although, of course, the benefits of this growth were distributed very unequally). Zambia, in contrast, remained ‘under-industrialised’ in terms of manufacturing industry (Elliott, 1971: 5). The slow growth of manufacturing was in part the result of colonial policy (especially under federation). It was also widely attributed to the dominance of mining (through ‘Dutch disease’): Exports of copper over-strengthened the kwacha, reducing the price of imports and undermining the competitiveness of domestic producers in other sectors (especially manufacturing); and there were said to be few linkages between the copper mines and other sectors.

The new Zambian government took office determined to use exports of copper to drive industrial diversification and economic growth, as South Africa had already done. Conditions seemed propitious: The global copper price had recovered from a dip to reach a new record level, whilst production had expanded rapidly through the postwar boom (see Figure 2). The new government – and its advisors – imagined that this boom would continue, and based their economic strategy on this. Through the late 1960s and early 1970s this was not obviously a mistake: The copper price fluctuated, intermittently reaching new heights but without any clear trend (see Figure 3), whilst production remained stable (see Figure 4). But Zambia failed to take advantage of strong global demand to expand production, so that its share of global production fell steadily (see Figure 4). The government undermined the industry through both raising production costs and maintaining the currency at too strong an exchange rate, even when the trade balance was negative and foreign exchange reserves were depleted. It failed to prepare for any downturn in the copper price. Finally, it embarked on public expenditure programmes that assumed implausible earnings and tax revenues into the future. In short, the long postwar boom lulled the new government into the traps of over-confidence and over-ambition.

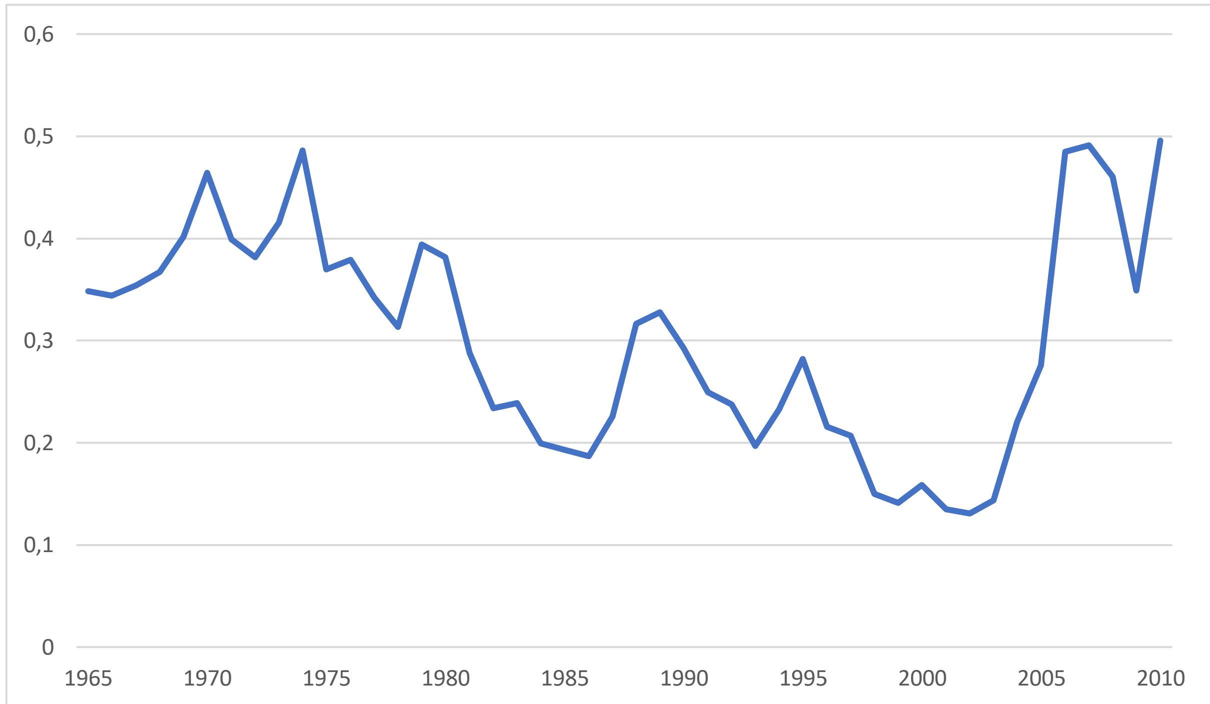

Figure 3: Global copper price (US$ per pound, constant 1964 prices).
Source: https://pubs.usgs.gov/sir/2012/5188/tables/

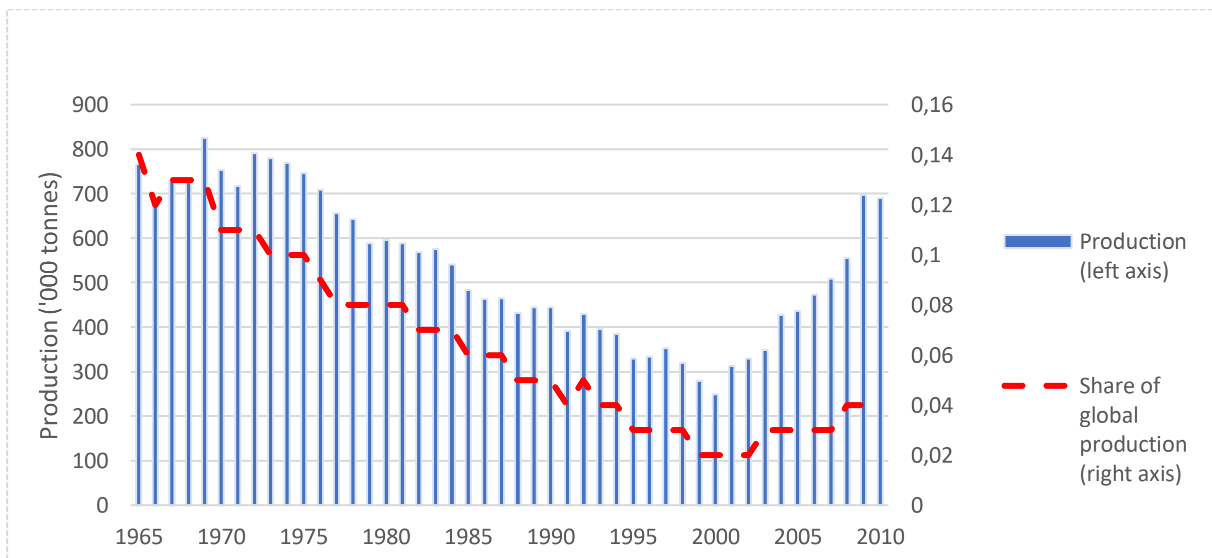

Figure 4: Copper production in Zambia, 1965-2010.
Source: Minerals Yearbooks.

The new government's initial economic strategy was framed by the recommendations of an international team of development economists led by Dudley Seers (UN/ECA/FAO, 1964), which in turn reflected the hegemonic statism of left-wing economic policy-makers in Britain and elsewhere. The Seers

Report informed the 1964 Transitional Development Plan and – eighteen months later (in 1966) – the First National Development Plan (NDP). This initial economic strategy aimed to diversify the economy and reduce the dependence on mining through a combination of expanded manufacturing production behind tariff barriers (substituting for imports) and the 'modernization' of agriculture. New industry would be spread across the country. This would be achieved through increased public revenues and massive public expenditure on education (to reduce skill shortages) and transport, as well as sectoral investments (including agricultural credit policies, mechanization and marketing). The strategy was predicated on the expansion of copper production, from about 680,000 tonnes p.a. to at least 800,000 tonnes p.a. by 1970, and a high global copper price. The Seers mission anticipated that production would expand in all sectors, including commercial and subsistence agriculture. GDP would rise (in real terms) by 6% p.a. (or 37% in total) between 1965 and 1970. Output would grow twice as fast as the population, so that GDP per capita would rise at a steady 3% p.a. (Seers, nd). The First NDP was even bolder, anticipating a 94% real increase in output between 1964 and 1970.

This was – as a sympathetic review later put it – a 'time of great confidence in the development of the country' (ILO-JASPA, 1981: 211). Policy-makers believed that rapid growth was possible once the shackles of colonialism were removed. Sardanis recalls the optimism that accompanied independence: 'We were free, determined and very enthusiastic, and blissfully ignorant of the pitfalls that lay ahead. There was no problem we could not handle, we thought' (2014: 21). The Transitional National Development Plan envisaged a strong expansion of developmental expenditure on the basis of Zambia's 'sound' financial position (quoted in ibid.). Governments across Africa were embracing statist models of 'development' and socialist rhetoric. Zambia's new government apparently imagined that copper prices would remain high indefinitely and responded half-heartedly to the Seers team's recommendations for a mineral stabilisation fund that would accumulate reserves during booms and spend them during downswings (Auty, 1991: 172). Kaunda also envisaged the establishment of a cartel of the world's copper producers, to fix prices and quotas (as the Organisation of the Petroleum Exporting Countries, OPEC, did for oil).

Nationalist leaders had made bold promises during their campaign for independence, raising expectations that Zambian managers and mineworkers would achieve the living standards of expatriate staff whilst the living standards of other Zambians would rise towards those of mineworkers. Policy-makers and ordinary Zambians alike were caught up in the belief that copper mining would drive 'modernisation' as the population shifted from low-productivity and low-

income peasant agriculture into high-productivity and high-income industrial and urban employment (Ferguson, 1999). For its part, the mining industry steadily expanded the benefits associated with employment, beyond high and rising wages to free or subsidized housing and utilities, food, education, and even diapers for children and burials of the deceased (Fraser, 2010: 9).

Rising copper prices and production drove rising GDP in 1964-65, but this expansion soon faltered. Copper production did not expand as fast as anticipated, although this was disguised by the high price and hence high income despite the slow growth in expansion (Fry, 1980: 53). Kaunda's attempt to organize an international copper producers' cartel failed. The overall Zambian economy grew much slower than Seers anticipated, with real GDP growing by only 25% by 1970 (despite strong global demand for copper). GDP per capita remained stagnant due to population growth (see Figure 5). Meanwhile, government expenditure rose. By 1970 it was four times higher in real terms than in 1964. The government failed to increase taxation in line with expenditure. It also failed to diversify taxation away from the copper industry, leaving public finance very vulnerable to any decline in copper exports. By 1970 economists were warning that the government had reached the limit of domestic borrowing and would henceforth have to borrow abroad (Harvey, 1971a; see also Harvey, 1971b; ILO-JASPA, 1981; Simson, 1985).

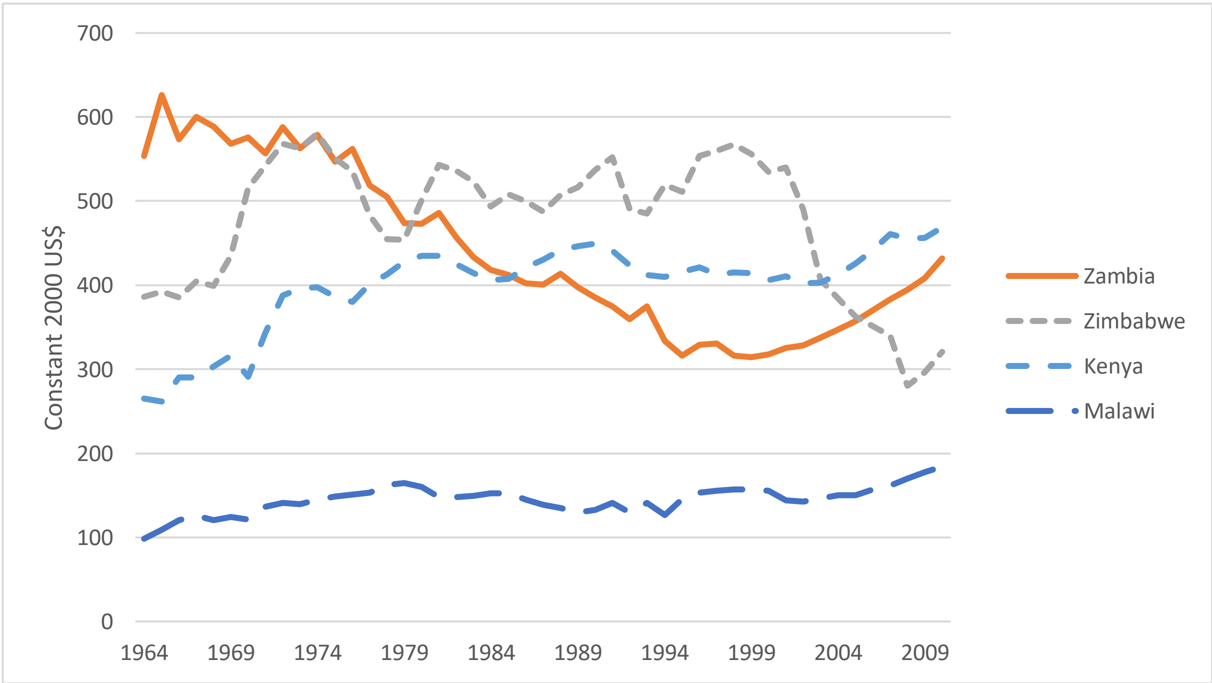

Figure 5: Real GDP per capita, 1964-2010.
Source: World Development Indicators.

The government's bold – or over-confident – strategy was criticized at the time. Elliott (1971) charged that the strategy underestimated the constraints on growth in Zambia. He (and Jolly, 1971) argued that economic diversification would be constrained by the shortage of skilled labour and the balance of payments (given that manufacturing would also require at the outset substantial imports), as well as by domestic tax revenues and savings. These were constraints in the dual sense that they were in short supply at the time and there was little likelihood that the supply could be expanded to reduce the shortfall in the near future.

Exogenous political factors contributed to derailing the government's intended strategy. In 1965, Southern Rhodesia declared a Unilateral Declaration of Independence (UDI). The Zambian government responded by trying to reduce its dependence on Southern Rhodesia as well as Angola (still under Portuguese control) and South Africa by routing its trade through the Congo or Tanzania. The government – together with the government of Tanzania, funded by China – constructed first a fuel pipeline from Dar es Salaam on the East African coast and then, between 1970 and 1975, the 1860 km-long Tanzania-Zambia Railway Authority (TAZARA) railway from Kapiri Mposhi (in central Zambia) to Dar es Salaam (Monson, 2009). TAZARA, imagined as a symbol of economic independence, was doomed to become instead a symbol of the government's economic mismanagement.

5. Nationalisation and economic decline in the 1970s

The Zambian government also expanded its direct control over the economy, not only to expand domestic capacity but also to reduce the power of expatriate and settler interests. The 'Mulungushi reforms' of 1968 included the partial nationalisation of most major companies in the construction, road transport and commerce sectors, with the state taking 51% ownership. The following year, the 'Matero reforms' included the state's purchase of 51% shares in the mining companies, whilst leaving management in the hands of the former owners under ten-year contracts. Sardanis, who was at the time Permanent Secretary in the Ministry of Trade, Industry and Mines, recalls that the decision was made by Kaunda himself, whilst Sardanis was trying to draft an improved mining tax regime (2014: 62-6). The government similarly proceeded to part-nationalise the insurance companies and building societies (but not banks). The government also pushed for the 'Zambianisation' of skilled labour and management, including on the mines. Whilst Seers had envisaged that the number of expatriate employees on the mines would remain steady, the government moved quickly to replace

expatriate with Zambian employees. Sardanis denounced economic decision-making that was driven by the short-term political interests of governing elite, and resigned as Principal Secretary in 1970 (ibid.: 67-9). In 1974, the government cancelled its agreements with Anglo American and RST to manage the copper mines (co-owned since 1970), took direct control of the management of the mines and established a monopolistic parastatal copper marketing agency. Compensation to the companies was funded through foreign debt. Control was later vested in the Zambia Consolidated Copper Mines (ZCCM) Limited. Nationalisation came at a 'very high financial cost' in terms of foregone revenues in the short-run (Stoever, 1985) as well as reduced production in the medium term. Sardanis was then and later withering in his criticism of the government's actions, which plunged Zambia into debt and undercut the economy's potential to grow: 'Paralysis and stagnation set in ...' (Sardanis, 2014: 86).

The Zambian government's approach was in stark contrast to the government in neighbouring Botswana. In 1969, after the discovery of diamonds, the government of Botswana entered into a 50:50 deal with De Beers. The arrangement generated massive revenues for the state. The government of Botswana also contained increases in public expenditure and built up foreign reserves, so as to be able to cope with periods of lower prices. It also avoided over-appreciation of the currency. The Botswana approach is widely described as shrewd and wise. Whilst mining exports inhibited economic diversification and reproduced inequality, the economy grew rapidly and the state benefitted from abundant resources for social and other programmes (Hillbom and Bolt, 2018).

The Kaunda government's approach – neither shrewd nor wise – was rooted in Kaunda's blanket rejection of foreign capitalist enterprise and in the political benefits of wielding more extensive patronage over employment. Kaunda was no 'orthodox socialist', aiming instead at the creation of an indigenous and politically loyal Zambian bourgeoisie. The result, however, as Kaunda himself came to recognize, was a form of state capitalism dominated by a 'techno-bureaucratic' Zambian elite or 'bureaucratic bourgeoisie', many of whom had been to the same school (Munali) (Simson, 1985: 25) and who used their positions in the state or parastatals to accumulate wealth through business activities, despite a leadership code (Baylies and Szeftel, 1982). Critics were marginalized. In 1972, for example, Kaunda fired Valentine Musakanya as Governor of the Bank of Zambia.

The emerging vision of statist development was set out in the Second and especially Third National Development Plans, published in 1972 and 1979 respectively. As the Third Plan stated, the public sector would play the 'commanding role ... both in the mobilization and in the allocation of investment

funds and the creation of socialist economic relations necessary for humanist construction' (Zambia, 1979). Already by 1978, the state employed 75% of all waged employees. Among the parastatals was the Zambia Industrial and Mining Corporation (ZIMCO) and its subsidiary, the Industrial Development Corporation of Zambia (INDECO). INDECO, which was initially headed by Sardanis and renovated or constructed hotels, facilitated the new transport initiatives and established (mostly in partnership with private capital) a series of manufacturing and agricultural projects. These latter projects included Kafue Textiles (and, later, a second mill in Kabwe), Nitrogen Chemicals of Zambia (NCZ, which produced ammonium nitrate for use in fertilizer and mining explosives), Zambia Sugar (which operated the Nakambala Sugar Estate in Mazabuka) and Chilanga Cement. Most of these enterprises produced goods previously imported from Southern Rhodesia or South Africa. Some of the proposed projects were impossible, 'dreamed up by all sorts of fantasists who were attracted to our freshness – like *inswa* (flying ants) to the lights – and were bombarding us with countless ideas on how to race into a new ideal society of their own imagination' (Sardanis, 2014: 35).

The NDPs remained, however, statements of intent rather than practical guides. A World Bank mission dismissed the Second Plan as 'a (mostly expatriate) technocrats' plan that ... lacked practical relevance' because it 'was not adequately related to realistic estimates of revenues, did not make provision for or give guidance as to where expenditure cuts should come within the plan framework, in the event of a shortage of resources, and was not backed by enough well-prepared and economically justified projects' (World Bank, 1972: para 24). The planning agencies had little power over the other ministries, which continued to spend money on projects that were not part of the plans (see Musiker, 2020: 30-31). The ambitious outcomes envisaged in the plans could only have been achieved given the best possible combination of circumstances.

Expanded state ownership did not generate the anticipated expansion of either production or government revenues. The Second NDP, for example, envisaged real growth of output of 7.5% p.a. between 1971 and 1976. In reality, output grew by only 3% p.a. (Fry, 1980: 55-7). Whenever copper prices and hence government revenues rose (as in 1973-74 and 1979-80), government expenditure was increased rapidly, to levels that could only be maintained when the copper price fell again through massive and unsustainable borrowing. By 1975, the budget deficit was about 23% of GDP, whilst the external current account deficit was the equivalent of 27% of GDP (Auty, 1991: 175). Too much of the expanded government expenditure entailed consumption rather than investment, including

substantial subsidies for urban consumers (in addition to price controls that favoured them).

Rather than expanding, as anticipated in the NDPs, copper production declined steadily from its peak in 1969, by almost one-third by 1979 (see Figure 4). Through the 1960s Zambia and Chile produced almost equal quantities of copper, vying for second place in the global production ranking behind the USA. But whereas Zambia delayed major reforms, Chile implemented them. The result was that production in Chile expanded at the same time as Zambia's contracted. By the early 1980s, Chile was producing twice as much copper as Zambia (see Figure 6). Zambia's share of global production fell from 14% at Independence to 8% by 1980 (see Figure 4), and it had slipped to fifth place in the global production rankings.

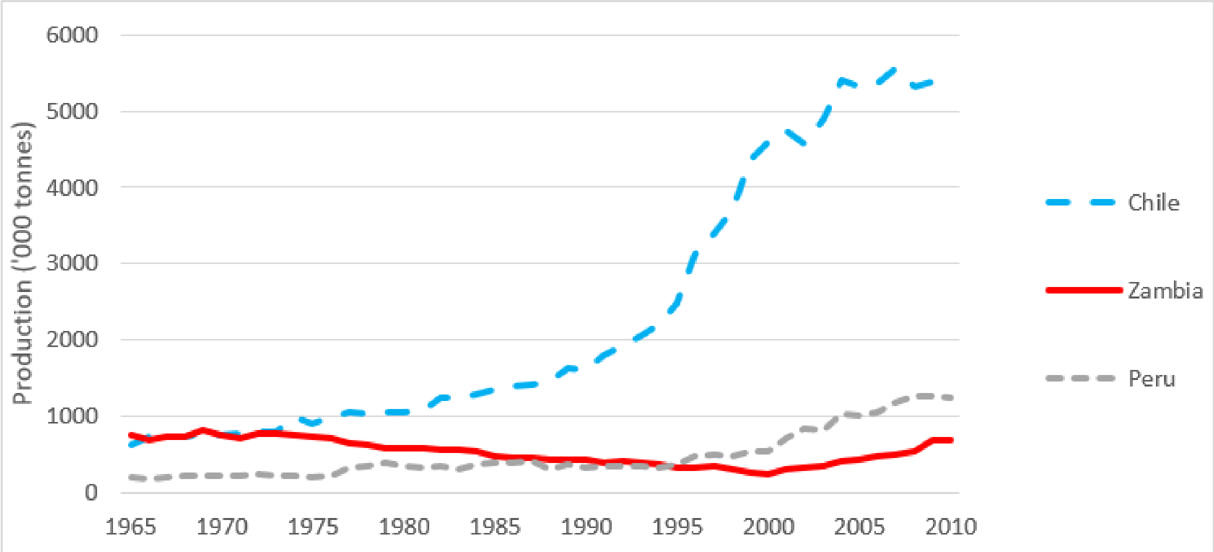

Figure 6: Copper production in Zambia, Chile and Peru, 1965-2010.
Source: Minerals Yearbooks.

The decline of copper production was the result of insufficient investment (in part because of restricted access to foreign exchange), increased costs (in part because of high labour costs) and poor management (at least in part because of nationalisation), in the face of the decline trend in the real price (see Figure 3). Given high fixed costs, production needed to expand, not contract. Across the 1970s, mining's contribution to GDP fell by more than half and its contribution to government revenues shrank to nothing (Burdette, 1984). The industry – and Zambia's economy as a whole – would probably have fared better had the government negotiated higher tax revenues rather than nationalize the industry (as the Seers Report had envisaged).

Despite rhetorical praise for rural development and agriculture, the government did little to improve agricultural productivity. The state set low producer prices for maize (through the parastatal National Agricultural Marketing Board, NAMBOARD). A mechanization programme that focused on tractors collapsed due to poor maintenance. Road infrastructure remained poor. The living standards of the rural population stagnated or declined (Evans, 1984). Migration to towns continued, especially to the Copperbelt, heightening the pressure on the government to pacify the urban population through subsidies on maize meal and other goods. When in 1977 a Parliamentary Select Committee chaired by former Finance Minister John Mwanakatwe recommended economic liberalization, Kaunda rejected most of the proposals. Only when the government had to borrow from the International Monetary Fund (IMF) – and import expensive maize because of insufficient local production – did the government raise producer prices and promise to reduce subsidies amidst a general reduction in public expenditure.

Manufacturing grew slowly, driven by INDECO, with the objective of import substitution. But most of the new enterprises produced consumer goods for the elite market. Many of the new enterprises were capital-intensive and heavily dependent on imports and foreign capital. Profitability was low (Tangri, 1984).

Economic mismanagement combined with exogenous economic and political pressures. The falling real price of copper and oil price hikes resulted in worse terms of trade. UDI in Southern Rhodesia (and civil war in Angola) raised the costs of trade. The government's capacity to cope with these challenges had been undercut, however, by its pursuit of a development strategy that entailed an overly-extravagant programme of public expenditure, much of it politically convenient but economically misguided, whilst mishandling the copper industry on which it relied. Government debt had risen just as revenues from copper mining dried up. By 1980, GDP per capita was 25% below its peak in 1965. GDP per capita was, however, to fall further in the 1980s.

6. Mismanagement of crisis in the 1980s

The government's economic growth strategy depended on an expansion of copper production and income, to generate the foreign exchange and tax revenues required to sustain further investment in the copper industry, sectoral diversification, and the expansion of public education and health care. Rather than expand, however, copper production had contracted. This was not because of any lack of demand, given that global demand – and supply – grew steadily. Rather, Zambia accounted for a smaller and smaller share of global production (whilst the

global price continued to fall in real terms) (see Figures 4 and 3). By 1980, copper production in Zambia had declined by almost one-quarter from its peak in 1969. Copper production continued to decline through the 1980s. By 1990, it had fallen to about one half from its peak (see Figure 4). Meanwhile, production in Chile continued to grow (see Figure 6).

Declining production combined with low copper prices (despite picking up in the late 1980s, see Figure 3). With rising oil prices and deteriorating terms of trade (Simson, 1985: 31-2), deficits on the balance of payments worsened. Investment collapsed (ibid.: 33; see also Figure 7). Employment and real earnings declined. The decline in GDP was startling: Between 1970 and 1975 the economy grew slowly in real terms, but not as fast as the population, so real GDP per capita shrank slightly. Between 1975 and 1980 real GDP shrank by about 4% whilst real GDP per capita shrank by about 15%. This rate of shrinkage continued through the early 1980s. By 1985, after twenty years of independence, real GDP per capita was about one-third lower than it had been at independence (see Figure 5).

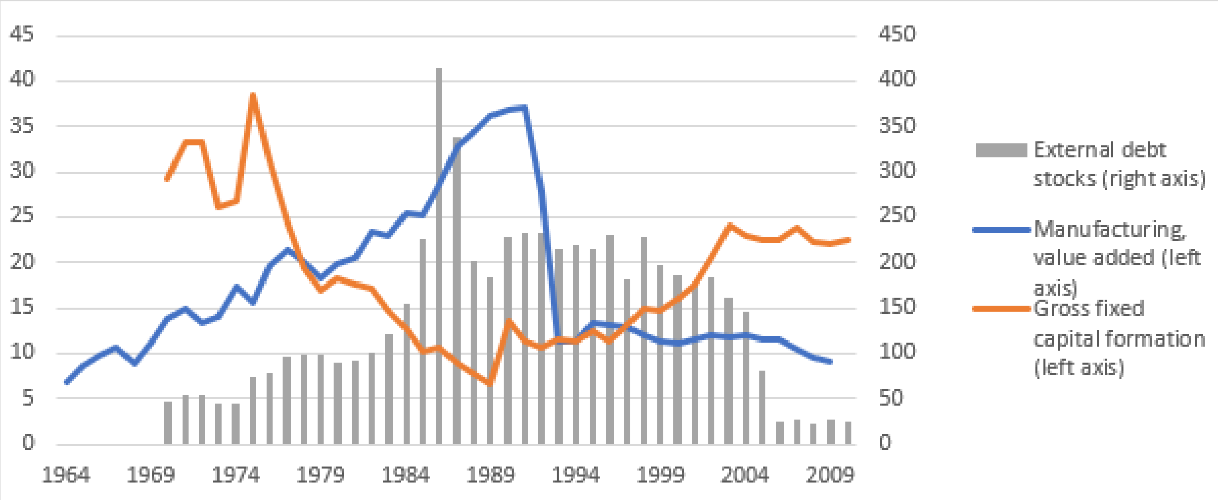

Figure 7: Manufacturing and investment (% of GDP) and external debt (% of GNI), 1964-2010.
Source: World Development Indicators.

The crisis required 'structural adjustment' to reinvigorate the copper industry. Rather than do this, however, the Zambian government persisted with policies that served to intensify rather than mitigate the economic crisis. Public finances deteriorated dramatically, as revenues failed to match even recurrent expenditures. The government responded not by reducing recurrent expenditure but by slashing its capital expenditure. Public expenditure required continued funding through debt, both external and locally. The deepening external debt crisis forced the government to turn again to the IMF. The government reached a series

of agreements with the IMF, giving it access to concessionary finance, but reneged on the agreed reductions of the burgeoning budget deficit. Meanwhile the economic crisis continued to deepen. In 1981, the current account deficit (in the balance of payments) reached 17% of GDP and the government's budget deficit reached 30% of GDP. The government borrowed massively, both abroad and at home, to fund public expenditure. External debt exceeded gross national income for the first time in 1982. Three years later it had doubled in relation to the (shrinking) national income, and by 1986 it was four times larger. Inflation accelerated. In 1982 and 1983, ZCCM incurred record losses. The government concluded two further agreements with the IMF in 1981 and 1983, but these too collapsed when the government failed to meet the conditions (Fundanga, 1989).

The government's economic policies were the subject of strong criticism within Zambia – and within the state – as well as by the country's external creditors. Led by the IMF and World Bank, critics pushed for economic stabilization and restructuring, including devaluation, liberalization and (at least partial) privatization, and budget deficit reduction. The government was compelled to agree but only half-heartedly applied the IMF's conditions, with limited benefits.

Half-baked attempts at structural adjustment floundered on the government's reluctance to change its expenditure patterns or to erode further the standard of living in Lusaka and the Copperbelt. The government resisted the necessary devaluation of the currency, whenever possible opting instead for price control and other regulations. When the government removed subsidies on maize in December 1986, riots broke out on the Copperbelt, which in turn led to the government breaking with the IMF in 1987. The government proceeded to launch its own New Economic Recovery Programme (NERP) that included the revaluation of the kwacha, administrative rationing of foreign exchange and reintroduction of price controls (including low producer prices, discouraging domestic production).

When, inevitably, the NERP collapsed in 1989, the IMF insisted on much more humiliating conditions, including the appointment of an IMF nominee as central bank governor. By this time, most Zambians concurred with the country's creditors that fundamental changes were needed in Zambia – including in the political system. Widespread protests, including protest votes in a referendum on the one-party state, led to the reintroduction of multi-party politics, the defeat of Kaunda and his United National Independence Party (UNIP) in the 1991 election and a change of government.

The deepening economic crisis and ensuing attempts at structural adjustment inevitably had some effects on manufacturing and agriculture also. Both

manufacturing and agriculture were constrained by 'ill-conceived policy choices' that had 'imparted a profound anti-export bias' (Adam and Simpasa, 2010: 82). Protected, manufacturing grew (see Figure 7) – but only producing for the domestic market, which ensured enduring inefficiency. Agriculture was also almost all for domestic consumption. Government policy focused on providing cheap food for urban consumers: On average, between 1967 and 1985, the subsidy amounted to 70% of the retail price of maize. Agricultural policies were ostensibly intended to improve the welfare of the rural population but 'the underlying goal was to capture the peasantry and tie them into an urban-oriented marketing system, thereby improving urban food security' (Kean and Wood, 1992: 68; see also Bates, 1981). When falling maize production required massive and expensive imports from 1979, the government launched an Operation Food Production – but then lacked the resources to implement it. Farmers – and aid donors – pointed to low producer prices and inefficient parastatal marketing, and pressure mounted. Despite government neglect, an intermediate class of medium-sized market-oriented farmers had emerged in the 1970s, especially in Southern, Central and Eastern Provinces. By the early 1980s, about 20,000 such medium-scale farmers were producing more than half of Zambia's maize, with productivity per hectare about one half of the mechanized and irrigated large-scale farmers, but several times higher than the smaller farmers (Simson, 1985; Kean and Wood, 1992). These farmers were hit hard by drought in the 1980s and again in the early 1900s. Under pressure, the government partially deregulated agriculture in the 1980s, with mixed effects (Kean and Wood, 1992).

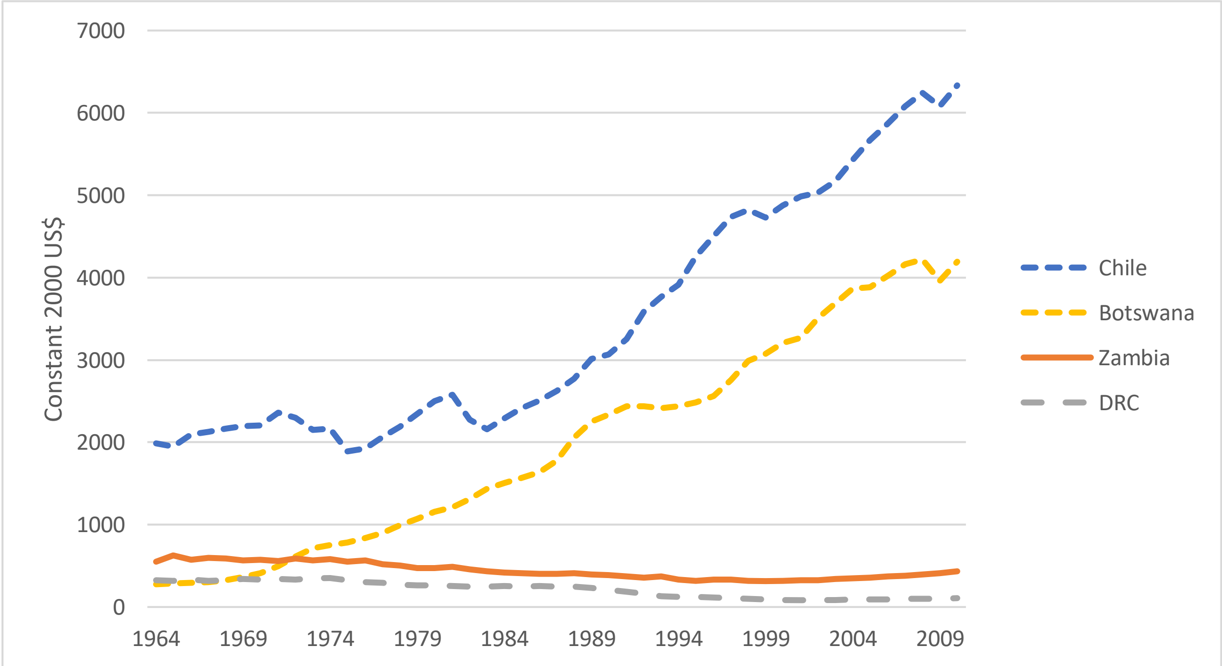

Figure 8: Real GDP per capita, 1964-2010.
Source: World Development Indicators.

When Kaunda left State House in 1991, twenty-seven years after Independence, he left an economy that had grown far slower than the population, so that GDP per capita had fallen by one-third. Servicing the public debt meant that the government had to impose austere cuts in public expenditure but despite this ran a significant budget deficit of about 6% of GDP. Copper output was about one half of its level at Independence. Agricultural production had recovered somewhat from the droughts of the 1980s but food production per capita remained at the same level as at Independence. Manufacturing appeared strong, but it was heavily dependent on state protection.

Zambia's economic performance of this period contrasted with both most of its neighbours' and other copper-producers' performance (see Figures 5 and 8). In terms of GDP per capita, Zambia was overtaken by Botswana and Zimbabwe in the 1970s and Kenya in the 1980s. Zambia's economic decline was unmatched until Zimbabwe's government collapsed its economy in the 2000s. Comparison with other copper-producers suggests that Zambia's decline was far from inevitable. The gap in GDP per capita between Zambia and Chile was already wide in the 1960s, but widened much further in subsequent decades as the average Zambian became steadily poorer and the average Chilean became steadily richer, as a result of contrasting economic management.

The size of the copper industry precluded Zambia following the labour-intensive and export-oriented growth path that drove rapid economic growth in East Asian economies. Whereas (South) Korea, Taiwan, Hong Kong and later China, Vietnam, Cambodia and Indonesia all industrialised through the production for export of clothing and similar products, copper exports inevitably rendered the kwacha too strong for a similar strategy. Zambia's attempts to diversify through manufacturing behind tariff barriers was sensible, but the sector failed to become efficient enough to survive the removal of protection in the 1990s. The Zambian government's prioritization of urban consumers and ensuing neglect of agricultural production inhibited any structural reforms in this sector. The crucial flaw in the Zambian government's strategy, however, was its excessive ambition and poor management, which together resulted in the undermining of the copper industry and chronic fiscal and debt crises.

7. Restructuring and renewed growth 1990-2010

The election of the Movement for Multiparty Democracy (MMD) in 1991 led to rapid and dramatic reforms. The MMD election manifesto had made clear its commitment to scaling back the state and restoring 'a basically private enterprise

economy' (quoted in Rakner, 2003: 68). Newly-elected president Chiluba told the National Assembly that the economy was 'in ruins and even the ruins are in danger' (ibid.). The government immediately and boldly abolished the subsidy on maize meal – which in 1990 had been substantially larger than the budget deficit (Saasa, 1996: 8). This resulted in a seven-fold price increase but relieved pressure on the budget. In 1993 the government implemented a 'cash budget' system, meaning that public expenditure was limited to available revenues, preventing further increases in public debt (although this was unevenly implemented). Taxes were reformed, trade and foreign exchange were liberalised and agriculture was deregulated. In the late 1990s, most government-owned companies apart from the ZCCM and utilities were privatised (ibid.: 68-73). This 'aggressive program of macroeconomic stabilization and reform' transformed Zambia 'from one of Africa's most dirigiste economic regimes in the 1980s to one of the most liberal' (Adam and Simpasa, 2010: 64).

ZCCM was not privatised until 1998, after several years of very heavy losses. The low (and falling) price of copper and ZCCM's heavy operating losses weakened the government's position in negotiations with prospective purchasers. The ensuing 'Development Agreements' allowed the purchasers of the copper mines to pay very low taxes. Anglo American became the primary shareholder in the new Konkola Copper Mines in 2002 but two years later handed the mines back. The government then sold a majority share to the Indian-owned Vedanta Corporation at a discounted price and with massive tax concessions (Sardanis, 2014: 177; see also Levy, 2014: 85-7).

The government's objectives in privatising ZCCM were to end its heavy subsidisation of the industry's operations and to facilitate much-needed new private investment. Whilst the new mining companies did not pay much tax, they did invest – and they did so more heavily than they had agreed to under the Development Agreements. A new mine near Solwezi was projected to produce about 125,000 tons p.a., which would make it the largest producer in Africa. By the mid-2000s, the long-term viability of Zambia's copper industry had been restored (Adam and Simpasa, 2010: 68).

Economic liberalization proved fatal to most manufacturing enterprises. With high duties on imported materials but low duties on imported finished goods, privatised and other manufacturing enterprises were simply unable to compete with imports. Manufacturing accounted for more than one-third of value added in the economy in 1990. Just two years later this had crashed to barely more than 10 percent (see Figure 7). Enterprises such as the bicycle factory in Chipata, the battery factory in Mansa and the fruit cannery in Mwinilunga collapsed.

Privatisation provided only limited relief to public finances. The IMF and other international finance institutions were keen to provide debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief initiatives, but insisted that the government contain the public sector wage bill. In the early 2000s the government began to implement new (and more transparent) financial management procedures (including a Medium-Term Expenditure Framework) (Stevens and Teggemann, 2004) as well as – at the IMF's insistence – austerity measures including a freeze on public sector wages and employment as well as tax increases. This led to Zambia being relieved of almost all of its foreign debt in 2005 (see Figure 7). Thereafter the government continued to contain public expenditure, which increased slower than GDP, therefore falling as a proportion of GDP from 31% in 2002 to 21% in 2009.

Soon after Anglo American's withdrawal, the price of copper began to rise rapidly. By 2005 it was at its highest real level in eighty years (see Figure 3). Zambian copper production was already rising from its low point in 2000 and the rising price encouraged further investment and expansion. Production in 2009 was three times higher than in 2000 (see Figure 4). The result was a massive expansion in exports and hence dollar earnings. The generous tax regime meant, however, that a large share of the windfall revenues left the country as capital outflows, as the mining companies paid dividends to their shareholders (although this did have the side effect of maintaining a stable real exchange rate, reducing the extent of 'Dutch disease') (Adam and Simpasa, 2010; Gondwe and Pamu, 2014).

As the copper price rose it became clear that the government needed to review its mining taxes. Like the South African state (which was slow to tax platinum mines during the boom), the Zambian state was slow to act, missing out on possible revenues to the tune of about 5% of GDP per annum (Adam, Lippert and Simpasa, 2014: 213). The Zambian government did not introduce a new tax regime until 2008 (Bigsten, Mulenga and Olsson, 2010; Lundstøl and Isaksen, 2018). Tax revenues from mining rose rapidly. The average effective tax rate rose from an estimated 31% prior to the reform to between 50 and 55 percent between 2008 and 2015 (Adam et al., 2014: 220; Lundstøl and Isaksen, 2018).

The wholesale economic liberalization of the 1990s gave way in the 2000s to a more mixed approach to economic management. The government reintroduced national development planning, publishing a Fifth National Development Plan in late 2006. Despite this, as Fraser noted in 2010, state 'regulatory bodies scramble to define a useful role for the "modern" state in managing the [mining] companies' whilst 'government ministers and political parties appear utterly disoriented, advocating policies that oscillate between extreme deregulation and greater state

interference, between increasing mining taxes and lowering them, between nationalizing mining companies and bailing out struggling private firms, and between continued dependence on Western donors and companies and a turn to new sponsors in India and China' (Fraser, 2010: 2).

With respect to energy, also, the government seemed indecisive. After initially agreeing to privatise the parastatal Zambia Electricity Supply Corporation (ZESCO), the government persuaded the IMF and World Bank to agree to commercialization rather than privatization. ZESCO was plagued by underpricing (which served to subsidise the mines and non-poor urban consumers), an inflated payroll, and underinvestment in the maintenance of infrastructure. Economic growth was not matched by expanded power generation and the government resisted the price increases advocated by the World Bank. After considerable prevarication, the government did finally (in 2007) sell a 49% share of the Zambia National Commercial Bank (ZANACO) and the telecommunications parastatal ZAMTEL (Levy and Palale, 2014).

The government was more decisive in addressing the crisis in agriculture, largely because of a severe drought between 2000 and 2002. It introduced an initially modest Fertiliser Subsidy Programme (FSP) for small farmers, funded in large part by donors. In the late 2000s the programme was expanded, repackaged as the Farmer Input Support Programme (FISP), and expanded further, reaching about one in four smallholder households by 2010/11 (Resnick and Mason, 2016). In the late 2000s the government also spent heavily on maize purchases through the Food Reserve Agency, at a cost of almost 2% of GDP (Whitworth, 2012; World Bank, 2018). Whilst maize production expanded, this appears to have been driven more by an increase in the area cultivated rather than increased productivity (World Bank, 2017). A World Bank study in 2008 found that, despite the FSP, the indirect costs imposed by government on agriculture in Zambia remained considerable – at a time when indirect costs were reduced greatly in most other African countries (World Bank, 2008).

Manufacturing as well as agriculture were compromised by the strength of the kwacha as copper exports increased. A strong kwacha helped to contain inflation but cheapened imports whilst undermining exports. Despite this, Adam and Simpasa assessed that the poor performance of these sectors was the result more of 'structural policies and weaknesses on the supply side' than of the overvaluation of the kwacha (2010: 84-5). Zambian producers were uncompetitive because their production costs were pushed up by poor infrastructure, unreliable energy and high real wages for skilled labour (ibid.).

Zambia's economy nonetheless grew slightly faster during the 2000s (and 2010s) than the economy of Sub-Saharan Africa as a whole. Zambia's GDP per capita rose from just over three times the continental average in the early 1990s to close to five times the continental average by 2019. Population growth, however, meant that real GDP per capita grew slower than the economy (see Figure 5 for the period to 2009). Moreover, the benefits of economic growth were distributed very unequally. The poverty headcount rate (using the standard poverty line of US$1.90 per person in 2011 prices) was estimated at about 42% in 1996 and 1998. The poverty headcount rate then rose steadily, reaching 64% in 2010. The growth elasticity of poverty was low, meaning that episodes of economic growth had little effect on poverty rates, because growth fuelled growing inequality. The benefits of economic growth in the 2000s accrued primarily to the rich, with few benefits trickling down to the poor. Economic growth in the 2000s did not entail the kind of structural transformation required for sustained and more inclusive economic development (World Bank, 2018). The poverty rate in Zambia was higher in relation to GDP per capita than other African countries.

Conclusion

Sustained economic growth requires structural change. The expansion of capitalist copper mining in Northern Rhodesia marked a fundamental change in the structure of the economy. But the government failed to utilize the resources generated by mining to drive sustainable economic diversification. Manufacturing proved unable to survive economic liberalization, and agricultural productivity remained low. The result was that the improved living standards of the 1940s through to the 1960s were followed by declining living standards thereafter, and only a slow recovery in the 2000s.

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