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**The Law of Uneven and Combined Development:**

**The Example of the Ethiopian Transformation Plan (GTP1 and GTP2)**

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## Abstract

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In recent decades Ethiopia has developed two national growth and transformation plans, GTP1 and GTP2. These plans aim to position Ethiopia as a middle-income country. The implementation of these plans has resulted in a wide range of uneven and combined development. This thesis will give an overview of the Ethiopian growth and transformation plans and explore the reasons why those plans have contributed to the uneven and combined development of Ethiopia. Developing countries are inspired by other countries' development policies and follow similar policies in their national development plans, often ignoring the fundamental structure of their country. In recent years, Ethiopia has been one of the worlds fastest growing economies, the state has taken on a particularly central role and intervened in economic coordination. It poses a question for the majority of the population due to the fact that their development has been uneven. In addition, their relations have been arranged in a manner that demands significant change.

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## **Glossary**

ADF	African Development Fund
EPRDF	Ethiopian People's Revolutionary Democratic Front
GDP	Gross domestic Product
GTP	Growth and transformation plan
HDI	Human Development Index
HRW	Human Rights Watch
IMF	International Monetary Fund
SAP	Structural adjustment programme
U&CD	Uneven and Combined Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development

## Preface: Overview of Ethiopia

Ethiopia is a country located in the Horn of Africa with a population of approximately 115,000,000 people (Worldometer, 2022). It borders Eritrea, Sudan, South Sudan, Djibouti, Somalia, and Kenya. Africa's second-most populous landlocked country is also the world's 12th most populous nation. It is one of only two African nations that was never colonized by European superpowers during the scramble for Africa. Ethiopia is an ancient country with a long history and unique characteristics, which include, one of the oldest humans known to exist on earth (Lucy) (Schrein, 2015), having a unique script called Ge'ez (Ge'ez: ግዕዝ, G'ez), a multilingual country with over 80 ethnic groups, and having thirteen months of sunshine, according to its own calendar and time. Furthermore, Ethiopia is known for its drought, extreme poverty, and ongoing civil war. Even though Ethiopia is the oldest sovereign state in Africa, it is one of the poorest countries, plagued by droughts, famines, and civil wars (Taye, 2017). In Ethiopia, the Ethiopian People's Revolutionary Democratic Front (EPRDF) leads a multi-party system based on ethnic federalism. The Ethiopian government prior to 1991 was a communist one-party state supported by the Soviet Union. At this time, Ethiopia was governed by a command economy, whereby all economic activity was coordinated by the central government. The EPRDF overthrew the communist regime in 1991 due to the collapse of the Soviet Union and increasing domestic economic problems. In 1994, Ethiopia adopted a new constitution, making it a multiparty state. The current government has pushed all the economic reforms, the importance of which it is impossible to overestimate. Ethiopia is currently being rocked by regional and political tensions.

# 1 Introduction

History matters, not least to Ethiopia, one of the African countries famous for its poverty. To escape poverty, the government designed Ethiopia's Growth and Transformation Plan in two phases (GTP 1 and GTP 2) from 2010–2015 and 2015–2020 in order to improve the country's economic growth. The plans include sustainable development and a poverty reduction program. The poverty reduction program has shown a lot of positive progress (Birru 2013). The program has significantly increased the growth rate of the average real gross domestic product (GDP) over the past decade, despite Ethiopia's being relatively resource poor. It is expected that the country will continue to enjoy fast economic growth going forward. The plan has already made Ethiopia one of the fastest-growing economies in the world. According to the International Monetary Fund (IMF), in 2020, there was a GDP growth rate of 6.1%. GTP2 aims to achieve an average annual GDP growth rate of 11% during the five-year cycle and is integral to the government's aim of transforming Ethiopia into a middle-income economy by 2025 (Ethiopian Statistics Office, 2015).

Both GTP1 and GTP2 have opened opportunities for the expansion of the industrial sector, investment, new sources of funding, the largest number of foreign investments, and increasing international trade relations to support economic growth. The state is primarily involved in a lot of economic activities and implementing policies to achieve sustainable growth to maintain the basic living standards for all and trying to avoid situations where this is not possible. The Growth and Transformation Plan (GTP) is providing essential infrastructure for the functioning of society. For example, by creating employment in a way that enhances social bonds with maximized production of value that encourages reinvestment, new investment, and restructuring of the major projects in every region. Although the government has largely focused on agricultural activities and road construction to connect all major cities to villages, attention has been paid to the Human development index (HDI) in a new way with the aim of ensuring that all citizens receive basic healthcare and education to have a decent standard of living. This would result in the development of Ethiopia and make it an attractive place for investors of all types.

However, one of the challenges is that Ethiopian communities do not connect with each other as a result of factors such as ethnic and cultural diversity, political instability, and weak democracy. History Scope (2021) claims that when prosperity is already rare, it becomes very difficult for leaders to bring about economic development, resulting in the creation of uneven and combined development (U&CD) in different regions within the same country. This is exacerbated in Ethiopia, where politics has to target a specific group of ethnic elites to win votes. As a result, politics is divided,

resulting in unequal income distribution, poverty, and inequality, resulting in even greater U & CD. Thus, Ethiopians became more divided. Bond (2006) states that money that is intended for economic development is usually looted by powerful government officials and capitalists. The latter can bribe the leader of the major ethnicity in order to keep them happy enough not to start a rebellion. Ethiopia is divided into nine regions, and each region represents many ethnic groups, most of which were artificially created to divide power between one general and several regional authorities. "Based on their geopolitical artificiality, these regions bear no resemblance to the historical, sociocultural, economic, and political realities of Ethiopia's societies, and one could argue that these regions were set up for failure from the start" (Nnadozie and Jerome, 2019).

This thesis attempts to study the nature of uneven and combined development in Ethiopia resulting from the Ethiopian transformation plans (GTP1 and GTP2). The first section discusses development and adjustment policies in Ethiopia since 1980. Following this is a brief summary of the "law" of uneven and combined development. Based on this, the next section discusses the outcome of the GTP1 and GTP2. The last section attempts to provide a summary and conclusion.



## 1.1 Research plan

The objectives the thesis

- To examine the growth and adjustment policy in Ethiopia since 1980.
- To conduct a literature review with the aim of establishing a theoretical framework for the laws of uneven and combined development
- To analyze the impact of the global political economy on Ethiopia and the dominance of the state and elites in capital accumulation processes.
- To examine the growth and transformation plans, GTP 1 and 2, outputs and their impact.

## 1.2 Aim of the study

The aim of this thesis is to examine the impact of uneven and combined development on contemporary society in Ethiopia, by reviewing the two national plans developed by the state to improve the economic and human development of the country. Such plans often allow few to accumulate capital and exclude others from participating. To carry out this study, Ethiopia will be used as a case study to illustrate the differences.

## 1.3 Methodology

For the purpose of answering the research plan, a qualitative method of secondary research will be used. An analysis of the literature obtained from various sources will be conducted using the narrative literature review method. Furthermore, secondary data obtained from reliable sources will also be used. A number of government and non-government publications as well as peer-reviewed journals will be consulted for data. The chief justification for choosing this particular method is that it is a more practical and efficient method of conducting research due to the

limitations of time and resources. There are, however, some limitations associated with this method. For example, due to the qualitative nature of this research, the reliability of the study might be compromised by ambiguities and imprecision with respect to measurements of regional inequality and living standards, for example. However, where possible, appropriate statistical data from recognized sources will be employed in order to minimize these limitations.

## **2 Literature review**

### **2.1 Development Policies in Ethiopia since 1980**

Beginning in 1974, when the Ethiopian Revolutionary Party came to power, Ethiopian economic and social development policies were based on Marxist principles of central planning and command economy supported by the Soviet Union. This system stressed state ownership and control, extensive macroeconomic regulation by a central committee, and restrictive policies, regulations, and laws. In the period between 1975 and 1980, a massive restructuring and nationalization program was implemented in accordance with socialist principles. More than 100 private enterprises, including financial institutions, banks, and insurance companies, were nationalized by the communist government in 1975 (World Bank, 2004). In addition, the exchange rate was fixed, capital controls were strict, and price regulation was extensive. The government's ability to direct development strategies was legitimized in 1987 by the constitution, which stated in Article 9, "The State shall guide the economic and social activities of the country through a central plan" (People's Democratic Republic of Ethiopia, 1988). Therefore, Ethiopia's experience of following a free market economic system was replaced by centrally planned socialist development strategies (Gemechu, 2002).

According to Geda (2005), the political process in Ethiopia has a significant impact on economic growth. Ethiopia has experienced conflicts, revolutions, and policy reversals throughout its history. Prior to 1974, macroeconomic policy was heavily

influenced by market-oriented economics. From 1974 to 1991, a centralized economic system (socialism) dominated all spheres of economic activity, with a large role for the state.

“The Derg regime overthrew Emperor Haile Selassie I by coup d’état and came to power in 1974. One of the major actions undertaken by the military junta in the country was the nationalization of private sector entities” (Hagos 2015). Gemechu (2002) argues that the Derg’s lack of modernization strategies resulted in a decline in agricultural output. Free market advocates also argue that the agricultural policies implemented by the regime did not encourage sufficient competition between farmers. This resulted in a lower level of productivity. Pickett (2002) asserts that the underperformance of the economy during the communist period was primarily caused by government policies relating to agricultural exports. Pickett argues that over 80% of the Ethiopian economy under the communist regime was based on the export of a few primary agricultural products, with no effort to diversify the export sector.

Having spent many years under an imperial regime, Ethiopia's governance system changed to a radical/revolutionary socialist regime in 1974, and then to a federal system in 1991. The country was peacefully divided into two countries in 1994 (Ethiopia and Eritrea), which later engaged in war (1998–2001). Famine and drought compound the political challenges, causing a grave decline in human development for tens of millions of people United Nations Development programme (UNDP, 2006).

“The post-Derg period (since 1991) is again taking us back to the market-oriented system of the imperial regime. It is not only unpredictable, but also violent for such cyclical processes and regime changes. Throughout the country, economic insecurity prevails, and contracts and property rights are enforced on shaky political bases. Such political processes have detrimental effects on macro-performance” (Geda, 2014).

Despite the market reforms, several industries are subject to a strict monopoly system imposed by the government. These actions, however, led to a massive decline in private businesses as well as a decrease in entrepreneurial attitudes. To resolve society's deep-seated problems, which were the result of feudalism, the Derg regime had turned to socialism as its main ideology. A higher government involvement was enforced through more restrictive laws (Hagos, 2015).

Ethiopia is still struggling to recover from a period of stagnation marked by wars, conflicts, and poverty. The success of any development policy depends upon an understanding of the expenditure-output nexus, which is of particular importance. First, Ethiopia has been unable to achieve sustained growth largely due to government policies and economic control, especially under the military regime (1974-1991). Secondly, high foreign debt and poor institutional conditions adversely affect economic progress (Menyah and Wolde-Rufael, 2013).

“In 1993, the Ethiopian government launched a structural adjustment program (SAP) with the support of the African Development Fund (ADF) and other multilateral and bilateral donors, following the near collapse of the Ethiopian economy in 1991, coupled with high inflation rates, negative real interest rates, and nonviable debt ratios” (Menyah and Wolde-Rufael, 2013).

According to the IMF, the goals of structural adjustment policies (SAPs) were economic stabilization with the aim of restoring macroeconomic balance and achieving lower inflation. These were intended to create the foundations for medium and long-term economic growth, and were applied as standard during the 1980s and 1990s (see, for example, the report of the African Development Bank on the implementation of a SAP in Egypt in 1991—Operations Evaluation Department 2000). The structural adjustment policies were designed to stimulate private sector development and encourage competition throughout the economy. In addition, they promoted the process of market determination of all prices, including exchange rates and interest rates.

Since the 1980s, the World Bank, the International Monetary Fund (IMF), and increasingly the World Trade Organization have encouraged the economic liberalization of almost all African countries. Evaluating post-Derg macroeconomic performance is almost equivalent to assessing the structural adjustment programs (SAPs) promoted or imposed by these organizations. There is significant controversy regarding this matter in the literature: "One major problem is the lack of an appropriate method to evaluate such liberalization schemes" (Geda, 2011 and 2014).

Sub-Saharan Africa experienced a period of weak economic growth during the 1980s, which led to the introduction of structural adjustment programs. By contrast, between 1979 and 1992, the GDP of East Asia and the Pacific regions where states actively promoted industrial and social policies, as well as efforts to reduce poverty, rose by an average of 5% (Geda, 2011).

Despite technological innovation producing economic growth, financial intermediaries are more concerned with short-term profit maximization than long term development.

"Several of these countries suffered a progressive loss of competitiveness on world markets when Washington Consensus measures were implemented, and some became reliant on natural resources or food exports. Therefore, countries lacking such homogeneity are less productive because of an absence of social capital" (Fielding, 2001).

"An important weakness of the Washington Consensus was that it did little to resolve structural and institutional constraints on growth even though it contained several measures to stabilize the economy and stimulate private sector activity" (Manuel, 2003).

By 1992, the transitional government had eliminated market restrictions and quotas, as well as any other "irregularities" imposed by the Derg regime. The Ethiopian People's Revolutionary Democratic Front (EPRDF) focused on

implementing market reforms and structural adjustment policies that were supported by the IMF and the World Bank. (Bekele and Muchie, 2009).

As part of the reform the state's role in economic activity was reduced, by liberalizing the foreign exchange market, reducing tariffs, reducing restrictions on quotas, and simplifying licensing procedures. Other reforms included the liberalization of financial markets, the elimination of mandatory cooperative membership and grain supply, the privatization of a few state-owned firms, and improved investment policies (Bekele and Muchie, 2009).

Between 1975 and 1990, Ethiopia's investments decreased, while its share of global exports fell by more than half. Ethiopia's exports of agricultural and food products fell from 21% to 8.1% of the total exports of developing countries, while its export share of manufactured goods collapsed from 7.8% in 1980 to 1.1% in 1990 (Sisay, 2010). Actions by the post-Derg transitional government to liberalize the agricultural sector, such as eliminating fertilizer subsidies, had an adverse impact on agricultural productivity and output. Because of this, export crops were prioritized over traditional food crops. Alternatively, some contended that export crops resulted in debt or that land adjustment programs worsened inequality in land distribution, promising to replace traditional tenure systems with "efficient" land markets and encourage the emergence of deindustrialization through "wholesale privatization and unfettered markets (Lopes, 2014).

After the Derg regime fell, Ethiopia adopted ethnic federalism and redesigned the administration of the country along ethnic lines. This took place as soon as the new government took power in 1991. In addition to formulating and implementing national regulations in the financial and monetary sectors, the Ethiopian Federal Government is empowered to utilize and conserve natural resources (Taye, 2017).

In many countries, structural adjustment programs (SAP) and macroeconomic stabilization policies from the IMF lead to adverse effects on social policies and

poverty levels. According to the United Nations Children's Fund (UNICEF) already in its 1987 report, *Adjustment with a Human Face* (Habibi, 2011), the first wave of reforms in debt-affected African and Latin American countries led to high unemployment, rising poverty, and unequal income distribution. Based on the findings of Lopez and Manuel (2003), a major serious problem facing the Ethiopian economy is that its growth potential depends strongly on its ability to export and diversify its output through export earnings. A global trade policy that hinders a country's capacity to fully use its comparative advantage limits its ability to do so.

Market access restrictions for low-cost textiles, cotton, and agricultural products, as well as competition from industrial nations' heavily subsidized exports, effectively limit expansion. As a result, it's not unexpected that policies of macroeconomic stabilization and structural adjustment sparked a wave of instability in the 1990s, contributing to the revival of civil wars (Manuel, 2003).

## 2.2 The law of uneven and combined development

According to Marxian political economy, uneven and combined development refers to the dynamics of human history resulting from the interaction between capitalist laws of motion and starting world market conditions whose nations are highly heterogeneous. Several researchers (Dunford and Liu, 2017; Brophy, 2018; Rosenberg, 2013; and Davidson, 2017) agree the concept of U & CD was applied systematically by Leon Trotsky in his book *History of the Russian Revolution*. This book explained history in relation to the various stages of the Russian revolution. The concept of dynamic historical change and comparative geographic differentiation with respect to the coexistence of tendencies toward differentiate and equalize the conditions of production, consumption, distribution, and exchange.

Brophy (2018) shows that Trotsky notes gaps and inequalities in numerous developmental interactions within and between societies in the process of capital accumulation, which he identifies as uneven development. Additionally, Brophy

points out that Trotsky also reports the merging of different stages, where separate or distinct stages are merged into a more comprehensive development mix. As a result, he classifies these interactions as "combined development."

Rosenberg (2013) made similar findings to those of Trotsky's U&CD study concerning the unequal development of countries that do not follow the path of advanced economies. As Dunford and Liu (2017) note, Trotsky views combination as the result of uneven development, which is determined by the interaction and collaboration of any given society with other developmentally differentiated societies. In contrast, Davidson (2017) maintains that it depends on the degree of interaction, which forms the basis for restrictions and revolutions. Because of comparative advantage, Davidson's claim that nations are dependent on trade, but the level of exchange is unequal since one country may be more productive than another in all goods, since it uses fewer inputs to produce any goods due to technological or skills advancements. In turn, these different relations of advancement and backwards that are related to economy, politics, and culture impact the stage of development differently.

According to Dunford and Liu (2017), these different mixtures of local and foreign, advanced, and backward, new, and old, contemporary, and traditional, have a profound impact on how development is interactively multi-linear and geographically differentiated. As a result, U & CD takes into account not just general principles governing social life, but also the necessity for a variety of outcomes, contingency, and openness in development processes.

A world dominated by capitalism creates various forms of inequality by its means of concentrating production rather than equalizing it. Its meanings are both political and economic. Political meanings result from political views and depend on whether relationships are competitive or cooperative as well as on the strength of governance. Economic means are derived from competition, the desire to accumulate capital, and the expansion of the demand for goods and services. As the



relative weight of balance and imbalance changes over time across multiple geographical scales, comparative development is powered, whereas the combination of inherited conditions with whatever is on the horizon at any given time gives rise to the complex articulation of modern and non-modern modes of production and lifestyles over time (Dunford and Liu, 2017: 83).

Smith (2015) asserts that the combined nature of development has been more combative. Against this, Trotsky emphasized the internal effects of uneven development. Since the former was a logical consequence of the latter, he recommended accepting the original order of putting uneven before combining. Smith continues to argue that U & CDs are a result of the economy. However, they take place within the confines of the components of the state system, and the nature of these combinations differs from state to state.

In Rosenberg (2013), U&CD are assumed to represent collective laws of human history, while the whip of external necessity and the privilege of historical backwardness are realities repeated throughout history. Furthermore, Rosenberg (2013) agrees that the world is uneven in the sense that it contains a variety of societies. The existence of these societies is combined so that they can borrow from one another and influence one another. Nevertheless, they were not sufficiently different from each other for the elements of the combination. Therefore, the existence of these societies was combined.

The historical backwardness notion is defined by Davidson (2017) as an unevenness in which some societies directly import the achievements of other societies without having to produce them themselves. Due to their backwardness, certain societies can, as a result, avoid all the previous steps that other societies have to go through in order to achieve certain innovations.

Smith (2015) explains that Trotsky contended that the capitalist mode of production modified the law of uneven development, which states that societies develop at varying rates. Using his view of capitalism's unique expansionary characteristics, he

argued that capitalism penetrated pre-capitalist modes of production, subordinating their economies and states to its laws of development. As a result, hybrid societies were created by combining aspects of the most advanced and backward societies.

The concept of U & CD, according to Ezcurdia (2015), is relevant to both modern-day capitalism and the history of mankind. The inclusion of international relations into social theory would not be a general solution if U & CD are not applicable to every historical period. Throughout history, many different societies have interacted with different social and technological structures, according to Blagden (2020). There was also interaction between civilizations, which allowed technology to be transferred between them, as well as interactions between societies.

In her dissertation, Brophy (2018) claims that since Trotsky's law is a historical analysis of the social relations associated with capitalism, can it be assumed that the law can also appear transhistorically in other areas not characterized by capitalist modes of production? In addition, even if the law only applies to capitalism, how does it contribute to the explanation beyond the tautological claim that capitalism develops U&CD? Why is this? Because capitalism develops in an uneven and combined manner? Brophy asserts, therefore, that regardless of how intractable these disputes may seem, we can still see the prospect of a resolution if we study the inner workings of the U & CD closely.

According to Callinicos and Rosenberg (2008), the development of one economy is a positive or negative condition for the development of others. The significance of this is accentuated in advanced capitalism. In other words, unevenness implies differences and hierarchy, as well as a totality in which unevenness may occur. Unequal development can be seen in the structured inequalities of the world system. In addition to individual countries, disparities also exist at the local and regional levels and between sectors and between companies within those sectors.

Aniancolu and Nişancolu (2015) disagree that the force of uneven development as conceived by Trotsky exists not only in the reaction of countries to one another, but also in the interaction of the various processes within the same country. Trotsky noted, for example, the imbalance between town and countryside, the state and society, and the differential pace of social stratification and differentiation among Russian peasants. His observation contrasts with other European forms.

The world is made up of societies, and each of these societies has had to deal with an outside world, which may present a military threat, provide resources, or have the technology to enable growth, but interaction remains the basis for social development (Callinicos and Rosenberg, 2008). The interaction of societies of all kinds and epochs has been undeniable according to Hardy (2014). Over the centuries, all societies interacted with one another, from small settlements to global empires, and from Mesopotamia to globalization.

Cumbers and Mackinnon (2011) believe that these interactions can provide varying degrees of possibility for social change between societies. Changes can occur not only in the economic or political structure, but also in technology and culture, which leads to inequality. As a result, the world has been uneven from the beginning and continues to be uneven today. The current rise and rapid industrialization of some advanced countries are contributing to the growing inequality of the majority of the world's population. This results in varying rates of development within different geographical locations, societies, and nations. However, it is the main cause of backwardness for the majority of people. It became clear that capitalism was spreading across the globe, resulting in the U&CD. Capitalists accumulate capital at every stage of national economic development and continue exploiting a country's resources, labor, and wages, especially in the most backward countries with an explosive mix of trade, state loans, and military alliances (Ashaman, 2019).

According to Ashaman (2009), there are three dimensions to uneven development. First, global inequality is more widely reflected in the lack of equal development

within different fields of industry, as well as between individual firms and countries. Secondly, there is an ongoing rivalry in which the major powers compete to "catch up and overtake" one another in their quest for supremacy. Thirdly, developed imperialist states jointly impose their authority over colonies and various sorts of dependent countries, which are formally independent, but are caught in a web of financial and diplomatic dependencies (Hardy, 2014).

Callinicos and Rosenberg (2008) report that capitalist development has been uneven also from a global perspective. Other societies were confronted with colonization, resulting in backward countries being forced to follow advanced countries, particularly their colonized equivalents. Moreover, they recognize that a society historically trapped in a position of inequity has resulted in not only the exploitation of resources, but also historically backward development. They were unable to catch up since they were restricted and exposed to the economic and political backwardness of arriving late. A situation such as this could lead to dependency on developed nations. The only way to escape is to revolutionize the old system in order to leap forward into a better future. This will require education and significant investment.

Global leaders are increasingly following trends that are interconnected due to the liberalization of the global system. Consequently, the accumulation of capital is concentrated in hierarchical systems that shape the economies of some nations through geographic position, infrastructure, employment, and income. While capitalists strive to achieve a combined development, their centralization of their means of production becomes incompatible with society as a whole. Concentration of capital in fewer and fewer hands creates a crisis for the vast majority of the population. Thus, it becomes unsustainable as it ends in violence and the rupture process of revolution (Wolf, 2020).

Smith (2015) elaborates that these critical dynamics of capitalism have a spatial component, as capital moves to specific locations where it can acquire increased

profits, or where it can restore profits that have fallen. Between these two conflicting inclinations, there lies a paradox. Radical differentiation and competitive equalization are the two types of social production and reproduction circumstances. According to Ashman (2009), the establishment of a general rate of profit is caused by rising rivalry for markets among enterprises in the same industry and the migration of capital from less profitable sectors to more profitable ones. Competition, in this sense, is a force for equality. However, new disparities emerge as a result of technological and institutional development, as well as worker contestation. As a result, the dual processes of equalization and differentiation can be seen, as each capital tries to make more money by increasing productivity and deepening worker exploitation within its unit (Dunford and Liu, 2017).

Geopolitical economic approaches recognize unevenness as a factor contributing to capitalist development based on Trotsky's concept of U&CD. The latter involves searching for new sources of primitive accumulation (such as cheap labor or colonial exploitation of natural resources), in addition to competitive pressures between commodity producers. Moreover, capitalism's contradictions are addressed by domestic policy under the influence of pre-existing internal dynamics and class structures (Ashman, 2009).

### **3 GTP 1 and 2 and forth Analysis of outcomes of GTPs**

Economic growth has been much faster in Ethiopia since the introduction of GTP1 and GTP2. The country's human development index (HDI) has improved significantly, which has increased prospects for further growth. Government effectiveness has improved despite the lack of democratic process and excessive control and intervention. Both GTP1 and GTP2 have set higher growth and investment targets than those of any of Ethiopia's earlier national plans and laid a foundation for future growth (Engda, Beyene, Alemayehu, Debowicz, Dorsoh and Robinson 2011). However, most of the growth in different sectors has accelerated over the past decade as a result of structural transformation. Nevertheless, the

positive performance has not translated into significant poverty reduction and shared prosperity. Low-income households and other vulnerable groups have not had adequate opportunities to enhance their standards of living (Geda, 2014).

Ethiopia experienced rapid economic growth that began in 2003, outperforming the majority of other African nations. From 2003 to 2013, the country's GDP increased at a rate of 10.9 percent, compared with 4 percent from 1993 to 2003. Ethiopia's rapid growth in agriculture has been largely responsible for the country's rapid growth since 2000. Between 2000 and 2013, the compound annual growth rate of key crops such as maize, sorghum, wheat, and barley were 7.2 percent, 9.7 percent, 8.9 percent, and 6.9 percent, respectively. Ethiopia's two major export crops, coffee and sesame, had even greater increases in output growth (Chakrabarty, 2016).

Ethiopia is the second-fastest-growing country in Africa in terms of population. The demand for basic necessities is higher than before, yet agriculture remains the primary source of growth. The sector accounts for more than half of the gross domestic product (GDP). It employs more than 85 percent of the labor force and generates more than 90 percent of the country's foreign exchange (Welteji, 2008). As a result of this challenge, fertile lands are leased to capitalists without providing alternatives for those displaced. They are excluded from employment opportunities and other ways of making a living, preventing them from escaping poverty; consequently, their ability to catch up and overtake poverty has weakened, as there has not been any clear backup policy. However, less attention has been paid to reversing this situation, leaving regions exposed to inequality, poverty, and immigration.

Dunford and Liu (2017) note that combination arises out of unevenness, but not in the case of Ethiopia, where interaction is based on similarities in politics, economics, and being part of an ethnic elite. This kind of interaction has denied minority ethnic groups access to basic services. Despite the fact that most of the supply comes from the poor, governmental officials, capitalists, and ethnic elites often benefit from the trade-off. Thus, relations become competitive instead of collaborative. This is

compounded by unevenness in the distribution of income that breeds inequality and poverty. In the process, "new national and international policies and programs have been implemented that are supposed to foster growth and development, but in the process, they create a massive and complicated form of poverty" (Scudder, 2010).

Ethiopian history is full of ethnicity-based conflicts, in response to earlier internal conflicts between different ethnic groups on the basis of similarity and differences. The government developed a revised constitution in 1995. This introduced a federal system in line with US structural adjustment policies. Indeed, it created a variety of forms of disparity both within ethnic groups and between social classes. Therefore, the conflict continues even today, resulting in mass destruction. The introduction of such a federal system facilitates the accumulation of capital for certain ethnic elite groups with connections to the government. Thus, as Manuel (2003) observes, it is not surprising that macroeconomic stabilization and structural adjustment policies led to a wave of public unrest in the 1990s. Thirdly, the system allows large, powerful corporations, foreign investors, and local capitalists to align with the government officers so that the rules work in their favor.

In Ethiopia, ethnic groups coexist and interact, but there are also disparities and exploitation. This creates a gap that inflicts social and economic pressure unevenly upon Ethiopians. Ethiopian social class interaction, on the other hand, remains based on exploitation in order to accumulate capital, followed by ethnic similarity and ties with the government. As a result, according to Davidson (2017), developmental differentiation within society based on constraints and innovations that exist is not usually sustainable. In addition, Davidson (2017) claims that when these different relations are not equal, they can both be forward and backward in terms of gaining access to growth in various ethnic groups of a country. The ethnic elite, capitalists, and governmental officers' living standards are advanced in many ways. On the other hand, the majority of people are backward. Economic, political, and cultural stages of development are hampered by uneven development.

According to Human Rights Watch (HRW) (2014), Amnesty International (2014), Moresh Wegenie Amhara Organisation (2016), and the Human Rights Council (1992-2015), ethnic tension and ethnic cleansing have occurred in Ethiopia (Taye, 2017). GTP has increased the tension:

"The major recurring causes of the conflict were dominant party governance, new forms of colonization, disagreements regarding land, grazing land, water resources, and settlements, regional hegemony, access to state resources (funds, jobs, investments) and language policy in education and administration" (Taye 2017).

Messy and Monticone (2012) claim that GTP is not consistent throughout the country and that there are significant disparities between regions. Nevertheless, high debt, poverty, and low education rates are on the rise because of volatile and unequal income distribution. In such a context, it is not surprising that many individuals have difficulty obtaining access to financial services and managing their scarce household resources effectively. In most social classes of different ethnic groups, economic inequality has grown due to capital accumulation, although some have achieved a shared economic breakthrough, resulting in constant differentiation and equality of socio-economic development.

Capitalism is founded on inequality, and the massive government involvement and state control of the economy have contributed to the growth of the country's inequality. Many economists, such as Geda (2019) and Asfa (2015), believe it is primarily the reason why the country has not progressed according to plan. Though GDP shows Ethiopian growth over time, it does not reflect all aspects of economic activity; rather, growth is indicated by specific groups or sectors of the economy. The idea of capital accumulation during the GTP has expanded, particularly in the form of exploitation. Thus, it not only made ethnic groups deeply differentiated from each other but also drove the development of different, polarized political views, accompanied by a torturous atmosphere. If any members resist the government's policy due to the uneven distribution throughout the regions, they will be subjected



to torture and poor treatment. According to Klein (2007), this treatment pertains to how it happens, how it is exploited by politicians, and how it is even deliberately deepened in order to gain an advantage over disoriented groups. She has also reported on the inverse of this process, in which people that join together around a common catastrophe may transform the world for the better. Wars, terror attacks, coups, and natural tragedies have rocked minority Ethiopians. Then they are shocked again, this time by companies and politicians who take advantage of the fear and confusion caused by the first shock to push through economic shock treatment. Police, troops, and jail interrogators shock anyone who dares to resist a third time. Shock therapy has been applied when implementing GTP1 & GTP2. As the mood continues to deepen, it continues to produce deep ethical, social, and economic divisions that rightly demand certain revolutions at every level of development.

From an international perspective, the state has implemented the structural adjustment program and adopted neo-liberal policies to foster GTP growth by eliminating price controls, deregulating capital markets, cutting trade barriers, and lowering taxes, especially through privatization and austerity, mostly with China. The reasons for Chinese interest in Ethiopia are primarily driven by the desire for resources, according to Chakrabarty (2016). Furthermore, Ethiopia's period of high growth rates was marked by an expansion of Ethiopian Chinese economic relations, particularly relating to the Belt and Road initiatives. The two countries' bilateral trade has grown rapidly, and China is now the nation's largest exporter and importer. The fundamental issue, however, is the massive and growing imbalance of the trade deficit. Geda (2008) believes Chinese corporations funding numerous projects in Ethiopia may be considered assistance since western firms are usually reluctant to provide vendor financing for such projects. Other than a 3-year grace period, the financing has been offered at market rates and is conditional on Chinese companies taking on the project.

The country's strategic location and the rapid growth of its population make it an attractive destination for foreign investors and China's desire to secure access to natural resources drives economic and diplomatic ties with Africa. According to Wolf (2016), this fact has raised concerns about African countries being exposed to the latest forms of colonialism and a new scramble for their resources. As a consequence of the arrival of the Chinese on the Ethiopian market, not only was society displaced, but also their capacity to participate in global trade was restricted. Due to the fact that the Chinese corporation formed an alliance with local capitals and began monopolizing many sectors.

Ethiopia's relationships with China are not welcomed by other states. Demble (2020) claims in an article titled 'Winds of War: Trump warns Ethiopia that Egypt will bomb the Renaissance Dam' despite the fact that, according to Gamora (2009), China's political and economic relationship with Ethiopia is based on exploitation of Ethiopian society. On the other hand, China has supported Ethiopia on a number of international issues. However, the state's policy to foster growth is creating challenges and opportunities for society both locally and internationally.

In Ethiopia, multiple ethnic groups and politicians compete, collaboratively, individually and collectively, to assert their dominance over other regions. Regions (ethnic groups) that are less advantaged are enmeshed in asymmetrical webs of economic, political, and military dependence that can impede and enhance their growth and development (Dunford and Liu, 2017). The Ethiopian economy is highly dependent on foreign investment and is forced to shape its policy in accordance with the interests of outsiders. Therefore, the economy fell backward, becoming one of the poorest countries in the world. Despite this, the positive progress of GTP1 and GTP2 means the countries' total debts are rising. Poor institutions and a high level of corruption limit the state's domestic ability to overcome its constraints and move in the direction of increased equality.

Several factors contribute to Ethiopia's slow economic growth, including political-economic factors, climate change, the strength and efficiency of institutions, the

quality of public policy, and risks related to war and property rights (Geda, 2019). In his view, the product and input markets are not only thin but also rigid. When combined with the insecurity of the political environment and ethnic conflict, these have severely limited the potential for long-term sustainable growth. Geda's perspective explains the growth gap between regions and social classes of different ethnic groups. Moreover, they interact in the economy with regard to the differentiation and equalization of conditions of production, consumption, distribution, and exchange. This is mainly in the accumulation of capital within or outside the country. In contrast, the growth gap in between creates a huge developmental gap, as a few remain dominant while the majority remain abandoned and isolated. The occurrence of such exploitation by capitalism sparked several revolutions within the country's various ethnic groups, who demanded change. This is because the accumulation of capital makes societies deeply differentiated from each other.

The market only serves and functions best for those who have capital, providing opportunities to diversify their investment in key business sectors that may help them achieve a surplus, bringing them an economic fortune at the cost of poor land and labor (Cochrane and Legault, 2020). The government's policies to implement the plan benefited foreign investors, ethnic elites, and governmental authorities that were assigned to implement it. These groups together accumulated capital at the expense of the disadvantaged. Development projects in every part of the country, including agriculture, infrastructure, industries, and so on, have caused a lot of involuntary resettlements of the poor and small business owners. Consequently, their lives have been negatively affected. The highly corrupted system that focuses on short-term returns has resulted in a decrease in the standard of living and a deteriorating quality of life for the majority. Consequently, more severe forms of poverty are what the majority of Ethiopians are struggling with, while capitalists accumulate capital in ways that lead the masses to uneven development.

Research by the United States Agency for International Development USAID (2020) indicates that only a small percentage of Ethiopia's land is irrigated, and agricultural outputs from small farms are below regional averages. It is difficult to connect to the market, and there is limited access to better seeds, fertilizers, and pesticides. Despite these obstacles, agriculture-led economic growth that is linked to improved livelihoods and nutrition could offer Ethiopia long-term solutions to chronic poverty and food insecurity. The government has nevertheless announced the allocation of US \$75-79 billion over five years for public investment. A total of \$30 billion has been invested by the government over the last five years to restructure the economy. Nevertheless, since the plan was announced, many controversies have arisen. According to Tilahun (2016), Geda (2011), Zarihun (2011), and others, the plan is too ambitious and will disrupt the economy by displacing private investment and making government finances more difficult.

The Ethiopian government has been heavily investing in different sectors of the economy in the recent years, but the impact of this spending on the country's economic growth is still in dispute and different studies, such as those by Zarihun (2011) and Geda (2011), have come up with different conclusions in this regard. There is some positive and significant correlation between government sectoral spending and economic growth, according to Geda's studies. However, Zarihun (2011) finds a significantly negative or no relation between an increase in government sectoral spending and economic growth.

Several types of economic indicators indicate successful growth in many sectors. Even though economic dominance is concentrated in a few hands, ruling party affiliates (political or family hood and friendship) are multi-millionaires. On the other hand, millions are starving. One of the main goals of GTP 1 & 2 was to reach a level where every citizen must have three meals a day. However, this is becoming a luxury in the country, mostly in urban areas and among minority ethnicities. Basic food items like bread, cooking oil, and sugar are supplied in rations. As a result, not only the poor, but also the middle class, cannot afford to provide enough food for

their families in Ethiopia today (Zerihun, 2011). According to Ethiopian statistics (2021), inflation rose 40% while U & CD was intensifying.

GTP1 and GTP2 have become unrealistic in Ethiopia in light of the current situation, in which political and economic power is monopolized by a few. A few governing party affiliates are actors and are regarded to be beneficiaries, whereas the rest is excluded and does not engage. Ethiopia's economic plan has been criticized by both the IMF and the World Bank (2011) as being excessively ambitious and threatening macroeconomic stability. In addition to being misguided and impractical to finance, the GTP has a severe negative impact on the economy. A lack of capacity to implement plans and insufficient funding for proposed investments are recurring themes involving ambitious public investment and growth targets. Government reliance on the National Bank of Ethiopia, which led to an inflation rate of more than 40 percent. Despite its impact on many people, particularly the poor, especially via diminished purchasing power, the government officially dismissed the claims (Zerihun, 2011).

The GTP1 and GTP2 have had a positive impact on the Ethiopian economy, but they have also widened the gap between rich and poor. There has been a great improvement in living standards in most cases, although unevenly and with uncertainty. Family income is rising faster for rich families than for the poor, and the number of people living in severe poverty is increasing as well. However, living conditions vary widely, and the success of the poverty reduction program is uncertain. A number of issues relating to GTP have caused conflict among state agencies and have contributed to dislocations brought about by major development plans. Geda and others have observed that rapid development frequently results in temporary, albeit acute, imbalances in the macroeconomy. In spite of this, it is the responsibility of state agencies to avoid precisely these imbalances, a practice that is supported normatively by prominent economic doctrines that promote balanced growth (Chibber, 2020).

Despite the government's efforts, the number of deficits continues to grow, and the level of public debt continues to rise (Menyah and Wolde-Rufael, 2013). Firstly, the alarming trend of a double-digit rise in public expenditures is probably not sustainable (Dereje, 2012). Second, the economic progress has been impeded by successive budget deficits, largely due to defense spending, which have continued to put pressure on the stock of money, price levels, and the balance of payments, all of which have hindered Ethiopia's economic progress (Adugna, 1997). Thirdly, Ethiopia relies heavily on external borrowing and on massive inflows of foreign aid, where an increase in funding is claimed to negatively impact revenue collection (Martins, 2007). A high dependence on external debt is not only jeopardizing Ethiopia's efforts to meet its poverty reduction programs but is also placing it in an extremely precarious fiscal position (Gebrekidan, 2005). Because of this dependence, development budgets have been severely compressed, as well as the fiscal base for essential public services (Gebrekidan, 2005).

The Ethiopian economy is growing unevenly. As inequality worsens, the country is in danger of falling into a completely precarious situation. To support this point, Geda (2019) argues that it is unclear how the "objective" factors (i.e., the economic conditions) and the "subjective" factors (i.e., the political or social temperament) would ever come together in a way that would permit us to predict where and how an uprising revolution would take place. The current conflict in Tigray demonstrates the U&CD in Ethiopia, when powerful elites disagree over power and access to resources. However, their disagreements resulted in an unnecessary war that caused the deaths of hundreds of thousands of people and the displacement of millions, further dividing society and fueling ethnic tension in a large part of the country revolting for change. In contrast, inflation climbed to 25.2% in 2021 as compared to 15.81% in 2019 (Ethiopian Statistics Office 2021).

## **4 Summary of findings and recommendation**

This thesis discusses the impact of GTP1 and GTP2. It begins with a discussion of development policy in Ethiopia and U & CD, then shows evidence of how Ethiopia has suffered from U & CD because of GTP1 and 2. Given that large numbers of the population are poor and have limited access to growth, while the country's economy is further weakened by immoral national leaders and public servants, "Such theft takes the form of fiduciary looting by those at the top and pervasive corrupt exactions by those blown away charged with administering the nation's social and economic programs" (Nnadozie and Jerome, 2019: xvii).

A number of reports have revealed, in general, that GTP 1 and 2 have restricted access to the majority while allowing access to some. According to the literature review, the growth plan aims to mobilize everyone in a major way so that more people can succeed economically. The study finds that there are significant differences between the plan and the study, contrary to expectations. Furthermore, the study found that excessive state control and intervention contributed to the majority's lagging behind. It is caused by the division of power for capital accumulation between several regional authorities and elites, structural adjustment, corruption, and inadequate institutional policies. Instead of allowing access to better management of household resources and developing income-generating activities, they forced society to face new forms of poverty.

Ethiopian development, after all, involves growth and an improvement of the quality of life and overall human welfare. Nonetheless, it has underperformed on several fronts, lagging behind in terms of making sustainable progress. The transformation plans have pushed Ethiopia to be one of the fastest-growing countries in the world for the past 10 years. However, as Todaro and Smith (2015) review, sustainable growth is central to development. In contrast, unsustainable growth reflects uneven development between different ethnic groups. This is because capital and power are accumulated and concentrated on a small group of

people based on ethnic background and ties with the ruling party. This intensifies unevenness. Due to this uneven interaction, there is instability, crisis, and division among various regions in Ethiopia. As mentioned earlier, the growth rate across Ethiopia has been disappointing. Although Ethiopia recorded a significant increase, the majority of the low growth was explained by poor regulation and a lack of transparency in the implementation of policies. In addition to that, different economic indicators indicate that growth is unsustainable and usually represents a specific sector, and that sector is dominated by very few people.

Societies generally require some form of social policy. The type and extent of interventions may vary over time and geographical location. There is a consensus among economists that various market failures make welfare states necessary to ensure social security in modern market economies. The majority of economic and societal support does not provide a decent standard of living. A number of studies evaluated and analyzed by Geda (2019) demonstrate that industrialization and the rise of capitalism have undermined the traditional forms of support and protection provided by family, kin, tribes, guilds, churches, etc. In most parts of Ethiopia, development has become uneven. These results further support the conclusion that the state's policies have failed. This is because state policy has taken different forms and uses different institutional solutions to counter various societal risks such as old age, sickness, unemployment, disability and many others.

There are, however, other possible explanations for the recognition that the problems connected to Ethiopia's diverse policies of economic stability and liberalization had a disproportionate impact on the poor. Poverty and income inequality increased as a result. Overall, there was a significant deficit found in the area of policies that dealt with debt, controlling markets, and inadequate institutions. According to Lopez (2013), international financial institutions, particularly the World Bank and IMF, displayed significant intellectual arrogance by failing to recognize and address the vastly negative impact of such policies for a long time, denying the criticism leveled at them and limiting their response to launching



compensatory programs. Yet, Faya (2013) sharply criticized the GTP1 and 2 plans for failing to recognize the negative impact displayed by the World Bank and IMF and instead keeping those policies. As a result, strong economic development has not translated into shared prosperity and has not improved living standards for the majority. Growth must be inclusive in order to be socially and politically sustainable in the long run, in order to raise awareness and target the valuable. Todaro and Smith (2015) claim that one key component of inclusive development is financial inclusion, an area in which Ethiopia has been lagging behind others.

Tilahun (2016) has also shown evidence in his study that public expenditure on different sectors of the economy in developing nations demands more budgetary allocations every year. However, there is a need to properly investigate the effectiveness of the budget and to examine the impact of fiscal policy on economic growth. Budget allocations are often not made according to plan due to corruption. Installing a decentralization structure with a proper value chain that is capable of identifying the short-term and long-term relationships between fiscal policy and economic growth can play a significant role in utilizing the country's scarce resources efficiently,

Liberal trade structures continue to be the source of unevenness in Ethiopia. Firstly, the problem was adopting an open market without first building an effective legal, regulatory, and supervisory framework. Secondly, the liberal trade structure became more attractive for private investors because it allowed access to fewer and higher profits. Thirdly, the absence of effective legal institutions, followed by looting and corruption, contributed to insufficient economic growth, widespread poverty, and few jobs for the wider economy. Thus, domestic market formation has to work hand in hand with an expansion of exports to international markets in order to sustain industrialization. According to Wolf (2016), a possible explanation for this is that post-Keynesian models imply that income distribution is critical in that regard. The logic is straightforward: when demand is very limited, production goods are only sold to the wealthy. Due to their tiny numbers, they cannot meet the

demand for mass production. As a result, a very skewed distribution of income between wages and profits, favouring the latter, might result in a sharp decline in demand for industrial output. This, in turn, restricts investment and slows the growth of manufacturing output. Additionally, Wolf (2016) highlights how regulation of the labor market and housing should help foster redistributive policies by promoting linkages between different sectors of the economy and helping to increase the effect of technology acquisition.

According to Howitt and Aghion (2009), when growth begins, it is driven by capital accumulation, but the drive should be proportional and combined with proper regulation to ensure sustainable growth is achieved in the long run. However, during the implementation of GTP 1 and GTP 2, capital accumulation has been the main driver in many sectors. Institutions should be constructed that gradually increase in knowledge without being subject to diminishing returns. Instead, according to Howitt and Aghion (2009), they propose letting innovation take over more and more and promoting the accumulation of human capital via education, physical capital accumulation, and, for instance, the literature review analysis suggests that sustainable growth would be best achieved by a combination of effective property rights protection and sound education.

Countries tend to move through various stages of growth. Sustained long-term economic growth at a positive rate is a relatively novel phenomenon in human history according to economists such as Aghion and Howitt (2009) and Todaro and Smith (2015). Considering the population growth in Ethiopia and the diminishing return to labor, it is challenging to achieve sustainable growth. Yet, agriculture remains the main driving force of growth in Ethiopia. However, a strong institution should be developed that would start reallocating resources away from agriculture and toward manufacturing. In doing so, lessons should be taken from previous history and other countries' experience. Instead of simply adopting policies, they should be analyzed and tested in multiple ways. Economic policies should be a central component that must necessarily focus on poverty reduction, empowering

the vulnerable, and overall development of the country. On the other hand, it should empower all its citizens with proper employment, education, and life expectancy. Moreover, the government should have a strong impact by providing people with the tools necessary to develop as individuals and families. Furthermore, several strategies should be available that would allow the practice of decentralization structures. Thus, it would increase access to services for rural populations by bringing the infrastructure closer to the people. This way, citizens are the actors of their own lives and not simply the replication of the government's policies.

While GTP1 and GTP2 created U & CD and left a mass of human resource waste, inequality, and poverty, the country has achieved high economic growth. However, the government should examine the characteristics of that growth and limit excessive intervention. So far, the growth has allowed elites to participate. Agriculture is the main sector where institutional and structural arrangements must be designed to improve access so that all regions have equal access. Therefore, Todaro and Smith (2015) emphasize that the government needs to know how and when to design a better policy or set of policies in a way to reduce poverty and excessive inequality in the distribution of income while maintaining or even accelerating economic growth rates.

Another key issue when dealing with and implementing changes to foreign or domestic policies is Nnadozie and Jerome's (2019) argument that the focus should be on economic policy and empirical evaluation of policy prescriptions. It is important to examine how ethnic diversity, political instability, corruption, and globalization affect the formulation, adoption, and implementation of those policies. In addition, attention should be paid to improving the efficiency with which current resources are utilized in order to strengthen the economy's capacity to adapt to changing environments. These initiatives include economic pricing of goods and factors of production, as well as improved management and possible privatization of public enterprises. However, it is critical to protect the vulnerable groups in society from the possible short-run effects of adjustment.

Differences exist everywhere, and the literature review showed how Ethiopian society is differentiated from one another in terms of ethnicity and capital. This is characterized by a deep level of disparity that has been inherited for a long time. It becomes the source of multiple constraints and a complex, disturbing relationship that is difficult to combine. However, the idea of accumulation of capital is at odds with the idea of combined growth. Capitalists support the idea of globalization to get easy access to factors of production. Yet the literature review found that one way of doing this was by prescribing a large dose of “shock therapy” to societies. As Klein (2007) has argued, their implementation, their exploitation by politicians and corporations, and even their deliberate intensification has enabled elites to gain an advantage over disoriented populations. She has also reported on the flipside of this process: how societies that come together around an understanding of a shared crisis can change the world for the better. Like many other peoples, Ethiopians have been shocked by wars, terror attacks, coups d’état and natural disasters. Then they have been shocked again—by corporations and politicians who exploit the fear and disorientation of this first shock to push through economic shock therapy. People who “dare to resist” are shocked for a third time by the authorities—police, military personnel, and prison interrogators. Consequently, Klein (2007) suggests that a powerful institution needs to be established to correct a series of wrong turns, failed policies, and blatant unfairness.

In addition, a more realistic term for a system that erases the lines between Big Government and Big Business is not liberal, conservative, or even capitalist, but corporatist. This is not to be confused with the corporatism of post-1945 Western Europe (Panitch 1977). Massive transfers of public wealth to corporate hands, typically accompanied by skyrocketing debt, an ever-widening gap between the rich and the poor, and an assertive nationalism that justifies massive security spending, are the hallmarks of corporatism. (Klein 2007; see also Klein and Smith 2008).

In evaluating the adjustment process, according to Jafarely (2010), it is vital to note that a country cannot live beyond its means indefinitely. When there are imbalances,

some kind of adjustment will occur. This adjustment may be either orderly or disorderly, and one of the structural adjustments primarily functions to assist members in making the adjustment as orderly as possible. Jafarely's (2010) study highlights an extremely relevant point. Disorderly adjustment may result in shortages of products and the establishment of uncontrolled markets; high inflation rates (an inefficient and regressive form of taxation); and the accumulation of external payments arrears (a limited and very costly form of foreign finance). On the other hand, according to Lopez (2015), orderly adjustment is associated with lower inflation, the correction of economic distortions, and the possibility of long-term economic growth, at least in the medium term. In general, structural adjustment enables the development of orderly adjustment programs that aid the borrowing country in achieving a viable balance of payments, sustained economic growth, and reasonable price stability. Furthermore, financial assistance can be obtained for the adjustment.

As most African countries have done, Ethiopia is forced to utilize foreign debt to finance roads, electricity, water supply, and other infrastructure projects and is burdened by high-interest rate payments. However, "the idea of development should be reconsidered through a holistic approach, including intrinsically related economic, societal, and environmental components rather than dividing them into compartments" (Katende, 2009). On one hand, Lopez (2015) argues that a "stronger and more democratic state, backed by effective governance institutions, should fill this role. This is especially vital for government measures aimed at enhancing social protection through knowledge to foster collective and global production. In addition to promoting integrated regional planning and development, emerging urban centers could also foster endogenous participatory decision-making processes. As stated by Ambaye (2013), sustainable development requires the state to invest in public facilities and infrastructure that promote safety and security, health and welfare, social and economic growth, and environmental protection and restoration.

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