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Forty Years of Tanzania Economic Performance: An Analysis of Economic Growth and Development Patterns and Conditions for Sustainable Poverty Free Economic Growth

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ABSTRACT

Tanzania is one of the poorest countries in the world but it has great potential to develop given its rich resource endowment, political will, good economic policies and commitment. The country has also been receiving enormous assistance in the form of grants and loans from both multilateral and bilateral donors to improve its economic well-being. Yet forty years of economic struggle have not brought satisfactory progress as economic performance has remained dismal.

This study endeavors to establish the primary determinants of economic growth for Tanzania basing on the country's 40 years performance. The study employed the statistical analysis of secondary data covering the period from 1961 to 2000. The variables included in the study are, Gross Domestic Product (GDP), Total public investment in physical capital, Total public investment in human capital (government expenditures in health and education sectors), Trade (Exports & Imports), Population growth, Inflation, Tax distortion (ratio of revenue collection to GDP) and Total government expenditures. The statistical regression analysis used is the simple Ordinary Least Squares (OLS) method owing to its superiority over other methods.

With the aid of E-Views econometric software package, all variables except Tax distortion and Import trade were found to be positively related to economic growth. However the significance and coefficient values differ from one variable to another. In principle, however, the variables were found to have significant relationship with economic growth. At a conversional level therefore, these variables deduced from theoretical foundations highly account for Tanzania's economic growth.

Following the study's findings, policy recommendations are made in the conclusion of this study and of importance is that investment in human and physical capital should be fostered meanwhile tax distortion should be curbed. Moreover an analysis of imported goods should be carried out so as to avoid unnecessary leakages, which in a way stifle economic growth.