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'The Distributional Dimensions of Revolutionary Transition: Ethiopia'

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THE DISTRIBUTIONAL DIMENSIONS OF REVOLUTIONARY TRANSITION: ETHIOPIA

§1 Introduction

The considerable achievements of the Ethiopian Revolution in the sphere of rural institutional transformation have been thoroughly documented elsewhere. Here, we will attempt to investigate some of the distributional costs that have attended upon this process of revolutionary transition. It is inherent in the nature of such transitions that they are marked by internal upheavals and external disturbances, and Ethiopia has had more than her share of these since 1974. From the point of view of distributional changes as well, the period since the Revolution has been strongly influenced by non-economic occurrences. Our concern, however, is more with the manner in which such growth as did occur impinged upon the distributional dimension, than with the precise influence of these exogenous events on the growth or distributional performance. This does leave a gap in the interpretation; in the circumstances, it is an impossible one to fill.

We begin in §2 with some observations on the redistributive aspects of the rural institutional transformation. The crucial variable through which this sector influences national economic performance is the marketed proportion of agricultural output. This linkage, and the macroeconomic distributional outcomes of the growth process are analysed in §3. The disastrous distributional implications of this process for large sections of the urban sector are then summarized in §4, where some estimates of the incidence of urban poverty are reported. If a significant proportion of the urban population lost out, some sections must have gained. §5 identifies some highlights of the distributional balance-sheet for the period, and in passing takes cognizance of the actual and potential

role of policies in this regard. The final section considers probable distributional outcomes of the Draft Ten Year Plan as it currently stands. The somewhat sobering findings of this and the earlier sections provide the motive force behind the few strategic policy considerations that are briefly outlined.

§2 Rural Redistribution

Our treatment of rural areas is, of necessity, sketchy. Firstly the pre-Revolution distributional profile with respect to land is not accurately known. Some distributions by size of holding are available but do not help due to the substantial variation in yields, costs and farm sizes. Data on these are not available across regions. It is not possible either to by-pass the land distribution profile and go directly to consumption or income distributions, since no systematic surveys on these were conducted for the rural areas. Secondly, the post-Revolution position is not much better. Various expenditure surveys have been completed, but as before, they remain confined to Addis Ababa and other important towns. The post-land reform, land distribution data by size of holdings cannot still be converted into a proxy for an income distribution profile due to the non-availability, amongst other things, of the associated numbers and sizes of households by size class of holding. Thirdly, after the emergence of the new rural institutional structure, the land distributions are capable only of yielding a partial view of rural inequalities. It is arguable that the prime forms of rural inequality after the land reform are those between regions, units, and between different type of ownership forms. A comprehensive agricultural sample survey for 1979/80 has been compiled by the CSO. If and when this eventually becomes available some of these new questions can perhaps be given satisfactory answers.

Prior to the Revolution, there were two prime sources of rural poverty and inequality. The first was the extreme inequality in land access and ownership; the second was, and remains the fragile dependence of various regions on the vagaries of the weather. Post-Revolution policies have attacked both primarily through institutional means.

At a stroke, which was frequently violent, the Land Reform removed the class of landlords from the countryside. Ownership was vested in the State; and peasants were entitled to usufructuary rights, land allocations to households depended on total land availability in the newly formed Kebele and the number of households in it; and the allocation to households depended on their size and labour force. The maximum limit on a holding was set at 10 hectares. The immediate result of this has been to provide a basic floor to rural consumption, and has guaranteed that no household would starve due to a lack of access to land. The direct impact on the reduction of rural poverty as well as inequality should be self-evident. Using extremely approximate orders of magnitude, assume that 30 per cent of the rural output was directed to a numerically negligible class of landlords constituting, say, 5 per cent of the rural population; that the tenants formed 65 per cent of the population and retained 40 per cent of the net output; and that the remaining 30 per cent of the output and population were in the "independent" category. Assume also that in net terms, this last group breaks even in the Land Reform, and that all the landlords' rent are shared between the reformed ex-landlord and the tenant and landless population. The effect would be to raise the ex-tenant incomes to the average level, or on the above assumptions, by approximately 50 per cent. All households covered with incomes up to one-third below the poverty line would be lifted over it. This simplistic arithmetic might overstate the redistributive effects of the reform. Firstly,

some benefits, say about 5 per cent, have been taxed away. Secondly, the reform was of the "ceiling" type, where the redistribution applied strictly only on the holdings greater than 10 h. in size. Hence in land areas, where the mean land availability was under 10 h., say 2-4 h., and even where the initial land distribution was quite skewed - or in most areas - not much land would become available for redistribution. Thirdly, some perverse cases are possible, and not entirely improbable. Consider the situation where many holdings are under 10 h. in size, but where there is a high incidence of tenancy in this size class. It is possible then that following the banning of tenancy, small landlords would evict their tenants, and cultivate larger holdings than before, though still under the official 10 h. limit. Hence the forced decline in rents could result paradoxically in a net loss to the tenants. Fourthly, the Ethiopian Land Reform cannot simply be assumed not to have suffered the problems encountered in such ceiling-type reforms elsewhere, viz., that the above-ceiling land-owners give up the inferior plots of land for redistribution. This can have a considerable effect in perpetuating income inequalities. Fifthly, while land was so transfered, other means of production, eg. draught animals, were not. Again, the experience of other countries shows that such a partial reform would not make a proportionate impact on incomes. This is emphasised by the high sensitivity of crop yields to the time of ploughing and sowing, a condition which characterises most of rural Ethiopia due to the lack of controlled irrigation. Sixthly, the land reform would have bypassed-in large measure - those scattered subsistence, non-monetised agriculturists which form significant numbers in several provinces.

Some of these factors limiting redistribution are countered by specific responses to them. This, in areas of land scarcity, the effective limit of the size of a holding is well below 10 h., though in general, the larger owners retain holdings which are substantially larger than those of the poor peasant. Further, the tax is rather loosely collected, though in view of its nominal progressivity, this laxness would benefit the richer peasants more. However, the poor peasants, especially where they form a cooperative, often side-step taxes also by the underreporting of areas newly brought under cultivation. This would compensate for any real tax incidence, a result which is assisted through the present inability and unwillingness of the state to enforce land tax measurements and collections strictly. In this connection a possible tax anomaly should be mentioned. Since the land tax is calculated on a household basis with a mildly progressive tax structure, and since household size and income are positively associated, it is possible that the tax could actually become regressive in nature. An example of this was encountered in a Kebele where there were 5 groups of households with tax payments ranging from 40 birr to 20 birr. While the lowest tax paying group had household income range of 6-700 birr and paid a tax at 2.9 per cent, the highest tax group had incomes between 850-900 birr and a tax rate of 4.4 per cent. Yet, due to the variation in household size, the per capita household income in the former strata was 5 per cent less than the latter in pre-tax terms, and by 7.5 per cent in post-tax terms.

However, the remaining four factors moderating the redistributive effects of the reform still hold some force, in addition to this possible regressivity in the, albeit, low land tax structure. It would appear, therefore, that

in aggregate terms, the one-off redistributive gains for the poorer sections are unlikely to have been anywhere near the 50 per cent figure that was first adopted. No doubt a substantial number would have gained significantly; yet the reform must also have by-passed, or improved only marginally, the incomes of an equally large number. In general, it could be stated that the benefits would be greater where the land ownership and operational distributions diverged most, and where high proportions of the owned holdings belonged to size classes greater than 10 hectares. Insofar as this reduction in inequality occurred, localized poverty would no doubt be eradicated. Yet it must be remembered that rural poverty in many parts of Ethiopian is not a localized but a general phenomenon. The scattered cultivation pattern in many parts is in itself an indication of the absence of any real economic surplus. In such areas, the reduction of poverty cannot depend on such a redistribution; it has to rely upon the dynamic growth advantages of the new institutional structure in conjunction with state policies designed to achieve this goal.

These policies have been discussed at length elsewhere and we will therefore restrict ourselves to making a few comments pertaining to some distributional aspects arising from the emergence of producers cooperatives within the kebeles. The first concerns the disparities between the two institutions. It has been frequently argued, as well as directly observed, that it is the class of poor ex-tenants, daily labourers and poor peasants who first unite to form the members of a malba or welba within a kebele. Thus, in a kebele (cited earlier) of over 800 households near Dilla, 59 had united into a welba; of these 56 were ex-tenants and 3 had been labourers. When formed, their land allocation per household was a fraction of that of the substantial numbers of rich peasants which formed one

end of a rather differentiated peasantry. Their per capita income of 136 birr is a third below the grouped declared incomes of the rich. The question which arises is whether such inequalities between institutions would not perpetuate themselves in the face of the land and capital shortage of the welba. Any significant gap would militate against more peasants transferring from the kebele to the welba, thus jeopardising the rural institutional and growth strategies linked with the extension of the cooperative form of ownership. Such a possibility probably forms one factor underlying the state's policy of providing a variety of services and inputs to the cooperatives on a preferential basis and on easier terms. This input and output subsidization is intended to narrow the gaps between the cooperatives and the kebeles, and thereby to lower the barrier that inequality poses to the expansion of a cooperative within a kebele. Such an effect is more readily achieved in view of the shortage of such inputs as high yielding seeds and chemical fertilisers. However, should the supply of these exceed their absorption by the cooperative and state sectors, the kebele members would no doubt be willing customers, would thus turn more reluctant to join the cooperative at the cost of reduced land holding and income. This is a clear case, therefore, where success will breed further success. However, it might be anticipated that a certain section of the richer peasants might prefer to remain outside the cooperatives even in the long run. In the meantime, the strong mutuality between the prosperity and growth of cooperatives must form the central pivot of the rural growth strategy. The roles of economic ventures in the rural industrial sphere, local infrastructure creation, farmland capital construction, agricultural processing, must go hand in hand with political efforts at mobilising the peasantry into cooperatives. Given the considerable differentials between cooperatives and kebeles, marginal subsidi-

zation policies can only form the lubricant, but not the engine of a general institutional transformation in the countryside.

The second observation concerns intra-cooperative distribution. On the basis of such fragmentary evidence as is available, it would appear that the prevalent rudimentary work point systems being used are generating an acceptably narrow income inequality within the cooperative. In general, distribution in the welbas studied was based largely on a time-rate system of work point allocation, with a prerogative resting with the leaders of work groups to award bonuses or penalties in terms of time units. In general, the highest household work point tally was no more than 50 per cent above the average; the highest was 3 times the lowest, but the lowest still had an income which could support a family. If the age-composition of these households was also taken into account, the differentials reduced to much lower levels. The budget allocations made to provide a floor to labour-weak households (and to other social uses) is at present too low, but encouragingly, it was found that cooperative members assist such needy households directly at the level of production through the contribution of free labour. It is difficult to find strong arguments to believe that this does not occur in most cooperatives, and hence, the low budget allocation is not of serious consequence insofar as preventing poverty is concerned.

Two other features of an early stage of development need mention. The stage of production relations in the welbas could be somewhat in advance of its material conditions. Thus several welbas do not have an adequate ability to plan their production in the present context of systemic change. The need is not to revert to a lower form of production relations, but to attempt to develop the independent management capabilities of peasants and especially their potential leaders. A related point concerns

the ability of malbas and welbas to devise social practices which can preempt as well as solve the wide variety of social dissensions which emerge in the early stages of co-operativization. For example, more sophisticated work point systems combining equity and incentives might soon become vital. Such management-cum-ideological capabilities need to be developed rapidly through a positive participative interaction between peasants, educators and campaigners if the initial momentum is to be exploited as well as consolidated. The second point concerns the low current capability of these paupers' cooperatives to accumulate from internal sources. There exists the danger of carrying the subsidization of the small present numbers of cooperatives too far. Such a strategy is likely to prove self-defeating. It runs the danger of becoming a substitute for internal accumulation; it is not replicable in the event of any serious expansion in the number of cooperatives; and often, it takes unproductive "demonstration" forms, such as expensive and inappropriate 'model' housing projects. Such subsidization must be linked to matching contributions in the form of internal accumulation out of the redistributive gain of the land reform. The temptation of furthering the expansion of cooperatives through such alluring handouts must be resisted; it cannot substitute for the enduring and fundamental advantages of cooperation which are obtainable only through collective self-help, and is therefore likely to be a waste of resources in the longer run.

Let us turn now to the second source of poverty, viz., that arising from major agricultural fluctuations. This source has strong regional contours, indeed, it is arguable that apart from the intra-unit inequalities which prevail, the major form that inequality and poverty take is regional in character. Such disparities are widely marked in Ethiopia, as can be seen from any regional profile of relevant agricultural variables. There is clear evidence of a power-

ful concentration of resources, outputs, marketed surplus and incomes in a few provinces, such as Gojjam, Gondar, Arssi and Shoa. In turn, the cycle of causation is reproduced through the high control and allocation of yield raising inputs in the same regions. Further, some of these areas especially, Shoa, form the industrial backbone of Ethiopia, as can be confirmed from Table 1. This is due, of course, to Addis Ababa and its strong gravitational pull on new industries. The danger with such extreme concentrations is that they tend to soak up a wide range of scarce resources. Indeed, from a short run point of view, allocational choices would further exacerbate the position. The availability of a reliable and relatively efficient infrastructure would no doubt invite planners to place new and important industrial enterprises in this heartland, just as the need to extract a high marketed proportion from incremental agricultural output would further divert scarce chemical fertilizers to the already developed and high income agricultural regions. And inexorably small-scale industries also prosper in these developed areas. Thus, of the total number 1485 private manufacturing establishments, 1164 are located in Addis Ababa, Shoa and Eritrea; these account for 82 per cent of the 15200 persons employed. Tables 2 and 3 provide data on the regional profile using different indicator relating to the nutritional and health dimensions. What is clear is that some agriculturally prosperous regions score well on certain nutritional indicators, while highly industrialized ones do better than most on other indicators which are dependent on urban services. Those which are neither fare poorly. These tables also point out the abysmally low general levels of these indicators across the board.

Perhaps one major source of the extent of regional disparities is to be found in the variations in geo-natural conditions. Areas with variable weather are not conducive

to agricultural or local industrial growth. The scattered and semi-nomadic populations of Wollo, Hararghe and Sidamo are thus subjected to frequent disasters through droughts which decimate both people and livestock. It has been argued in the case of Wollo and Hararghe that the famines of 1974/5 were due to exchange entitlement failures. While the stricken population certainly lost most of its purchasing power, this should not hide the fundamentally fragmented nature of the Ethiopian regional economy. This implies a lack of market integration of an extreme kind. Table 4 shows the extent to which grain movements would be required in normal times to compensate for the wide variations in the degree of self-sufficiency in foodgrains. In theory, the flow of such movements would be governed by regional price variations which would invite food inflows upto a point where the disposition of supplies would equilibrate prices after adjusting for transport costs. Reality appears to follow a rather different course. Table 5 and 6 reveal remarkably high price differentials across the board. The average quotations are taken from important markets at Awraja or woreda levels in October 1981, and hence can be used as an index of market integration. Gojjam displays the lowest variability in intra-regional prices for most crops, while Tigrai, Wollo, Gamo Goffa and Bale seem highly volatile. The food deficit areas expectedly show higher prices, but the differentials are remarkably high, as a comparison of Hararghe and Tigrai with Gojjam and Gondar reveals. The variability is generally greater in the case of the 4 inferior crops on which the poorer population depends. Thus, teff and wheat have the lowest coefficients of variation, and sorghum the highest. Relative prices of the different crops also alter frequently. Detailed data indicate a remarkably dissimilar price structure and growth rates even between contiguous, well-connected awrajas of the same province, with prices doubling over the year in one awraja market while dropping signifi-

cantly in a neighbouring one. All the evidence points to a highly fragmented market structure with very imperfect flows of grain and information between them. This has important implications for ensuring food security to the vulnerable areas and populations beyond providing them wth exchange entitlements (say, through food-for-work scheme) and letting induced market flows do the rest. Against this background, Table provides some dimensions of the extent and frequency of sharp fluctuations in areas, yields and production of major crops even at the national level.

The response of the state to this problem has been massive. On the one hand, it has attempted to monitor and forecast food insecurities and shortages through the Early Warning and Planning Services Unit of the Relief and Rehabilitation Commission. Their bleak forecasts for 1982/83 are summarized in Table 8. Against this background the enormity of the RRC's efforts in moving drought (and war) affected people into relief settlements is quite impressive. Apart from these relief settlements, the RRC also develops regular settlements for drought affected populations, for nomadic people, for unemployed persons, and for overcrowded farmers. Such settlements are sometimes rather expensive, since they are heavily dependent upon comprehensive support from the State for several years during which they make their tentative transition into self-sufficiency. The progress of 48 of the 112 regular settlement (covering 86 per cent of the households involved) is summarized in Table 10, and provides some grounds for optimism. Yet, it should be mentioned that these settlements frequently suffer from an over-centralized control process which makes the settlement unit too dependent with regard to both input allocations and production decisions. Settlements, like state farms, cannot keep their own financial accounts, and this could not but damage the efficiency of their resources use. Further, it might be necessary to pay

greater attention to the vital dimension of the political participation of the settlers in the production and general decision-making processes. At present, there is a real danger of developing a multi-layered structure from the settler to the international donor agencies, with each lower layer overly dependent on successively higher ones.

Another major way by which the settlement programme reduces rural poverty as well as inter-regional inequality is through the villagisation of scattered peasant holdings. This programme has made some headway, especially in Bale, where it is anticipated that the entire rural population will inhabit specially set up settlements by 1985 or so. This will permit not only the state service and delivery systems to incorporate this population into their network, but as importantly, will provide some necessary preconditions for the emergence of collective units which can internalise the wide range of production and social externalities not reaped by individual peasants. With regard to the wider strategic issues concerning regional disparities, it has to be admitted that any headlong or dramatic attempt 'solve' this historical problem is likely to prove an expensive failure. However, the policy framework developed in this paper has inherent in it processes which would diminish the disparities through development at the periphery. Thus, in view of high degree of economic fragmentation, a special if not overriding priority would have to be assigned to rural infrastructure based on four complimentary activities. Firstly, through labour accumulation facilitated by the cooperative structure, rural roads should be developed linking cooperatives to feeder roads, and these to the main gravel highways. Secondly, local storage capacity for foodgrains should be constructed at critical supply points, widely dispersed. Over a period, these silos should begin to serve as the grain banks of the cooperatives of the region. Thirdly, local rural

industries located at the service cooperative level should be initiated, at first on the basis of the demand of the members for simple consumer goods and farm implements, and subsequently for a wider range of products, including industrial ancillaries, and consumer goods for a wider market. Such industries, as also the infrastructural creation activities could have a strong seasonal dimension in the present phase of development. Lastly, and perhaps most significantly, concerted efforts should be made to harness the considerable small-scale irrigation potential of the country, but again through the institutional device of the producers' or service cooperatives. The great advantage of the former would be that such activities would be self-financed, and would be non-inflationary in the short run, and strongly anti-inflationary in the long run when their benefits come on stream. The objective should be through such schemes to integrate the economy, to develop rural diversification, and to provide food security. The key to achieving these is the extension of the area of stable grain yields through irrigation. Once again, the objectives of growth and equity appear to be harmonious within a 'boot-strap' strategy of local, self-financed, labour accumulation generated and organised within the emergent rural collective institutions.

§3 The Inflationary Process

Thus far, we have focussed on the major achievements and pending tasks of the Ethiopian Revolution in the sphere of rural institutional transformation. We will consider now the distributional costs of this difficult transition. The analysis is based in general on the benchmark data for the end years, 1974/5 and 1979/80. This period is characterized in the main by economic stagnation when the performance is considered in per capita terms. The benchmark analysis hides very substantial year to year fluctuations in most national aggregates but shows up quite starkly the staggering and steady erosion of real private consumption per capita. This decline is accompanied by an increase in the incidence and intensity of poverty in the urban areas, and an erosion of the gains of the redistributive land reforms in the rural sector. In short, the story is one of impoverishment without growth. No doubt, there are powerful, even overwhelming, exogenous forces which must partly take the blame. A prime factor might be the armed conflicts in the north and south. These conflicts have occurred primarily within the borders of the country, and apart from shutting off important production areas, have generated a fearsome flow of displaced persons. To this burden has been added that created by a series of droughts, making it necessary to re-settle a population virtually of the size of Addis Ababa. Thirdly, the revolutionary transition in the country-side was far from peaceful in several important agricultural regions, and the dust did not settle on the class struggles till 1978/79 in some areas. To top it all, international economic trends have been adverse, with coffee prices dropping in the latter half of the period, and petroleum prices rising substantially in the first. Notwithstanding this awesome list of disturbances, it will be attempted

here to find an economic explanation of the recent experience. Needless to say, these are not incompatible: the exogenous factors could provide explanations for some of the "givens" of the economic explanation, which then proceeds to analyse how what happened did happen. The exercise has more than mere academic interest. It is hoped that it will provide an analytical framework within which the Draft Ten Year Investment Plan could be vetted for determining its possible and probable distributional outcomes. And perhaps beyond the provision of a simple framwork, it might also offer a few insights on some fundamental constraints to available egalitarian growth strategies.

It should be mentioned at the outset that the extreme paucity of reliable statistical information frequently forces assumptions which might not be acceptable in most other circumstances. The reader is therefore cautioned that with certain exceptions, the story which follows is based on statistics which are wholly, and nothing but, "estimates". This lack of information is only partly attributable to the shortage of time at our disposal. In several areas no usable information exists; elsewhere , where it does, it is unavailable for other reasons. A second problem arises however from our methodology. It would be immediately apparent that the national economy is in a fluid state. Yet in our analysis, we are implicitly stating it as being in equilibrium in the years 1974/5 and 1979/80, which form the end-years of the period under study. Further, a quick check would reveal that even this short period is marked by two subperiods, the first of decline, upto 1977/8, and the second of subsequent recovery. However, adopting such short periods would make a self-contained analysis of each even more hazardous.

By taking a five year period it is hoped that the analysis will capture the averaged effects of lagged processes. Furthermore, it is arguable that the "up-turn" in the economy is deduced from rather thin evidence. If one focusses, in Table 11, on 1977/78, it is easy to regard it as the base of the upturn. But the performance of that year was dominated by the exogenous factors listed. The cheerful manufacturing growth rate of 23.8% in 1978/9 has more to do with the coming-on-line of Asmara industry once again, a one-off recovery boost. On the other hand, both 1978/9 and 1979/80 have been good harvest years and the absence of growth is discouraging. It is to be doubted if the upturn could withstand even one indifferent crop season. On the other hand, it would be valid to the expect production to respond to the increased institutional stability, but this factor does not appear to have transformed the economic performance of the recent past, sufficiently for one to place great faith in the "upturn".

The story starts with agricultural performance since 1974/75. In aggregate terms, the sector grew by 8.4% over the period, but still lost some of its gains from the land reform. There are several reasons for this. The first concerns the relatively high rate of growth of population. We assume that population grew at 2.8% per year over this period. This is higher than the officially firm, but unofficially dubious, rate of 2.5%. This itself would more than offset the real growth, and imply a per capita decline in agricultural GDP by 5.1%. This decline is reduced by the very high rural out-migration rate, which reduces the growth rate of the rural population to 2.2%, and of (rural) per capita agricultural GDP to -2.8%. Thus, agriculture exports some of its deterioration to the urban sector.

Secondly, agricultural taxes have withdrawn approximately 5% of agricultural incomes, and this is not accounted for in the above figures. Thirdly, the growth rates of state farms and settlements have been much in excess of the above rates, implying a lower growth rate for peasant and cooperative agriculture. The combined effect of these three factors could imply a decline of about 8% in the per capita income of the peasant and cooperative sectors. On the other hand, it might have gained somewhat through an improvement in the terms of trade. This is difficult to establish or quantify since it turns on the rate of increase of prices paid by merchants for purchases from this sector. The relative price of food to non-food items increased in Addis Ababa by 27.7% but peasants sell to merchants and to the Agricultural Marketing Corporation (AMC), not to Addis consumers. AMC buying prices have been held constant since 1979, since when non-food prices have risen by over 10%. Since one-eight of the sales of the peasant sector (= peasants, producer cooperatives and service cooperatives) go to the AMC at fixed prices, and the rest to merchants, the price offered by the latter would have had to rise by more than 25% to prevent any terms of trade loss, on the assumption that the price of inputs sold to agriculture also rose at 10%. Considering that the overall "Food" open-market price index itself rose by about 10% over the period, and that the "Cereals" index actually fell by 2%, it would be fair to assume that the terms of trade did not move in favour of grain producers.

There remains the question concerning coffee performance. Here, despite the fact that the state intercepts the vast proportion of revenues, the terms of trade were in favour of coffee producers when we make 1974/5 the base year.

Should the base be shifted to 1975/6, the producer price of coffee drops by 6.5%; over the 1975/6 - 1979/80 period Addis Ababa non-food prices rise by 10 times that figure. Thus, it would appear that after a post-Revolution bonanaza in 1974/75 coffee incomes have suffered a persistent hangover. For our purposes, we should also note that coffee production and exports rose over this period by 13.5% and 70.2% respectively. This would imply a further though marginal reduction in the growth rate of the non-coffee sector. In sum then the evidence suggests a marginal erosion to the tune of 5-10% of the post-land reform per capita incomes of the peasant sector. What are the implications of this for the other sectors of the economy? In order to explore this issue, we must unavoidably speculate about the behaviour of the agricultural marketed surplus, the single most important factor through which agricultural performance impinges upon the national economy.

These are no statistics available on recent trends or levels of the marketed surplus of agriculture with the exception of 1977/8, and we have to rely on very rough estimates. Let us assume that in 1974/5, 30% of the net output was extracted by a small class of landlords which consumed only one-quarter of it and marketed the rest. This implies a marketed percentage of 22.5. For the following, first full crop year after the Revolution, it is being assumed that of the 30% previously accruing to the landlords, one half would be marketed. Both the increase in peasant income, as well as the uncertainties of the time would encourage greater retentions while urban people would also be increasing their demand for security reasons. Thus, it is following the best recent growth performance that food prices shot up by 41%. The estimates are presented in

Table 12 which shows 1978 as the lowest year for the marketed percentage, though urban availabilities were probably lower in earlier years. From 1979/80, with flows from the state farms coming on line, and an increasing intervention by the AMC, the urban position begins to improve steadily, though paradoxically per capita gross availability was probably lower in 1981/82 than in 1975/76. The major feature is a sharp decline rural areas, and high rises in foodgrain prices.

The price rise of 1976 seems to have more to do with the reduction in urban supplies than with any substaintial increase in exchange entitlements in the immediately preceding years, when gross domestic expenditure on private consumption rose by about 6% per year at current prices. The rise of 17.3% in 1975-76 is more the result than the cause of that early price rise. Yet it would be misleading and incorrect to view the inflationary process predominantly as a supply side problem.

Let us follow the flow of marketed surplus into the urban sector. Here, the behaviour of the different non-agricultural sectors is interesting. While Industry, Building, Construction (since 1976/77), Transport & Communications, and Trade show positive period growth rates, Handicrafts & Small Scale Industry (HSSI) stays in steady decline. (Table 11). Thus the two consumption and, in particular, necessities oriented sectors fare poorly, their GDP in per capita terms falling by 5.3% (in agriculture) and by 7.3% (in HSSI). Yet, despite this constraint posed by the supply of necessities, viz., commodities consumed by the majority of the population, real GDP per capita stayed nearly level in per capita terms (= -1.0%) during a period

of relatively high population growth. No doubt this hides the dampening effect of the high rate of immigration into urban areas which raises the urban population growth rate above 5% per year. At a national level, however, it is necessary to explore how this "development" in a relative sense, of near-zero GDP growth was financed in the face of a 5.1% fall in the real GDP from Agriculture.

Most of the answers to this question are to be had in the numbers provided in Table 13 . Before going to the statistics, however, it might be useful to make some simple a priori observations. Let us consider an economy which has set itself the target of growth without a reduction in the standard of living of the poor. For a targeted growth rate of income of y and a population growth rate of p, the per capita growth of income would be approximately, y-p. If the income elasticity of demand for necessities is e, then we obtain the following relationship:

$$n = p + e(y-p) \qquad \ldots (1)$$

where represents the required rate of growth of the supply of necessities. Should this relationship hold, there would be no inflationary pressures on the price of necessities. Or, for any given n, there is a maximum warranted rate of growth of income, y*. If $y \geq y^*$, then the prices of necessities are bid up and the real rate of growth of consumption is reduced. This assumes that the growth rate of the supply of necessities is inelastic. If we adopt a positive supply elasticity with respect to price, then to that extent some real loss in growth of consmuption is reduced. However, short run supply elasticities for foodgrains in developing countries facing structural problems are negligible, and Ethiopia is probably no exception.

Indeed the facts suggest that agricultural output was quite insensitive to price increases in the short term. In our equation, the new equilibrium is arrived at then through a reduction in the value of e. This value reflects a weighted mean of class-specific elasticities, and a decline in it is achieved through a reduction in the real incomes of the poorer classes with higher e values. The instrument of this income transfer is food price inflation, which has a stronger negative real income effect on the poor than on the richer classes. The distribution of income therefore worsens, and the higher-than warranted aggregate income growth rate is financed through forced savings in the form of lower consumption by the poor.

Let us consider the growth figures for 1974/75 to 1979/80, assuming a value for e = 0.6, not too unrealistic at Ethiopia's very low level of living. Using (1), it is possible to derive the warranted, or equilibrium values for each of y, n and e. (It is assumed that the population growth rate is fixed.) These equilibrium values are represented in Table 14 by y*, n* and e* respectively, and stand for period growth rates. Equation 1 shows that the warranted growth rate for GDP growth, given the levels of other variables, was 4.5%, while the actual rate of 8.4% was much in excess. This emphasises at once the relative nature of the constraint posed by n on y. It is obviously possible to exceed this rate. What is not possible then is the meet the objective of egalitarian growth. Conversely, equation 2 reveals that for the observed level of y = 13.1% to be warranted, the necessary value of n was 13.5%, again much higher than the actual 8.4%. The third relation focussing on e brings up the question of adjustment mechanisms.

If n, p and y refer to actual values, and if e = 0.6 (a realistic, a priori specification) does not equilibrate the values,then through some mechanism, e must have the flexibility to adjust. Where the warranted growth rates are exceeded, two possibilities exist. Firstly, the entire distributional profile could be depressed (or controlled) so as to achieve the required balance between the excessive demand and available supply of necessities. Such an effect could be obtained through comprehensive controls over the pricing and distribution of necessities. Hence the loss of consumption would be shared by all. Secondly, and more generally, the rising price of foodgrains would act as an inequitable rationing device, transfering real incomes and food consumption from the poor to the rich. Thus, the value of e would be adjusted to its warranted level via income redistribution from the poor to the rich. A comment on the odd value of e* (= 5.3) is necessary. The value is generated in the context of negative income growth rates, and hence implies that with a 1% drop in incomes, the drop in foodgrains consumption would have to be 5.3% instead of the "plausible" value of 0.6 initially assigned to e. In order to be meaningful, the proportion of income going to the consumption of necessities would have to be equal to, or less than 1/e, in this case, about 19% of the budget. In other words, foodgrains would have to acquire the status of a luxury commodity!

That the implied massive redistribution as well as a wide impoverishing effect did occur is directly confirned by the evidence in Table 13. Real private consumer expenditure declined by 16.0% in aggregate, and by a crushing 26.4% in per capita terms. The decline was clearly achieved primarily through the negative redistributive impact of the rising

price of food, the index value of which rose to 240 over its 1974/75 level. The price of food relative to non-food items in the Addis Ababa index appreciated by 27.7%. In the meantime, the real wage of the low paid industrial workers, to use one distributional proxy, fell by a third, and that of the better paid one, to half it base real value. In this context, it should be noted that such inequality measures as the gini conefficient lose meaning; when wide social classes are thus impoverished, the level of inequality, so measured, is frequently seen to be declining, an effect more grotesque than comforting.

Two other points might be noted. We are concerned with a period during which incomes and foodgrain availabilities declined in per capita terms. One might ask: how would it have helped to have restricted the actual level of y to its warranted rate of 4.5% when it doing so would in fact have lowered the per capita growth of GDP by another 8.6% points below zero? Would this not have intensified poverty through higher unemployment? The answer could be that the additional employment generated by the 13.1% rate produced goods which were not consumed by the employed; and that the real wages of the additionally employed were in reality drawn from the wages of the already employed. Further, such intense inflationary processes invariably have a way of reducing the economically weaker sections into utter destitution. Ultimately, it could be argued that the additional GDP produced would contribute to the process of economic construction of the country. This might be undeniably true; yet it would still raise the question as to whether such a socially costly process of financing this construction was unavoidable.

This introduces the second argument: would it not be better to finance the development through generating an external resource gap? To some extent this effect did also supplemented the inflationary financing of development. The deficit on the balance of trade rose sharply in the years to 1977/78, mirroring an opposite trend of similar magnitude in domestic savings. However, the impact of this on the availability of foodgrains was marginal. The share of foodgrains in total imports rose from 2.7% to 4.2%, implying an increase in availability of 0.7% in per capita terms over the entire period. The share of food in total exports also declined, but this was of negligible magnitude. In net terms therefore, the trade gap would have helped to lift y above y*, without directly raising n. And to the extent that these resource inflows were imported, they would not have had to be generated in the first place through inflationary financing. In subsequent rounds of the operation of the multiplier, however, the effects would be similar on the whole to those obtaining from domestically financed investment.

Perhaps a brief mention should be made of the probable operation of a negative multiplier as well. The decline in the Handicrafts & Small Scale Industrial sector can partly be attributed to the uncertainties and restrictions imposed upont the private sector by the Revolution, but it could certainly also be attributed in part to the decline in demand that the infaltionary process would have caused, as higher proportions of family budgets were being diverted to those producing and/or trading in foodstuffs.

Finally, our analysis based on n and y, runs in terms of national aggregates, though clearly the model underlying

it is one involving intersectoral transfers of marketed surplus from agriculture to urban industry. However, this aggregation conceals some important aspects of the process. Firstly it ignores the possibility of non-inflationary productive investments based on rural labour accumulation, and thereby exaggerates the strategic necessity of extracting and transfering rural surplus product. Secondly, it ignores the fact that the rural sector is largely insulated from the urban food market, since it has the first claim to foodgrain consumption. The implication follows that the urban areas are thus rendered even more vulnerable to variations in agricultural output and marketed product. This fact was starkly highlighted by the recent Ethopian experience, and the extreme consequences for the urban population form the subject matter of the following section which documents the improverishment of an increasing proportion of urban households.

§4. Aspects of Urban Poverty

This section is based on the more detailed work done by Vali Jamal on aspects of urban poverty in Ethiopia since 1974/75, and we reproduce selected statistical tables from it. Here we will restrict ourselves to stating the main conclusions of this work.

Firstly, there appears to be some reason to believe that urban income inequality has been reduced by the post 1975 economic trends. The 1978 Lorenz curve for the Addis Ababa income distribution lies within that for the 1976 one. The explanation lies essentially in the relatively higher rate of the erosion of the real incomes of the higher income earners who are covered by the wage freeze on the one hand, and who tend to buy a higher proportion of the food basket from the open market, where prices have risen at a faster rate than in the kebele shops.

Secondly, the data reveal a very high proportion of the urban population living in poverty, defined in a conventional manner. While these data are subject to the usual cautions, they do also reveal an increase in this proportion in the post 1976 period. This conclusion is corroborated by independent information on the trend in real wages and employment and hence has to be taken seriously as reflecting probable real trends. The basic information on these aspects is provided in Tables 16-21.

Thirdly, while the unemployed fall almost entirely within those in poverty, it has to be noted that the majority of the poor comprise own-account or family workers of the informal sector, and those in regular employment. Thus, a regular job is not a guarantee of keeping a household out of poverty in the present economic conditions in urban Ethiopia. How do these households make ends meet? Jamal's answer is:

"They do not. But they live. They collect twigs from the trees, they forgo a new shirt or dress every year, they walk to work, they wash less, they suffer their headaches and tummy aches without medication, they share a house with a relative. And they buy up their kebele ration. It would be no comfort to them to know that they get only 70 per cent of their calorie requirements".

§5 Some Elements of a Distributional Balance Sheet

In §2 it was argued that since 1974/75, the peasantry had probably had up to 10% of their gains from the land reform eroded in per capita terms. In §4, we got evidence of a startling fall in the real incomes of the working class in the urban areas, with real income declining by up to one-third of its 1974/75 level for low paid workers, and by up to one-half for the higher paid ones. This contrast between the two groups is explicable in terms of the analysis of the inflationary process in §3. Unlike the workers, the peasants were largely insulated from the inflation. Indeed, it is a measure of their institutionalized separation that during a period of such dramatic increases in food prices, including a relative price increase of nearly 30% against non-food items, they still found their real incomes declining to some extent. Seeing that aggregate GDP per capita was nearly steady over the period somebody must have gained. In §3, the inflation was explained in terms of imbalanced growth, but at that level, no specification was made about the production relations or market structure for foodgrains. The task of preparing a comprehensive balance sheet of gains and losses is too vast, and perhaps impossible to fulfil given the data available. In this section, we will provide some indicative evidence to suggest where the surpluses generated through inflation might have lodged.

Consider first the urban working and salaried class. It started the post-Revolutionary period well, with a reduction in rents of approximately 50%. If rent payments constituted about 30% of the household income in 1974/75, the gain was 15%. This real increase disappeared the following year through erosion of wages by the rise in prices. But in the same year, the high income earner had his wage level frozen if the wage or salary was 450 birr or more per month. This group would have lost much more, since a higher proportion of them might have owned a house, and therefore not benefited from the rent adjust-

ment. Using the detailed guidelines of the wage freeze a comparison between the incomes of the 'through worker' (who started with wage level in 1974/75 such that he never suffered from the freeze in any year) and the 'blocked' worker (whose wages were frozen from the outset), is made in Table 23. The blocked worker's real wage is reduced to 46% of its original level in a 7-year period, and that of the through worker to 60%. However, of the 72,113 permanent employees in manufacturing industry in 1979/80, less than 5% had wages or salaries in excess of 450 birr/month. Even here, the freeze could have been sidestepped through promotions, or through a 'redefinition' of jobs, or through the provision of benefits in kind. And the freeze could have been avoided in the case of new job entrants, or by new enterprises. Turning to the lower end, we should note that the monthly minimum wage was pegged throughout the period at 50 birr, and was not raised to account for inflation. New workers in this category, (which covers perhaps 20-25% of all industrial workers in manufacturing) could therefore still be employed at 50 birr till the end of the period. Given the high rates of rural-urban migration over the period, we can expect the operation of a labour squeeze at the bottom end. Some confirmation comes from the fact that between 1978/79 and 1979/80, the percentage of employees earning less than 100 birr rose by 1% while the money wage rate could have increased by about 7% even within the official wage guidelines. Hence, it is likely that while low paid employees were getting squeezed, the higher paid ones were escaping the net. The average effects cancel out, which explains the result, in Table 24 that the corresponding increase for the average industrial employee was only 41% for the 1974/75 - 1979/80 period.

The other vital event for the poorer sections was the increase in the relative importance of the grain

purchasable from the kebele shops at controlled prices. During 1981/82 these shops supplied 44.7 kgs of food-grains per household per month in Addis Ababa as against the nominal ration level of 65 kgs per month. For the remaining one-third, the household would have had to rely on the open market, where prices were, on average 50-60% higher in 1981/82. While the AMC's supplies clearly perform a vital role, a few qualifications need to be made. Firstly, the coverage of urban areas other than Addis Ababa is very restricted, but since price data are not available for cities other than Addis, it is difficult to form any idea of the relative difference. But it is probable that open market prices are lower in the smaller towns, and the net effect might be less than would be implied by the Addis differentials, indicated in Table 25. The second point concerns the movement in the relative prices of the 'poor' and the 'rich' cereals baskets at the kebele shop. Kebele prices of the superior cereals have dropped in the last 3 years by about 4%, while the inferior* disparity with the former group registering an increase of 11.6% as against one of 26.6% for the latter group. While in times of inflation and real income decline, the open market movements can be explained by a part of the population switching to the consumption of inferior grains, the kebele price movements could also possibily be an indication of misguided policy. Thirdly, the decline in the prices of teff at the kebele is matched by a rise of 10 fold in the quantity of teff handled by the AMC. The evidence certainly argues that while the increases in the coverage of the AMC will have helped the poorer sections, the change in relative prices has moderated, though clearly not obliterated, that gain. In general, the relative price movement went against the "poor" cereals basket by 13.4% in two years. But whatever the gains through the extension of the coverage, §4 showed up a high level, and rising trend

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* ones have risen by 9%. The open market prices also show a similar

of poverty in urban areas.

Did the capitalist class, such as remains after the Revolution, gain? The evidence is insufficient to sketch any comparisons over the period, but Table 27 provides some clues. In all manufacturing enterprises employing 10 or more workers and using power driven machines, the share of the private sector in the total gross value of production was 5.8%, and for the year 1978/79, (when private investment rose at current prices for the first time since 1974/75), its performance and profitability indicators do not show it up as being a great money spinner. Indeed, it could be argued, in the context of declining real wage rates throughout public and private industry, that the more profitable public enterprises have treated their workers no differently from the private sector. It should be noted, though, that both sectors had to operate within the same official wage guidelines. Clearly, then the public sector gained from the urban wage squeeze in terms of high operating surpluses. The other interesting feature in Table 27 is that the food and drink industries were more profitable than average which is consistent with the argument developed in §3.

Let us turn briefly to the rural sector. The overall trends have been mentioned in §2. Here, we need only note a few additional points. Firstly, agricultural taxes rose from about 0.8% of agricultural GDP to 2.5% over the period. Secondly, the period saw a 133% increase in the producer price of coffee, while world prices for Jimma Coffee rose by 250%. The difference between the two prices was 87% in 1974/75 and applying that as the maximum margin, coffee producers were losing 2600 birr/ton in intercepted profits, or about 250 million birr in 1979/80. This represents one-eight of the agricultural GDP for that year. Here it should be noted that while agricultural GDP per capita fell by 5.1% over the reference period, and GDP per capita by 1%, the real GDP generated by

"Public Administration and Defence" rose by 22.5% in per capita terms. This sector improved its share in GDP from 6.97% in 1974/75 to 8.61% in 1979/80. Some of the reasons for this are readily understandable; yet it does tell us something about how some of the surplus generated was, or had to be, utilized.

Finally, let us examine the structure of agricultural prices. This is summarized in Table 28. The corresponding data on purchases are provided in Table 29, where the caution is sounded that the aggregate figure is an estimated one. The price differentials are staggering even if we allow for exceptionally high handling costs. Thus, for maize, the Addis Ababa open market price is 264% more than the price which the peasant receives. Even the differentials for AMC buying and selling prices are very high indeed. There appears to be prima facie evidence to hypothesize that the intermediaries are gaining an undue share of the profits. Let us compare the relative position of merchants and the AMC. Of the total 8.8 million quintals that are marketed, the direct share of the AMC is 12.5%. But it buys another 21.5% through the merchants. The merchants are required to sell one-half of their purchase to the AMC, but our estimates suggest that they actually hand over one-half of that, i.e., 24.5%. The AMC receives in addition, another 1.52m. quintals from the state farms. Hence, its share of the total marketed surplus from all sellers becomes 44%, with merchants still holding the majority share of 56% apart from the 18% of the gross total they sell to the AMC. Let us attempt to form some idea of the magnitude of trade profits, howsoever approximate. In 1981/82 the AMC paid out 110.7 million birr for its purchases, against which the value of the grain basket sold was 165.1 m. This implies a gross mark-up of nearly 50%. The charge of 54.4 m birr is roughly accounted for as follows:

Costs of impurities and storage losses	20.3 m
Containers and bags	7.1 m
Transport (est.)	12.5 m
Trade costs (est.)	10.0 m
Total handling costs	49.9 m

This implies a mark-up of 4.5 m birr, or 4.1%. Clearly, the storage losses make a big dent, and here, state farm grain cost 8.2 birr/quintal while that purchased from farmers and merchants cost 4.8 birr/quintal. Therefore, as things stand, the AMC could not be said to be making profits from the poor, though it could do better by the poor by controlling its costs more effectively.

The story about the merchants is different. The AMC basket of sales, if evaluated at Addis Ababa open market prices, would sell at 265 m birr, i.e. an extra 100 m. Thus, while the AMC's average price is 54 birr/quintal, for the same basket, the merchants price is 86.5 birr or, 32.5 birr/quintal above what can be characterized as a "fair" profit price if we allow grain loss for merchants to be lower since they do not procure any grain from state farms. If this differential is applied to the figure of 5.8 m quintals of grain purchased by merchant, we can derive an estimate of 188.5 m. birr for the extra-normal profits earned by them during 1981/82. This could be as much as 5% of the agricultural GDP. Or put in a more pejorative manner, the annual extra-normal profits of Ethiopia's grain merchants could support about 225,000 families at the food poverty line, and about 125,000 at the poverty line including non-food articles as well. If we consider the estimated incidence of poverty in Addis Ababa (section §4), and consider only the likely shortfall of the poor families from the poverty line, it would be possible for Addis poverty to be removed altogether from these extra normal profits. Of course, it is possible that traders have

higher costs than the AMC, since they are likely to be operating in more scattered markets, and the Addis open market prices are also unlikely to prevail in most other towns. Yet, even if we allow for an exceptionally wide margin, our deduction might still hold good.

In conclusion, we may say that in a period of negative per capita growth, the successful attempt to keep the level of GDP growth rate higher than its warranted level, generated a vicious inflationary process which transferred some of the surplus into real increases noticeabily in "public administration and defence", but most dramatically into the pockets of private traders.

There are two strategic points to elicit. First: that the role of the AMC should be extended with great vigour. This also brings into sharp relief the crucial role that well-functioning state farms can perform. Second: that while some real growth can be captured by inflationary financing, there are enormous leakages, and these are all from the pockets of the poor.

§6 Policy Perspectives on the Draft Ten Year Plan

Thus far, we have been concerned primarily with analysing the recent developmental experience of the country. In this section, we will offer some comments firstly on the Draft Ten Year Plan (DTYP), and in the light of these, provide some policy suggestions of a strategic nature.

The basic growth targets of the DTYP are set out in Table 15. Clearly, they are remarkably ambitious; our question is: are they consistent with the broad distributional objectives of the development strategy? Before attempting this, it should be mentioned that distributional policies have not, in general, been integrated into the analytical or policy framework of the DTYP. This would apply to inter-class, inter-sectoral as well as to inter-regional issues. This treatment of distributional variables is no different from that adopted in the development plans in most developing countries which carry out detailed national planning exercises. There, as in Ethiopia, the plan is confined to the core production and investment processes, and neither income distribution nor employment profiles are endogenized. These crucial factors are meant to be tackled independently through specific policy instruments. The exclusion of the distributional dimension also infringes the internal demand-supply balances of the plan, since the distributional profiles that it generates might neither throw up, say, adequate savings, nor provide a final demand profile which matches the output mix generated by the plan. However, given the present state of the country's statistical and economic system, such exercises are impracticable, and we will therefore focus on the wider distributional features of the DTYP. Also excluded is any discussion,

or test, of the feasibility of the DTYP targets in narrow technical terms.

In keeping with our mild scepticism over the officially adopted population growth rates, we will assume a growth rate of population of 3.0% per year over the period. This does not alter any of our arguments in a significant fashion. One other statistic has been altered: the growth rate for agriculture. In the DTYP, this is pegged at 4.5% per annum. However, this includes the rapidly expanding export sector which carries a base-year weight of about 12%, and which has a target growth rate of 10% per annum. This implies a growth rate of 3.5% for the non-export domestic agricultural sector, and we will utilize this rate in our calculations. Let us return, then, to the simple analytical device used in our discussion of the inflationary process, and compute the "warranted" levels, y*, n* and e*, and compare these with the targets for y, n and e. This is done in Table 17 which offers some strategic insights into the possible distributional dilemmas and implications of the DTYP. With n=3.5%, y*=3.8%; implying a warranted per capita GDP growth of under 1% per annum, in contrast to the targeted 4.5% or more. If we set y=7.5%, then n*=5.7%. With serious doubts being cast on the feasibility of the target of n=3.5%, this enhanced rate warranted by the 7.5% GDP target must be ruled out as quite unrealistic. Yet that is what the DTYP demands. Or else, we can attempt again to ignore the constraint posed by n, and allow the elasticity of demand, i.e., the income distribution, to adjust in a manner which generates y=7.5% with n=3.5. The low value of e*=0.125, and its sharp drop from 0.6 indicates the massive dimension of the distributional changes required. Seen in another way, it provides a measure of the scale of resource mobilisation, or control over incremental consumption necessary. This could be achieved

either through the means of a comprehensive public control over the procurement and distribution of foodgrains, or as in the past, it could be left to market forces to redistribute incomes as before, with its unavoidable inequitous outcome. The former method would prevent any severe inequality, or complete destitution, but could not prevent a general drop in consumption rates so long as the target (or actual) rates exceeded the warranted ones. The major point to elicit is that the targets as set, do not appear to meet the very rough requirements for being non-inflationary. Especially in view of the earlier destructive experience of the inflationary process, it is vital that some further consideration be given to alternative investment strategies which do not suck the economy into another inflationary whirlpool.

Both in the elementary model used, as well as in the one implicit in the DTYP, a prime determinant of the rate of non-inflationary (and hence egalitarian given the present foodgrain market structures) growth of GDP would be the availability of marketed surplus. This should not imply, however, that no superior growth strategy is possible, superiority being judged in terms of the simultaneous achievement of preferred growth and distributional outcomes. Let us outline three alternative cases.

CASE A

This is the present strategy as enshrined in the DTYP. It further assumes that the institutional transformation both in rural and urban areas will be steady but slow, with the result that the DTYP will be implemented and its outlays attempted to be disbursed within only a partially socialised economy. This option arouses great pessimism with regard to its ability to meet its growth

or distributional objectives. The worst scenario envisaged is one in which the heavily import and aid dependent industrial sector flounders due to foreseeable absorptive bottlenecks; where agricultural growth also suffers due to its crucial dependence on centrally provided industrial inputs; where the rationing system is only partial; and where urban unemployment is high and rising. This is a recipe for disaster. Of course, the worst fears might not be realized, but there is something to be said for avoiding a strategy which has no floor if it goes wrong.

CASE B

This is identical to Case A except that it adds the necessary floor through the extension of the AMC to all major grain markets still controlled by private merchants on the one hand; and the rapid expansion of the State Farm sector on the other. Jointly, these would allow a full-cover public distribution system in all urban areas. Therefore, if found socially acceptable, the effective rate of growth of consumption, or real wage, could be lowered directly to finance the gap between the targeted and the warranted GDP growth rates. In contrast to Case A, this reduction would not occur through the market mechanism of income transfers, and would therefore prevent a high rate of inflation of foodgrains on the one hand, and a serious deterioration in the degree of inequality on the other. This bears some resemblance to the present strategy, insofar as one has actually crystallized at all. While this does cater to the distributional issues, it is still subject to several weaknesses. firstly, it is dependent on the flow of marketed surplus to an extent which could distort the institutional priorities in the countryside. Secondly, it suffers from all the reservations listed about the import and aid dependent industrial package. Thirdly, its implications for

regional concentration are bound to be unfavourable. Especially in view of the absorptive capacity problem, all important enterprises are bound to gravitate towards the big cities (with obvious exceptions of course); and the need for marketed surplus beyond that obtainable from the state farms would reinforce the already existent pattern of extreme concentration of modern inputs in the few agriculturally developed regions of the country. Fourthly, it is unlikely to generate the order of urban employment that is required over the plan period. This failure has various ramifications. For one, unemployment would probably get increasingly worse in the smaller towns, or else, the migration into the prime cities from other smaller urban centres would increase, without, of course, affecting the overall employment outcome. For another, this would mean an exacerbatian of the social costs of such urbanization, manifest in the forms of an expanding urban lumpenproletariat, prostitution, and begging. Clearly, none of these should have an extended life in a socialist system. Furthermore, such unemployment would undermine the utility of the rationing system, which would fail to reach this needy class on account of their exchange entitlement failure. To meet the distributiona objectives therefore, it would become necessary to rely increasingly on institional devices of income-sharing as a strategic rather than purely tactical option.

CASE C

This offers an alternative strategic framework for a revised DTYP. The central principle underlying this concerns what is adopted as a trinity of socialist objectives, viz., growth, distributional equity, and grass-roots participating institutions.

The earlier cases are crucially dependent upon an extended circular flow of investible resources extracted from agriculture, and invested in industry and related sectors in the form of large projects. This involves little direct participation on the past of the savers, and investments occur largely outside the units or sectors from which resources are extracted. Inevitably, aggregate domestic investments would depend upon the open and hidden contributions of agriculture, which would also remain a net contributor, or loser, in resource terms. It is arguable that this type of investment process is unsuited to an economy like Ethiopia where the level of available investible surplus is low, and scattered in small denominations; where the degree of economic fragmentation is extreme; and where even the relatively well-developed centre is unlikely to be able to bear the burden imposed upon it. In addition, this strategy is unmindful of harnessing for productive purposes those investible rural resources which are not extractable and therefore not useable through the centralized and dichotomous investment process mentioned above.

The collective framework i.e. Case C, takes the relative emphasis away from major industrial investments, and places it on investments within the rural sector. The industrial shift involves the locational size, product and technology dimensions making the sector less import intensive and more labour intensive. Thus, even if the scale of investment was to be lowered, there might be few net losses (in GDP terms) to output, and perhaps even a net gain in terms of intermediate level skill creation, as well as in direct and indirect employment generated. This would ease the urban poverty problems to some extent while achieving a better dovetailing between the industrial needs of the rural investment

programmes and the output mix of the industrial ones.

However, the central plank of the argument in Case C is the redesigning of the investment strategy for the rural sector, and involves, breaking away from the logic underlying the postulated dependence of y* on n. If this link could be broken, it might become possible to retain relatively high aggregate growth targets in any revised plan without jeopardizing the self-imposed distributional constraints. Here, it should be emphasized that in reality, agriculture supply bottlenecks are seldom absolutely rigid. However, this margin of supply response is already built into the target, n. But in the case of the DTYP, it has been argued that n does not include the resource generating effects of the monetization of hitherto self-sufficient, autarkic sub-systems in the rural sector, released through the device of inflationary deficit financing. This seems to have lent some respectability to an otherwise thoroughly discredited ruling class instrument of financing development from the incomes of the poor. Especially in such an economically fragmented economy as Ethiopia, this dangerous option is more likely to result merely in higher inflation. Indeed, to the extent that the price elasticity of n is low (and it would rarely exceed 0.2-0.4 even in the long run), the scheme would be relying more on forced savings than on increased supplies.

The method by which the link between y* and n is broken in Case C is more fundamental. No doubt urban industrialisation would still need grain. Here, a truncated relationship between the two sectors would still operate, mediated by the preponderance of the AMC and kebele ration shops in the grain supply system. The treatment and premises concerning the rural sector, however, are quite different. Here, a strategy which uses the rural consumption fund as a source of investment through the utilisation of

surplus labour for rural infrastructure creation, would free y* from n.

Our de-linking of y* and n is thus more structural in nature. The various elements of such a programme, which would be executed through producer cooperatives within the framework of service cooperatives, need to be mentioned. Briefly, these would cover rural road construction and maintenance; land improvement projects including afforestation, water conservancy and control (wells, small scale irrigation projects); construction of dispersed grain storage facilities, villagisation projects, and other similar works which depend primarily on seasonal labour and local resources. Apart from this infrastructural range, a second group would relate to rural industries catering, at first, to local demand for village-based traditional products eg. textiles, pottery goods, metal work products, wood work, straw and bamboo articles etc. Another prime area for local investment effort is in the setting up of local workshops at the service-cooperative level for the production, repair, and improvement of local farm implements. Dairy farms, bee-keeping, grain milling, coffee processing, and some service activities (such as a canteen) would all qualify as candidates. The fundamental advantage of this approach is that investible resources are ploughed back within the same unit. This also provides a powerful way of initiating development at the periphery, thus contributing to the objective of regional equalisation as well. This would have considerable advantages, too, for the spread of producer cooperatives. In addition, while by-passing the obstacle posed by economic fragmentation, such investments would nevertheless be attacking it, thus raising the degree of economic integration. No doubt, these investments would require industrial inputs at a higher level than before and the financing of this might imply that the

planners have to give up some of the surplus extracted from the agricultural sector for use by it within its boundaries. In our opinion,this approach provides the basis for achieving high growth targets in the medium term without compromising on the distributional front at the class, sector, or regional levels.

Two qualifications need to be registered. Firstly, this does not imply that the DTYP target of y=7.5 per cent per annum becomes feasible in this strategy. Even in Case A, the argument was only partly that it was probably not achievable; rather, that achieving it with n=3.5 per cent would almost certainly lead to a vicious inflationary spiral, thereby worsening income distribution. In Case B, the burden of financing would be shared in an egalitarian manner through the rationing system, but its average level would not be any different. What is being argued is, firstly, that for any given n, y^* (C) > y^* (A, B), and secondly, that the rate of growth of n would be substantially greater overtime in Case C than in Case A or B. Thus, Case C could be viewed as laying the basis for an eventual second phase of an industrialization drive of the type now being proposed, in our view, prematurely.

Secondly, it is probable that under Case C, rural foodgrain consumption would rise in the short run. In this strategy too, state farms would play a crucial part in the transitional phase and beyond. It is necessary therefore to assist them in achieving efficiency quickly, and to overcome the problems of haphazard location and early growth. A period of consolidation might be necessary prior to any further expansion on any large scale.

Finally, we need to turn our focus to the question of urban poverty and unemployment problems which are

not directly handled in any of the 3 Cases. A separate policy component is therefore called for. A two pronged approach is necessary. The first of these is to ensure that all low income earners are coverd by the urban rationing system. In the present context, this would require extending the coverage to the smaller urban centres, and even in the larger ones to that lowest strata which might not be registered in any urban kebele. Thus, the AMC needs to grow greatly and quickly. It is in this context that the current and future role of the state farm sector has to be seen. Even within the framework of Case C, it will be some time before the area of stable grain yields is extended to a point where the urban populations are not held to ransom by the weather all too frequently; in the meantime, the state farms provide an insurance cover which is indispensible. (A corresponding function would be performed in the food-insecure rural areas by the grain banks suggested earlier.) Further, the kebele shops need to move more into the inferior cereals, in particular sorghum, maize and black teff. Improving the storage facilities of the AMC and state farms could achieve the welcome result of lowering cost by anything up to 15-20 per cent on some crops. All such gains registered should reflect themselves in lower prices for the inferior, rather than for the superior cereals as appears to have been the case in the past 3 year period.

However, while this would ensure the availability of grain at reasonable prices, the real problem lies in generating the exchange entitlement which would enable the poor to buy their minimum food basket. The problem manifests itself in low real wages of the employed, as well as in the form of open unemployment. For the employed, a minimum wage which, at prevailing kebele prices, is capable of covering the nuclear household's food basket, needs to be guaranteed and maintained in real terms through indexing with kebele prices. Alternatively, kebele

prices could be adjusted to achieve such an end at lower cost to the industrial sector in general. The latter is a more potent method of reaching those who are in part-time, seasonal or self-employment. The subsidy involved could be partially recovered through taxing the considerable profits of the private grain merchants.

However, this will still require a wide range of programmes to generate entitlements for the unemployed. As far as the young, new entrants into this pool are concerned, the problem should be attempted to be solved at source, ie., within urban kebeles. These should be encouraged to provide the institutional framework and initial support for absorbing such young persons into service and production enterprises, ranging from nurseries, infrastructure maintenance, house-repair services, restaurants, and most importantly, small-scale industries. So also, the informal sector which exists beneath HASSIDA's floor level should be strongly encouraged and provided material assistance to form co-operative ventures, the production of which could be regulated and partly sold through the kebele shops. Food-for-work schemes might be more appropriate for those whom long years of unemployment have rendered unemployable without a lengthy period of rehabilitation and skill creation. The availability of kebele rations to such persons could be made conditional upon such work participation. For the increasing members of educated unemployed, there might be avenues to be employed in the field of the school education sector itself; while within the framework of the strategy discussed, there is considerable scope for the productive employment of young campaigners and educators for the purpose of raising the management and accounting skills of the leadership of the producer cooperatives. Such employment could be absorbed at the level of the service cooperative. In the same vein, the new rural industrial development agency suggested could provide a substantial number of productive intermediate level

jobs for such persons.In the context of the urban unemployed, the falling off of the rate of rural-urban migration is a source of some satisfaction. But it must not be allowed to generate the complacent and false presumption that the problem will disappear with development without any special attempts to solve it. Indeed, in none of the alternative strategies available would this happen; in fact, in the absence of such schemes and absorbers as are suggested, the situation is likely to get worse, given the age structure and high growth rate of the population.

In this paper, we have made rather wide-ranging suggestions, most of them calling for a radical departure from the development strategy implicit in the plan now being debated. In formulating this alternative path to socialism from the grass-roots, we have indulged in the presumption that our supply of alternatives will not encounter a lack of demand arising from the political entitlement failures of potential buyers. It is the only assumption one can, or can wish to, make; whether it is realistic is another matter.

TABLE 1

MANUFACTURING INDUSTRIES BY ADMINISTRATIVE REGION: SUMMARY DATA 1979/1980 (% of total)

	Shoa	Eritrea	Hararghe	7 other* regions
1. Number of Establishments	58.7	22.0	5.7	13.6
2. Number of Persons Engaged	63.3	16.9	10.2	9.6
3. Gross Value of Production	61.8	23.9	8.0	6.3
4. Census Value Added Market Prices	66.8	17.5	9.4	6.3
5. Value of Fixed Assets	73.3	12.9	4.9	8.9

Source: Survey of Manufacturing Industries, 1979/80, CSO

* Excludes Gamo Goffa, Bale, Illubabor & Wollega.

TABLE 2

MEDICAL & HEALTH FACILITIES AND PERSONNEL BY ADMINISTRATIVE REGION, 1977/78*, Per Million Persons

Region	Hospitals	Beds	Clinics	Doctors	Health Officers	Assis-tants	Nurses	Techni-cians
Arssi	1.84	112	44	4.61	11.98	193.5	27.65	9.22
Bale	1.20	114	43	10.84	7.23	129.7	16.87	4.82
Gondar	1.03	170	38	8.75	12.87	127.3	38.62	10.30
Eritrea	8.75	1012	49	18.72	6.10	314.4	77.53	10.02
GomuGoffa	3.17	145	68	4.23	7.40	142.5	16.91	4.23
Gojam	1.56	126	39	8.30	10.37	122.2	28.53	7.26
Hararge	4.06	280	35	15.91	6.77	111.6	40.27	6.09
Illubabor	2.62	213	81	15.71	10.47	283.3	45.81	11.78
Keffa	1.96	151	62	10.47	9.16	161.0	24.21	5.24
A.A.	12.44	2221	25	251.56	93.33	n.a.	728.89	328.00
Shoa (ex.A.A.)	2.03	120	30	3.25	5.68	145.3	21.10	6.09
Sidamo	1.88	158	49	6.03	4.52	171.1	11.68	1.51
Tigrai	1.96	201	35	9.30	7.34	91.8	27.89	7.83
Wollega	2.09	155	51	7.33	6.81	187.7	27.23	3.66
Wello	2.02	77	36	5.26	6.48	149.8	17.81	2.83

Source: Statistical Abstract, 1978, P.222; P.25 - * excluding Police and Armed Forces.

TABLE 3

AVERAGE INTAKE OF CALORIES AND NUTRIENTS AS PERCENTAGE OF DAILY MINIMUM REQUIREMENTS IN ELEVEN ADMINISTRATIVE REGIONS

Adm. Region	Calorie %	Protein %	Calcium %	Fe %	Vit. A %	Thaimine	Riboflavin %	Niacin	ASC.Acid %
Shoa	67.40	141.50	172.0	122.28	56.42	471.20	53.30	64.70	90.00
Wollo	60.75	193.76	98.52	139.45	36.45	174.03	57.64	96.65	49.17
Tigrai	57.40	155.70	103.80	258.54	86.78	223.20	53.50	108.40	73.50
Gondar	57.99	179.07	144.99	114.94	121.91	214.95	60.55	70.17	69.49
Gojam	96.03	161.05	176.66	162.20	129.53	296.80	70.30	91.52	120.54
Wollega	57.78	128.88	84.23	127.31	64.33	142.94	62.26	59.84	63.06
Sidamo	74.12	145.67	202.05	101.74	79.46	167.27	111.81	58.30	146.76
Keffa	61.92	108.75	76.98	72.65	44.85	113.77	42.39	50.02	80.58
Arssi	73.62	179.70	108.96	100.98	65.63	172.88	66.21	92.01	74.38
Bale	65.66	170.77	106.06	32.16	42.46	176.56	54.25	33.35	66.74
Hararghe	65.85	145.95	145.95	81.13	40.71	200.55	47.46	138.57	48.02

Source: Ethiopian Nutrition Institute, First Round Nutrition Survey Report, October, 1980.

TABLE 4

ANNUAL FOOD GRAINS PRODUCTION PER RURAL PERSON

Administrative Region	Annual Production of Food Grains per Person (Quintals)
Arssi	5.80
Bale	2.18
Gamu Goffa	0.46
Gojjam	2.00
Gondar	3.08
Hararghe	0.61
Illubabor	1.58
Kaffa	2.17
Shoa	2.47
Sidamo	0.53
Wollega	1.34
Wollo	0.86

Source: Agricultural Sample Survey, 1977/78

TABLE 5

INTRA-REGIONAL PRICE SPREADS BY CROPS, OCTOBER 1981

1. Average Quotations in (Birr/Quintal), Local Markets

	Arssi	Bale	Gemu-Goffa	Gojjam	Gonder	Hare-rghe	Keffa	Shoa	Sidamo	Tigrai	Wollo
Teff	55.50	62.30	64.72	36.85	42.73	128.30	69.50	70.80	76.78	90.43	57.86
Wheat	58.62	51.78	nq	39.33	38.17	91.00	78.00	69.00	65.70	66.08	61.81
Maize	35.00	40.60	27.33	20.50	20.00	69.67	nq	41.17	33.80	50.00	33.67
Barley	33.70	32.39	47.08	22.50	29.00	nq	40.00	49.58	42.65	43.38	39.18
Sorghum	nq	nq	34.00	22.83	27.38	101.70	39.50	48.21	nq	65.35	46.20
Millets	nq	nq	nq	22.56	26.60	nq	nq	nq	nq	100.00	nq

2. Coefficients of Variation (%)

Teff	12.87	17.28	20.64	6.11	16.82	nc	nc	15.85	9.38	19.91	18.19
Wheat	13.09	24.31	nc	13.35	14.22	nc	nc	17.54	16.46	25.84	19.70
Maize	nc	36.49	31.11	13.89	nc	nc	nc	18.09	22.82	nc	32.02
Barley	31.09	5.58	12.99	14.36	9.65	nc	nc	18.32	18.44	52.08	19.70
Sorghum	nc	nc	50.02	9.26	25.22	nc	nc	27.01	nc	28.78	21.89
Millets	nc	nc	nc	15.37	8.10	nc	nc	nc	nc	nc	nc

Source: As in Table 8

nq = not quoted; nc = not computed because of small number of quotations.

TABLE 6

INTER-REGIONAL PRICE SPREADS BY CROPS, OCTOBER 1981*

Crop	Number of Price Quotations for Crop	Maximum Regional Average/ Price Birr/Qtl.	Minimum Regional Average/ Price Birr/Qtl.	Average of Regional Averages Birr/Qtl.	Coefficient of Variation of Regional Averages %
Teff	11	128.3	36.9	68.7	34.4
Wheat	10	91.0	38.2	62.0	24.9
Maize	10	69.7	20.0	37.2	37.5
Barley	10	49.6	22.5	38.0	21.1
Sorghum	8	101.7	22.8	48.2	49.3
Millets	3	100.0	22.6	49.7	71.6

* This table uses the average prices given in Table 5.
Source: As in Table 8.

TABLE 7

INDEX NUMBERS OF PRODUCTION AREA AND YIELD OF MAJOR CROPS

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
1. Production						
Teff	100.0	122.7	121.6	125.0	132.5	132.1
Wheat	100.0	76.2	86.6	61.4	64.2	87.2
Maize	100.0	163.0	112.7	110.5	116.7	141.5
Barley	100.0	85.9	143.2	110.4	111.5	114.1
Sorghum	100.0	138.9	119.9	112.3	107.8	127.2
Millets	100.0	241.8	110.0	132.2	121.0	121.0
2. Area						
Teff	100.0	118.3	109.8	107.1	114.4	112.2
Wheat	100.0	70.2	71.7	64.4	66.8	82.2
Maize	100.0	97.8	89.8	113.4	121.5	118.0
Barley	100.0	71.6	93.3	104.7	109.8	111.9
Sorghum	100.0	103.5	99.4	101.6	96.7	120.4
Millets	100.0	184.0	96.8	113.0	115.9	125.5
3. Yield						
Teff	100.0	100.0	105.7	111.4	111.4	112.9
Wheat	100.0	108.8	120.9	95.6	96.7	106.6
Maize	100.0	167.0	125.9	97.3	96.4	120.5
Barley	100.0	119.5	153.7	104.9	101.2	102.4
Sorghum	100.0	134.5	120.2	110.7	111.9	105.9
Millets	100.0	131.6	114.5	117.1	105.3	96.1

Source: Derived from World Bank Report, Table 7.1, p.67.

TABLE 8

FORECASTS OF FOOD-ASSISTANCE REQUIREMENTS, 1982/83

('000)

Province	Number of Awrajas affected by shortage	Estimated rural population affected Awrajas	Number of people likely to face food shortage	Number of people where shortage can be alleviated through local purchases	Number of people who require food assistance	Estimated number of man months of food assistance required (in millions)	Estimated urban population of province	Estimated urban population of affected Awrajas	Number of affected pastoralists requiring assistance
Arssi	3	1036.4	220.0	0	220.0	2.640	103.1	103.1	
Bale	2	408.3	109.0	54.5	54.5	0.327	113.1	49.2	70.0
Cemu Gofa	2	563.0	38.0	28.0	10.0	0.050	45.4	45.4	
Cojjam	5	1363.9	198.6	133.6	65.0	0.600	166.9	114.1	
Gondar	4	1163.9	202.0	122.0	80.0	0.400	162.3	62.8	
Harerghe	8	2016.1	564.0	0	564.0	6.768	367.3	267.3	213.0
Illubabor	1	98.5	6.0	6.0	0	0	0	35.2	
Keffa	0	0	0	0	0	0	127.8	12.6	20.0
Shewa	8	2696.9	533.0	62.0	471.0	3.826	1747.9	315.8	
Sidamo	4	2386.2	331.5	28.5	303.0	3.636	209.5	85.8	
Tigrai	8	1963.0	600.0	0	600.0	6.000	183.0	183.0	
Wellega	5	1714.1	96.0	68.0	28.0	0.196	0	101.4	
Wollo	10	2081.5	572.4	0	572.4	3.467	0	178.3	20.0
13	60	17491.7	3470.5	502.6	2967.9	27.910	3226.3	1554.0	324.5

Source: (1) Food Supply System: Meher Synoptic Report, 1981, Early Warning and Planning Service, RRC: March 1982

(2) Market Dependent Food Supply System: Food Supply Status and Forecast by Administrative Region, EW&PS, RRC, March, 1982.

TABLE 9

RELIEF AND REHABILITATION COMMISSION: RELIEF-REHAB CENTRE AND SETTLEMENT POPULATIONS IN 1982

Group 1. Relief-Rehab Centres

Administrative Region	No. of Settlements	No. of People
Bale	256	417,806
Sidamo	18	51,774
Total	274	468,580

Group 2. Regular Settlements

Administrative Region	No. of Settlement Units	No. of Families	Total No. of Settlers
Bale	13	6,354	12,653
Arssi	19	773	10,911
Gamo Goffa	6	1,871	7,515
Gonder	3	936	2,196
Hararghe	4	1,864	8,261
Illubabor	1	222	342
Keffa	7	1,513	5,433
Showa	21	8,444	23,291
Sidamo	5	1,588	5,390
Wellega	28	11,532	16,435
Wollo	5	5,626	28,754
Total	112	40,723	121,179

The types of settlers in Group 2 are as follows:

Drought affected	- 15,525
Nomads	- 10,595
Unemployed persons	- 8,000
Overcrowded farmers	- 6,603
Total	40,723

TABLE 10

RRC REGULAR SETTLEMENTS, BY DEGREE OF SELF-SUFFICIENCY, 1982

Ser. No.	Administrative Regions	Total		Settlements and Number of Households					
		No.of Settle-ments	No.of H.Hs.	Deficit in Food Clothing&Agr.Serv.		Receive Agricultural Service Only		Self-Sufficient	
				No.of Sett.	No.of House holds	No.of Sett.	No. of House-holds	No.of Sett.	No. of H.Hs.
1	Shoa	18	6170	-	-	6	885	12	3428
2	Sidamo	3	1164	-	-	3	960	-	-
3	Wellega	8	11295	-	-	5	9587	3	396
4	Hararghe	5	1872	2	3527	-	-	3	1209
5	Wollo	4	5257	-	-	-	-	4	4422
6	Gemu Gofa	4	2294	-	-	1	450	3	1310
7	Bale	2	6723	1	723	-	-	1	6000
8	Gonder	1	963	1	1500	-	-	-	-
9	Illubabor	1	(1569)	1	457	-	-	-	-
10	Keffa	2		1	131	-	-	1	148
	Total	48	37307	6	6338	15	11882	27	16913

Source: RRC

TABLE 11

ANNUAL PER CAPITA* GROWTH RATES OF GDP BY INDUSTRIAL ORIGIN AT CONSTANT 1960/61 FACTOR COST

Sector	Base Year Weight	1975/6	1976/7	1977/8	1978/9	1979/80	1980/1	1974/5 to 1980/1	End Year Weight
Agriculture	0.483	0.0	- 2.7	- 4.3	- 0.4	1.9	- 0.3	- 5.3	0.459
Handicraft s.s. Industry	0.048	- 2.5	- 1.6	- 4.6	1.2	- 0.2	- 0.4	- 7.3	0.045
Manufacturing	0.043	- 1.9	- 0.5	- 6.5	23.8	7.5	2.7	25.4	0.055
Building & Construction	0.054	-20.5	3.5	- 7.1	4.8	13.4	0.1	- 8.6	0.073
Transport & Communication	0.065	0.6	1.0	- 0.5	5.5	3.8	5.1	11.4	0.049
Trade & other Services	0.294	0.0	- 0.6	- 1.1	2.7	1.6	0.4	3.8	0.306
GDP	1.000	- 1.4	- 1.4	- 3.6	2.4	2.7	0.4	- 0.4	1.000

Source: National Accounts Division. NRDC & CPSC Secretariat.

* The rate of growth of population is assumed to be 2.8% per year.

TABLE 12

MARKETED SURPLUS OF FOODGRAINS: SOME ESTIMATES

Year	Estimated Marketed as % of Output	Total Output of food '000 grains quintals	Quantity marketed per urban person in quintals	Quantity retained per rural person in quintals	Rate of Growth of Food price Index in A.A.
1974/75	22.5	42,991	3.28	1.40	
1975					4.5
1975/76	150	51,600	2.45	1.80	
1976					41.9
1976/77		49,946			
1977					16.8
1977/78	11.8*	45,005	1.47	1.56	
1978					17.0
1978/79	11.8	45,505	1.40	1.55	
1979					18.0
1979/80	16.4**	51,493	2.06	1.62	
1980					5.2
1980/81					
1981					4.7
1981/82	17.9**	57,776	2.37	1.75	

* Agricultural Sample Survey.

** Estimated from AMC statistics and other sources.

TABLE 13

SOME STATISTICS ON ECONOMIC PERFORMANCE AND PLAN TARGETS

Variable	Actuals 1974/5 to 1979/80 (period growth rates)	10 year plan estimates (annual growth rates)
1. Real GDP (1960-1 fc) growth	13.1	7.5
2. Population growth	14.2	3.0
3. Real GDP growth per capita	- 1.0	4.4
4. Real Private Consumer Expenditure	- 16.0	6.6
5. RPCE per capita	- 26.4	3.5
6. Real Agri. GDP growth	8.4	4.5
7. Real Agri. GDP growth per capita	- 5.1	1.5
8. Coffee Exports growth		10.0
9. Domestic Crop Production growth		3.5
10. Food Price Index	139.9	
11. General AA CPI	109.8	
12. Food/non food relative price index	27.7	
13. Real/wages of low paid worker	- 32.2	
14. Real wages of high paid worker	- 52.3	
15. GDP deflator	35.4	

TABLE 14

WARRANTED AND ACTUAL GROWTH RATES OF INCOME AND NECESSITIES
1974/75 - 1979/80

Eqn.	Actual Values				Warranted Values		
	p	e	y	n	e*	y*	n*
1	14.2	0.6	(13.1)	8.4		4.5	
2	14.2	0.6	13.1	(8.4)			13.5
3	14.2	(0.6)	13.1	8.4	5.3		

TABLE 15

WARRANTED AND TARGET GROWTH RATES FOR GDP AND AGRICULTURE IN DTYP

Eqn.	Target Values				Warranted Values		
	p	e	y	n	e*	y*	n*
1	3.0	0.6	(7.5)	3.5		3.8	
2	3.0	0.6	7.5	(3.5)			5.7
3	3.0	(0.6)	7.5	3.5	0.125		

TABLE 16*

INCOME DISTRIBUTION IN ADDIS ABABA, 1976 and 1978, AND IN 18 TOWNS (INCLUDING ADDIS ABABA).

Income (Birr per Month)	ADDIS ABABA(1) 1976		ADDIS ABABA(2) 1978		ALL TOWNS(3) 1978	
	House-holds	Income	House-holds	Income	House-holds	Income
0-50	35.0	4.7	29.6	4.9	30.7	5.4
50-75	14.6	5.2	19.5	8.1	19.3	8.6
75-100	7.6	3.8	9.4	5.5	9.7	6.0
100-150	14.8	10.5	12.7	10.5	12.9	11.4
150-200	7.0	6.9	7.5	8.7	7.8	9.5
200-250	4.8	6.2	4.6	6.9	4.4	9.1
200+	16.2	62.7	16.7	55.4	15.2	50.0

Source: (1) CSO, Addis Ababa Manpower and Housing Sample Survey, December, 1976.

(2) Ministry of Urban Development and Housing and CSO, Level of Urbanisation..., Jan. 1980.

(3) As for (2). Also available in CSO, Population, Labour Force and Housing Characteristics of Seventeen Major Towns: Results of Manpower and Housing Survey, 1978, August, 1980, Refers to 17 major towns plus Addis Ababa.

Household numbers according to income ranges are given; to obtain income shares it is assumed that average income is at the mid-point of each range. Total income of all but the final class is obtained this way. Income of the final class is obtained by subtraction, total income of all households being given.

* From Jamal, V., unpublished paper.

TABLE 17*

DISTRIBUTION OF INDUSTRIAL EMPLOYEES, 1979/80

Monthly Income (Birr)	Numbers	Percent-age
-100	36,402	50.5
100-300	29,093	40.3
300-500	4,361	6.0
500-700	1,092	1.5
700+	1,165	1.6
	72,113	100.0

Source: CSO, Results of the Survey of Manufacturing Industries, 1979/80

* From Jamal, V., Unpublished Paper

TABLE 18*

MINIMUM INCOME FOR FOOD AND NON FOOD IN 1976, 1978, 1979, AND 1982 (Birr. Per Household per Month).

	1976	1978	1979	1982
Food	46.70	56.10	61.95	78.10
Non food	30.20	37.70	43.45	55.25
Total	76.90	93.80	105.40	133.35
1.3 poverty line	99.97	121.94	137.02	173.36

Source and notes: 1982 from Tables 19 and 20; others, mission estimates based on market prices and kebele supply at various dates, as explained in the text.

* From Jamal, V., unpublished paper.

TABLE 19*

INCIDENCE OF POVERTY, VARIOUS YEARS

	Food Poverty	Total Poverty	1.3 Poverty
(1) Addis Ababa, 1976	32.6	51.2	57.2
(2) Addis Ababa, 1978	34.3	56.2	64.1
(3) Urban Areas, 1978	35.4	59.5	65.4
(4) Industrial Employees, 1979/1980	31.3	51.6	58.0

Source: (1)-(3) Jamal, V., unpublished paper.

(4) From CSO, Results of the Survey of Manufacturing Industry, 1979/80, April '82

Note: For details of method of computation, see Jamal, V., unpublished paper.

* From Jamal, V., unpublished paper.

TABLE 20*

'MINIMUM WAGE' EMPLOYEE: WAGES IN NOMINAL AND REAL TERMS 1974/75-1981/82

	Nominal Wage (B/Month)	Cost of Living Index 1974/75=100	Real Wage 1974/75=100	Minimum Basket Index 1974/75=100	Real Wage 1974/75=100
1974/75	50.00	100.0	100.0	100.0	100.0
1975/76		128.6	89.5	113.1	97.9
1976/77	61.53	150.0	82.1		
1977/78	66.45	171.4	77.5	137.9	89.7
1978/79	66.45	198.9	66.8	153.0	82.5
1979/80	71.10	207.8	68.4		
1980/81	71.10	220.6	64.5		
1981/82	76.08	231.6 (July)	65.7	196.1	

Source: Jamal, V., unpublished paper.

* From Jamal, V., unpublished paper.

TABLE 21*

MINIMUM WAGE V.S. MINIMUM FOOD COST (Birr per Month & Percentage)

	1975	1976	1978	1979	1982
(1) Minimum Wage	53.75	59.52	66.45	68.78	76.08
(2) Food Cost	42.00	46.70	56.10	61.95	78.10
(3) (2) ÷ (1)	78.1%	78.5%	84.4%	90.1%	102.7%

* From Jamal, V., unpublished paper.

TABLE 22*

EMPLOYMENT PROFILE OF ADDIS ABABA, 1978

Employers	4.5	
Own account workers/ unpaid family workers	21.4	
Employees	70.4	
Service	30.1	
Production	22.7	
Clerical	7.2	
Professional	6.3	
Sales	2.7	
Total	100.0	(350,802)

Source: CSO, Report on the Analysis of the Addis Ababa Demographic Survey, September 1978

* From Jamal, V., unpublished paper.

TABLE 23

NOMINAL AND REAL WAGES OF 'THROUGH' AND 'BLOCKED' EMPLOYEES, 1974/75 TO 1981/82

Year	Maximum 'through' Nominal Wage (Eth.Birr/mth.)	Minimum 'blocked' Nominal Wage (Eth.Birr/mth.)	A.A.cost of living index 1974/5 = 100	Real 'through' Wage (Eth.Birr/mth.)	Real 'Blocked' Wage (Eth.Birr/mth.)
1974/75	316.5	450.0	100.0	316.5	450.0
1975/76	363.9	450.0	128.6	283.0	349.9
1976/77	389.4	450.0	150.0	259.6	300.0
1977/78	420.6	450.0	171.4	245.4	262.5
1978/79	420.6	450.0	198.9	211.5	226.2
1979/80	450.0	450.0	207.8	216.6	216.6
1980/81	450.0	450.0	220.6	204.0	204.0
1981/82	481.5	481.5	231.6	207.9	207.9

Source: Based on Statistics on Nominal Wages from ILO-JASPA Ethiopia Report Chapter 9: The index for 1975 is placed against 1974/75, and so on.

TABLE 24

LABOUR COST IN MANUFACTURING INDUSTRIES IN NOMINAL AND REAL TERMS, 1973/74 - 1979/80

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80
Labour Cost (Eth.Million Birr)	88.0	94.7	106.3	121.5	131.0	156.0	171.2
Number of Employees ('000)	57.4	60.1	59.4	62.8	66.1	70.8	76.9
P.C. Labour Cost (Eth. Birr)	1533.0	1576.0	1790.0	1935.0	1982.0	2031.0	2226.0
Retail Price Index (1963 = 100)	159.7	170.1	218.7	255.1	291.6	338.4	353.5
Real P.C. Labour Cost (1963/74 = 100)	100.0	96.5	85.3	79.0	70.8	62.5	65.6

Source: CSO, Results, the Survey of Manufacturing Industries, 1979/80, various years, retail price index is for Addis Ababa. The index for 1974 is put against 1973/74, etc.

TABLE 25

KEBELE AND OPEN MARKET PRICES OF FOOD GRAINS IN ADDIS ABABA

Grain	% share in A.A BCSC purchase basket in 1974	% share in 'rich' basket	% share in 'poor' basket	Price in Birr per Quintal			
				1979/80		1981/82	
				AMC*	OM*	AMC*	OM*
Teff: Grade 1	4.7	17.4	-	71.75	96.00	63.79	110.00
Grade 2	9.0	33.3	-	62.38	85.00	57.25	98.00
Wheat: White	3.3	12.2	-	57.05	89.00	56.16	88.00
Mixed	10.0	37.1	-	49.36	72.00	51.80	80.00
Superior Cereals	27.0	100.0	-	58.52	82.58	56.23	92.19
Teff: Grade 3	20.5	-	38.8	55.10	78.00	53.96	86.00
Maize	23.0	-	43.6	35.45	41.00	43.76	62.00
Barley	9.3	-	17.6	41.85	56.00	46.33	74.00
Inferior Cereals	52.8	-	100.0	44.21	58.00	48.17	73.42

Source: AMC Annual Report 1981/82

* AMC = Agricultural Market Corporation

OM = Addis Ababa Open Market.

TABLE 26

RELATIVE PRICES OF "RICH" AND "POOR" FOODGRAINS BASKETS IN ADDIS ABABA

	AMC Price		Open Market Price		Composite Price*	
	1979/80	1981/82	1979/80	1981/82	1979/80	1981/82
Rich Basket						
Birr/Qtl	58.52	56.23	82.58	92.19	66.46	68.09
Index	100.00	96.09	100.00	111.64	100.00	101.22
Poor Basket						
Birr/Qtl	44.21	48.17	58.00	73.42	48.76	56.50
Index	100.00	108.96	100.00	126.59	100.00	114.77
Poor/Rich						
Relative Price Index	100.00	113.39	100.00	113.39	100.00	113.39

Source: AMC Annual Report, 1981/82

* This is calculated giving a weight of two-thirds to the AMC price and one-third to the open market price.

TABLE 27

SELECTED STATISTICS OF PUBLIC AND PRIVATE SECTOR MANUFACTURING INDUSTRY, 1978/79

	% Share in Gross Value of Production of sector	Share of labour cost in value added at factor cost %	Mark-up on cost as %	Rate of profit on BK.value of assets %	Labour cost/ employee Birr/ Month
Food Manufacturing					
1. Public	25.8	19	42	113	168
2. Private	34.5	60	8	30	118
Beverages & Tobacco					
1. Public	15.6	21	31	107	227
2. Private	10.6	64	5	38	200
All Industries					
1. Public	100.0	32	24	92	173
2. Private	100.0	63	11	35	141
Public/Total %	94.2				

Source: Survey of Manufacturing Industries, 1978/79, CSO

TABLE 28

PRICES OF SOME MAJOR FOOD COMMODITIES: AMC PRICES

	Peasant Associations	Merchants Producers/Service Cooperatives	AMC Retail Price	Addis Ababa Free Market Retail Price
Teff Gr.I				
1979	35	40	71.75	96
1980	35	40	69.45	99
1981	41	46	63.79	110
White Wheat				
1979	34	39	57.05	89
1980	34	39	59.97	80
1981	34	39	56.16	88
Maize				
1979	17	21	35.45	41
1980	17	21	45.83	49
1981	17	21	43.76	62
Sorghum				
1979	23	27	50.34	76
1980	23	27	53.90	67
1981	23	27	52.88	77

TABLE 29

DISPOSAL OF FOODGRAINS MARKETED OUTPUT BY TYPE OF BUYERS AND SELLERS, 1981/82 ESTIMATES

'000 Quintals

Buyers \ Sellers	Individual Peasant (1)	Producer Cooperatives (2)	Service Coooperatives (3)	Total Peasant Sector 1+2+3 (4)	State Farms (5)	Other State Org. (6)	Total State Sector (7)	Private Merchants (8)	Total Purchases (9)
Private Merchants	7698			Gross 7698 Net 5809	-	-	-	-	Gross 7698 Net 5809
AMC	149	83	870	1102	1525	73	1598	1889	4589
Total Sales (Net)	7698			8800	1525	73	1598	1889	10398

Source: AMC Report, 1981/82, and other sources.

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