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Economic Development Cycles In Madagascar, 1950-1990

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Abstract

This paper reviews economic development trends in Madagascar during the last decade of French colonial administration through the 1980s. Using both tabular and graphical profiles, emphasis is given to the evolving framework of economic policy. This framework began initially with capital budgeting, then passed on to indicative planning, and then more comprehensive planning as Madagascar sought to achieve both economic transformation and growth in the decades since political independence from France in 1960. As conflicting objectives became more acute through fluctuating export earnings and domestic policy constraints, Madagascar has engaged in a scaling back of public sector intervention in the context of international programs of structural adjustment. What remains to be determined is the optimal mix of public and private sector participation in the economy, particularly where such issues as income distribution are concerned.

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1. Introduction

The primary objective of the paper is two-fold: on the one hand, to review the economy's performance in Madagascar over the last 40 years; and, on the other, to present the content and context of various economic policies and assess their relavance and impact. The different sections deal successively with the following aspects :

- the evidence: facts, phases and cycles ;
- the guiding principles: ideas and policies ;
- the general context: policies and politics; and
- the prospects for the future and further research.

2. The Evidence: Facts, Phases, and Cycles

This section starts with a presentation of the methodology and data used to asses the economy's performance. It then determines the general pattern---if any---in the behavior of selected economic indicators over the period under study, i.e. 1950 to 1989.

2.1. Methodology and Data

To measure the economy's performance, two sets of data have been selected: economic aggregates and output data. The first set consists of the usual macroeconomic aggregates relating to gross domestic production. It is however accepted that these measures, though widely used, do not always reflect fully or faithfully the realities of production or economic performance, let alone of standard of living. That is the reason why the author has chosen to use additionnal indicators in order to acquire a more complete picture.

The second set of data therefore relates to physical output. The indicators were selected to reflect the production of goods (not of services) in the two main sectors agriculture and industry (including mining). For each sector, three products in each of the three most important branches were chosen as indicators on the basis of their representativeness.

Agriculture includes food crops, industrial crops, and export crops. The products studied are as follows :

-food crops: rice, cassava, corn (maize);
-industrial crops: peanut, cotton, sugarcane; and
-export crops: coffee, vanilla, and clove.

Industry includes mining, food processing, and clothing and footwear. The products studied are as follows :

-mining: mica, graphite, chromite ;

-food processing: canned food, beer, sugar; and

-clothing and footwear: cotton cloth, garments, shoes.

All in all, output figures for 18 products have been examined: 9 in agriculture, and 9 in industry. For agriculture, data are complete for all items for the whole 1950-1989 period. For industry, data are complete for mica and graphite; they are missing for 1950 to 1955 for chromite, canned food, beer, sugar and cotton cloth, and for 1950 to 1968 for garments and footwear. (In most cases of missing data, the reason may simply because no production units were yet in operation.)

For all these products, there are usually two or more sources of information, and therefore two or more published sets of data. Where the figures differ, the author has chosen the official sources (statistical Office, then Planning Office) over other sources, and the sets covering longer periods over shorter series. The data used for this study are the best available continuous series, and are subject to the usual proviso for caution relating to such data.

As for the figures themselves, data on the 18 products relate to physical output, as expressed in physical units: tons, meters, liters, pairs, etc. The GDP figures are in "constant" prices, as derived from the current figure deflated by the consumer price index (CPI) : strictly speaking, a specific GDP deflator should be used, but such a deflator has only been developed for the last few years; thus the CPI, which can be readily computed over the entire period, has been used as GDP deflator in the present paper.

2.2. General Patterns

Figure 1 illustrates graphically the data relating to gross domestic product and agricultural output of food crops, industrial crops, and exports crops. Figure 2 relates to GDP and industrial output of mining, food processing, and clothing and footwear.

An examination of the data and the figures reveal that the evolution of economic aggregates and output figures comprises an alternating sequence of two different phases. The first phase is a period of more or less continuous movement or trend: the trend can be upward, downward or in stagnation. The second phase shows a v- shape movement, i.e. a decrease followed by an increase.

<u>The V-shaped phases</u> -The V-shape movement is marked by a rather sharp decline in the absolute value (or in the growth rate) of production, followed by an increase that mayor may not fully make up for the decline---in any case, the bottom of the V is at least an inflection point.

The following table records the low-point or inflection point for GDP and the 18 agricultural and industrial products. It shows that over the 1950-1988 period, three distinct V-shape phases can be identified: colums 02, 03, 05-07, 09-11, 13-14.

The first one occured in 1959-1960 : out of 14 products for which there was an output, 9 reached bottom in 1959 and 3 in 1960 (with vanilla doing so in 1958 due to its own specific growth cycle).

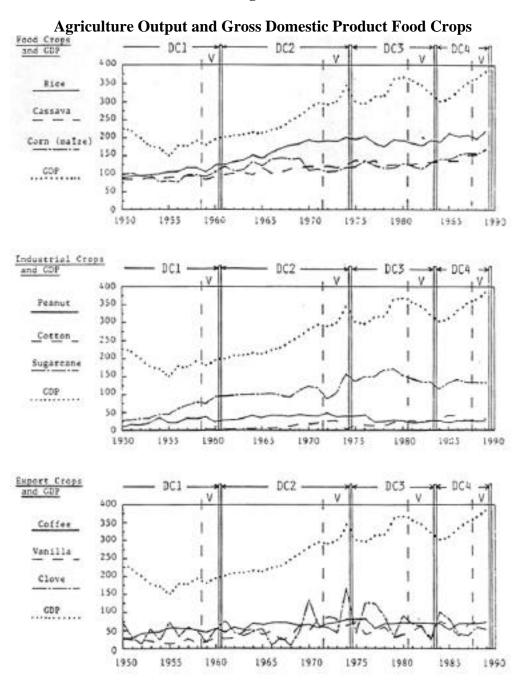
The second one lasted from 1972 to 1974, with a large concentration in 1972 and 1973: out of 18 products, 8 reached bottom in 1973, 6 in 1972 and 2 in 1974 (with coffee doing so in 1971).

The third one occurred in 1981-1983, with a heavy concentration in 1982 : out of 18 products, 10 reached bottom in 1982, 3 in 1983 and 2 in 1981 (with peanut and graphite doing so in 1980).

<u>The continuous-trend phases</u> The table shown on the next page also provides indications on the direction of movement in the continuous-trend phases for the selected indicators, i.e. output of the 18 products and GDP. The movement can be either upward (0), stagnating (S), or downward (D).

Four periods show a continuous trend pattern. These are 1950- 1958, 1961-1971, 1975-1980, and 1984-1988. A count based on an examination of Figures 1 and 2 shows that in each of those periods, movements for the 18 products have been upward





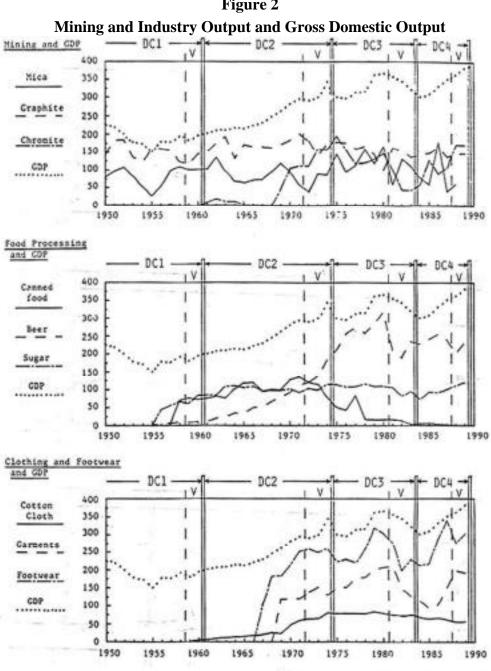


Figure 2

Table 1

Directions in Movement During the Continuous-Trend Periods and Inflection Points of the V-Shape Periods for Selected Output Indicators

Indicator	Development! Cycle !			Development Cycle 2				1 Development 1 Cycle 3				Development ! Cycle 4		
	Direction in Novement	Inflec- tion Points		Direction In Movement	Inflec- tion Points			Direction In Novement	inflec- tion Points		Poincs	Birectiun 10 Novement		
	- 1950 -	6561		- 1461 (04)	1972	-	4/61		1861 8	1982	1981		1988	6861
AGRICULTURE	1017	1		047	1	106.7	105.0	4081		-	1	1	1	1
Food Crops Rice Cassava Corn (maīze)	U U S	1 1 X 1 X 1 X		U U U U	! ! ! X			D S U	X	x				
Industrial Grops Peanut Cotton Sugarcan	0	0 X	x	U U U	- x	×	-	D S		X		! ! S ! S ! U	1 87 1	
Export Crops Gafiee Vanilla Clove	UD	! ! X ! ! X !	1	1 U 1 U 1 S	1	-		1 D 1 D 1 D	-	! - !	1 - 1 X 1 X	1 S 1 D 1 D	1 1.87 1	! ! ! !
MINING AND INDUSTRY	1	1	1	1	1.	1	!	1			1	1	1	ł
Mining Mica Graphite Chromite	U D	11	! 1 1 1 0	0 1 0 1 0		X			1 x 1			1515	187 187 187	-
Food Processing Canned food Beer Sugar	-	! !	x	s v s	xx	1 1 1 1	1		1	XX	1 1 1 1 1 1	D S U	1 1 1 1 1 1	1.
Clothing and Footwear Costen cloth Garments Footwear	-	10	10		1 ! ! 1	X	 x	1 U 1 U 1 U		X	* * * * * * * * * * * * * * * * * * * *	1 1 D 1 C 1 C	X	: 1 1 X 1
GROSS DOMESTIC PRODUCT	1	1	1	1	1	t i	1	1	1	1	1	1	ł	1
GDP (at constant price)	1 10	ix	1	U	i x	i	ł.	i u	1	i x	į.	1 0	ŝ.	ĵ.

¹U = Upward ; S = Stagnation ; D = Downward.

2"X" = Year of inflection (turning point) ; "O" = No production ; "-" = Xo inflection because of continuous increase (cotton, cotton cloth) or stagnation (coffee). In 58.3 per cent of cases (35 out of 60), stagnating in 20.0 per cent and downward 21.6 per cent of cases. The ratios vary of course from one period to another: thus the share of upward and stagnating movements was 70.0 per cent in the period 1950-1958, 94.4 per cent for 1961-1971, 66.7 per cent for 1975-1980, and 77.8 per cent for 1984-1987.

No hasty conclusions should be drawn from the above data, for they refer only to the direction of the movement and not to its intensity. Thus a 1.0 per cent increase and a 10.0 per cent increase are both recorded as a U (upward). More detailed analysis of the data, especially in terms of the growth rates of output, is needed before arriving at any general conclusion on the relative performance of the economy in each of the continuous-trend period.

The Development Cycles

The duration of the continuous-trend period is longer than that of the V-shape period. The former may last anywhere from 4 to 11 years, while the latter lasts only 2 to 3 years. Looking back over the entire period, the sequence is a regular alternation of continuous-trend and V-shape. It can therefore be observed that the phenomenon being studied---i.e. the economy's performance---proceeds by fits and starts, or more aptly by "development cycle" : each "development cycle" (which may be seen as the equivalent of the "business cycle" in the analysis of development) is made up of a continuous-trend phase and a V-shape phase.

In general, the continuous-trend phase is a period of expansion and growth, while the V-shape phase is a period of crisis and recovery. Over the 1950-1988, the economy of Madagascar has thus known four development cycles :

- -Development cycle 1 (1950-1960) : .expansion phase: 1950-1958, . crisis phase: 1959-1960 ;
- -Development cycle 2 (1961-1974) : .expansion phase: 1961-1971, . crisis phase: 1972-1974 ;
- -Development cycle 3 (1975-1983) : .expansion phase: 1975-1980, . crisis phase: 1981-1983 ;
- -Development cycle 4 (1984-1990) : .expansion phase: 1984-1987, . crisis phase: 1988-1990 (?) .

This means that the current Development Cycle is drawing to a close as the crisis may be coming to an end, and the country should be getting into the expansion phase of its fifth Development Cycle starting in 1991. More will be said about future propestors in

The approach by development cycle thus allows one to establish some regularity and/or recurrent pattern over a relatively long period. It offers some insight into the forces at work in the economy during shorter periods, which is not always possible with classic trend analysis. The approach does however have some drawbacks: in particular, it is not obvious whether the economy is at a higher level of production at the end of a given cycle or series of cycles than it was at the begining of the cycle.

3. Guiding Principles: Ideas and Policies

The facts have thus been set out in Section 2. Are they the results of random events, or do they reflect the implementation of some guiding principles, some basic ideas that were translated into economic policies by the successive sets of decision-makers? Policies---or at the very least, policy intentions---have in fact been formulated at various times during the last forty years, and it can be expected that they will continue to be so in the future.

3.1. Sources

There exist a multitude of primary sources where the economic policies pursued during a given period can be found. The following is only a first and probably incomplete list of such sources for the case of Madagascar :

-basic documents, such as the Constitution

-speeches and pronouncements of the Heads of State or Heads of Governments,

at home or abroad ~

-statements by Government Ministers and other high-level officials;

-texts of specific legislations such as the investment codes, mining law, petroleum law,

etc.; and

-international conventions and agreements, signed with multilateral agencies as well as with bilateral partners.

Such primary sources are very important and extremely significant, to the extent that even though they may, at least in some cases, be lacking in specifics, they set out the general spirit which have been guiding the actions of the speakers or authors. Some of these basic documents and sources are listed in the Bibliography. Usually, in fact, economic policies in Madagascar have been spelled out in various Plans. Consequently, for the purpose of the present paper, Plans have been the primary sources used in determining what policies were pursued when (i.e. in which period).

3.2. The Plans

The original official designation (with the English equivalent) and the period covered by each of the successive Plans_are listed here:

- Plan Décennal de Développement Economique et Social_(Ten-Year Economic and Social Development Plan), 1947-1957 : there does not seem to exist one single document that would be the "Plan" proper. The existence of this Ten-Year Plan is known though nine voluminous "Rapports d'Execution"_(Implementation Reports), one for each fiscal year of the Plan life, the first one covering the period 1947-1950 and the last one the year 1957-1958. In later years, the Plan was split up into two *Plans Ouadriennaux*_(Four-Year Plans), respectively for 1948/49-1952/53 and 1953/54-1956/57.
- 2. Plan de Développement Economique et Social: Programme 1958-1962 (Economic and Social Development Plan 1958-1962 Program).
- 3. Plan Quinquennal 1964-1968 (1964-1968 Five-Year Plan).
- 4. *Teti-pivoarana Voalohany 1974-1977_*(1974-1977 National Development Plan).
- 5. Teti-pivoarana Voalohany 1978-1980_(1978-1980 First Plan) : this was the first of a new series designed to implement a long- term plan entitled Ny Safidy Fototra momba ny Fananganana Teti- pivoarana Sosialista (Basic Options for Socialist Planning), setting out development options and strategies up to the year 2000.
- 6. Teti-pivoarana Faharoa 1982-1987 (1982-1987 Second Plan).
- 7. *Perspectives. Programmes et Politiques de Développement 1984-1987* (1984-1987 Development Perspectives, Programs and Policies).
- 8. Plan 1986-1990 (1986-1990 Plan).

Thus 8 different sets of "Plan" documents have been drawn up during the last 40 years, covering periods varying from 3 years all the way up to 10 years for the operational parts. A "Plan" does not always correspond to one phase or one development cycle, or to part of a phase of a cycle. (This is of course to be expected from the way the

development cycle was arrived at: an empirical, trial-and- error approach based solely on the examination of available data on selected indicators.)

Of the 8 Plans, 4 fall squarely within a development cycle: 1947-1957,1964-1968, 1978-1980 and 1984-1987. The other 4 overlap between two cycles: 1958-1962,1974-1977,1982-1986 and 1986-1990.

3.3. Cycles, Plans and Policies

What are the contents of these various Plans, and how do they fit in the development cycles ? It is not possible to examine here all aspects of economic policies. A few significant areas will be selected for conducting a comparative review of the four development cycles through which Madagascar's economy has been in the last 40 years. These will be the following :

- role distribution among the various economic agents (the State, public entreprises, private initiative) in the production sector ;
- investment financing: domestic vs. foreign financing, public vs. private borrowing, public vs. commercial creditors,etc.;
- orientation of output: domestic consumption, import substitution, export promotion;
- pricing policy: Government regulation vs. market mechanism; -policy toward direct foreign investment; and
- control over "strategic" economic levers (or commanding heights) : banking, insurance, transport and communication, utilities, etc.

These six areas may be considered to be the main domains where policies have to be clearly defined in any strategy for economic development. Each development cycle will be briefly presented in respect of the objectives and policies contained in the Plan or Plans applicable to its period.

Development Cycle 1: 1950-1960. Two Plans were applicable during this Development Cycle 1: the 1947-1957 Ten-Year Plan (with its two Four-Year Plans), and the 1958-1962 Program. The main objectives under the 1947-1957 Plan were two-fold : to ensure that the country ("colony" in that period) could (i) produce enough to satisfy its needs, and (ii) generate a surplus for export. The strategy involved the following actions :

- in infrastructure: highways, railways, ports ;

- in agriculture: the extension of land under cultivation by 350 000 ha (namely through better water management and increased mechanization), and the uplifting of productivity (through improvements in cropping methods);
- in livestock: regulation of slaughtering, improvement in fodder production, and species selection {through cross- breeding) : and
- in mining and industry: systematic survey of deposits, improvement in the technical equipment of existing production units.

The Second Program (1954-1957) reaffirms the objectives as being {i) to give priority to rural economic development, and {ii) to improve the living conditions of the "indigenous" population. Specific actions were defined in four areas :

- sustained action for technical training, and especially the establishment of personnel for extension services, in order to spread proven and tested methods among the agricultural population, and to support the creation of rural organizations appropriate to local conditions.
- creation of a network of simple equipments at the regional or even the village level, that will provide the necessary stimulus for a real improvement in the living conditions of the "indigenous" population :
- encouragement for the creation and extension of large-scale industrial and mining units, in order to build a more balanced economy since an excessive reliance on agriculture makes the country too vulnerable: and
- encouragement of general progress for the "indigenous" masses by the improvement in living conditions preventive medecine, primary education, training of appropriate elites, diversification in the forms of credit---among others.

As for the 1958-1962 Program {also known as *Troisième Plan_*or Third Plan), its main objective is, first, to raise the living standard of the "Territory's population" : then to improve the balance of trade and as a result the balance of payment: and finally to increase general prosperity by an improvement of the means of production and the inhabitant's culture and to prepare the "Territory" to playa role in the European Common Market. The ways and means to these ends consist in promoting a better coordination of actions of the administration's departments, in securing the full support and backing of the population, in ensuring the participation of beneficiaries in the actions undertaken, and in obtaining an economic/efficient use of available means. Specific activities are planned in various areas:

- general studies and surveys :
- production: agriculture, rural development, forestryand land conservation, livestock, fishing, and electrification :
- infrastructure railways, highways and bridges, ports,
- waterways, air transport, telecommunications, and meteorology; and social sector health, education, housing, and water supply.

The above items are thus the objectives and contents of the Plans during the 1950-1960 Development Cycle 1. (In fact, this Cycle probably should be started in 1946 or 1947 : it is simply because of ready availability of data that it is made to start in 1950.) It is now necessary to look at the six domains of economic policies specified previously:

- (i) role distribution in the production sector:_the State (at that time, the colonial power) left production of goods and services largely in the hands of private initiative, the main producers then being large colonial firms in some sectors, and there were very few public entreprises (mainly, water and electri- city, railways, etc.);
- (ii) *investment financinq_*: production units found their own sources of finance for their investments; the State financed 34.0 per cent of its current and capital expenditures from ressources generated locally and 66.0 per cent from subsidies received through the metropolitan power (including Marshall Plan and/or Truman Point IV funds), and in the later years from grants from the Common Market;
- (iii) *orientation of Output_*: satisfaction of local needs comes first (for agriculture and industry), export is a second priority (mainly for spices and mining ressources);
- (iv) *pricing policy* : except for a few "strategic" products (most notably, rice), prices are left mainly free from State interference ;
- (v) *direct foreign investment:*_investments by non-natives, either by expatriates settled in the "Territory" or directly from the metropolitan power, were encouraged and given privileged treatment;
- (vi) *control over "strategic" economic levers:* the State or public entities have control over utilities, communications and part of transport (especially railways); most of the transport sector, and all of banking and insurance were in private hands.

Development Cycle 2: 1961-1974 Three Plans were applicable, in whole or in part, during this Development Cycle 2 : the 1958-1962 Program, the 1964-1968 Five-Year Plan, and the 1974- 1977 National Development Plan. The content of the 1958-1962

Program has already been presented in the proceeding paragraphs on DC1. The main goal of the 1964-1968 Plan is to improve the living standard of the citizen, and most especially that of the peasant. The objectives are:

- -increase and improvement of agricultural production, namely that of basic staple products (*produits de première necessité*);
- -development of industry, especially in the fields of energy and processing of mineral products ;
- -organization and control of trading channels ;
- -rationalization and organization of transport; and
- -progressive and rational integration of nationals within the mechanisms for the design and management of economic affairs.

Specific actions are to be undertaken in various sectors : agriculture, industry, housing, transport, trade (of agricultural products, and of manufactured goods), and development of cooperatives.

The 1974-1977 National Development Plan sets one goal: to defeat as rapidly as possible the causes of poverty and of inequality. The way to achieve this end is through national control of development, which entails a change in the role of the various economic agents and a new development strategy. Under the new role assignment, the State would have exclusive control over key-sectors and would be co-ordinator in the "free" sectors. The new develop- ment strategy would be based on an industrialization-led growth and a balanced growth among the regions. (It may be noted that, although chronologically situated in the Development Cycle 2 which ends in 1974, this Plan was not adopted until April 1974. There- fore, its impacts cannot be seen within DC1 proper but are more likely reflected in the first years of DC3.)

Given the contents of the Plans as described above, and especially those of the 1964-1968 Plan, it is possible to present the DC2 economic policies in the six domains specified previously:

(i) *role distribution in the production sector:*_the State continues to leave production of goods and services mainly to the private sector, while itself keeping a low profile, providing "support" and promoting the creation of cooperatives ;

(ii) *investment financing:_*production units continue to find their own sources of finance for their investments; the State finances its investments from national ressources

for 36.2 per cent of the total amount, for 44.9 per cent from foreign subsidies and aid grants, and for 18.9 per cent from borrowings;

(iii) *orientation of output_*: first priority remained on the production of basic foodstuff for local consumption, but renewed emphasis was put on production for export, especially of mineral products, and the introduction of import substitution industries must be noted ;

(iv) *pricing policy*: State interference was minimal except for sensitive items such as rice (basic staple) and coffee (main export crop);

(v) *direct foreign investment:* foreign investment is welcome and even receives special treatment, as evidenced by the 1961-1962 Investment Code ;

(vi) *control over "strategic" economic levers:*_compared with the previous period, no major change can be noted (except in the field of insurance, where there is an increase in public sector participation) ; however, a large number of nationals begin to hold meaningful positions in the economic apparatus.

Development Cycle 3: 1975--1983. Three Plans were also applicable during this Development Cycle 3: the 1974-1977 National Development Plan, the 1978-1980 First Plan, and the 1982-1987 Second Plan. The main content of the 1974-1977 Plan has already been presented in the preceding paragraphs on DC2.

Both the 1978-1980 Plan and 1982-1987 Plan are part of a series that was designed to cover the rest of this century. The period up to the year 2000 was divided into three stages: 1978- 1984 for the creation of the structural and material bases for development, 1985-1992 for the consolidation of the economy, and 1992-2000 for its growth and expansion. Centered around the development of the whole man and of all men, the objective was to achieve genuine political and economic independence. The strategy was to be based on the pursuit of industrialization: agriculture was to constitute the basis of the economy, and industry was to be the engine for development. And the State was to playa very active and predominant role as an economic actor. More specifically, the 1982-1987 Plan concentrates efforts on four areas, which constitute the main priorities :

-self-sufficiency in food products ;

-creation of the foundation of a self-reliant industry; -basic supplies to the population, research, training and health; and
-development of export products.

Using the six domains defined previously, economic policies during this Development Cycle 3 can be characterized as follows:

- (i) role distribution in the production sector:_the State, public corporations, and cooperatives will playa dominant role in various sectors of production and exchange activities; private initiative will remain free to engage into productive activities in well-defined areas, where the State will maintain supervisory authority;
- (ii) *investment financing:* the principle was that the country should rely on its own efforts first, but in actual fact financing for the State's investments (both in its traditional role of provider of collective infrastructure and service and in its new role as entrepreneur) came from classic budget ressources, grants from foreign aid, borrowings from domestic sources, borrowings from external sources, both public (bi- and multi-lateral) and private (commercial banks and suppliers' credit);
- (iii) orientation of output : priority was given first to production for local consumption (foodstuff production and import- substitution industry), then to promotion of traditional exports (spices, mineral products), and to diversification of exports (fishing, at temps to set up units for processing mineral ressources such as ferro-chrome, efforts to develop new items such as paper pulp, oil and petroleum, etc.);
- (iv) pricing policy : state intervention in setting producer prices, consumer prices and/or profit margins is widespread and covers a large array of goods and services;
- (v) direct foreiqn investment:_foreign investment is ac- cepted, but the State endeavors to give the national investor at least equal treatment with the foreign investor and to give small- and medium-scale entrepreneurs equal access to the same facilities;
- (vi) control over "strateqic" economic levers: the State claims control over all key-sectors which, according to the 1974- 1977 Plan, include banking, energy, insurance, mining, foreign trade, transport, medicines (pharmaceuticals), and movie; to these, the 1978-1980 Plan adds that "the State shall be sole owner of all strategic units in mining, industry and public works."

Development Cycle 4: 1984-1990 (?). This is a cycle for which the expansion phase (1984-1987) is over, but for which the v- shape or crisis phase (1988-1990) is still under way. Three Plans are also applicable to this DC4, at least theoretically: the 1982- 1987 Second Plan, the 1984-1987 Development Perspectives, Programs and Policies, and the 1986-1990 Plan. The 1982-1987

Plan has been presented in the preceding paragraphs on DC3. (In any case, as it has already been noted earlier, this Plan was abandonned even before any implementation started.)

The main actions planned under the 1984-1987 document aim at attaining the following results :

-increase in production and exports ; -rehabilitation of existing capital ; increase in the efficiency of the workings of the economic apparatus ;

-reestablishment of financial equilibria and of the country's financing capacity; and

-improvement in living standards.

For the period 1986-1990, the Plan sets three main objectives: -food self-sufficiency ; - increase in exports; and -improvement of the population's living standards.

In terms of the six domains of comparison, the DC4 period can be characterized as follows :

- (i) role distribution in the production sector:_return to competition among all economic agents, withdrawal of the State from various sectors and various companies, sale of some parastatals, reinstatement and recognition of the private sector as a legitimate actor;
- (ii) *investment financing:* public investments are financed through budget ressources, domestic borrowings, foreign aid grants, foreign borrowings (mostly from official/public sources, with an increased share from the multilateral agencies) and, indirectly, through debt rescheduling; private investments find their own funding but, in addition, benefit largely from the State's numerous sectoral or structural adjustment programs and financig agree-ments;
- (iii) orientation of output_: top priority is given to debt reimbursement, hence to reduction of import (search for food self- sufficiency) and to export promotion---which not only becomes a leitmotiv in terms of production but also becomes the sole justification for all efforts in the fields of infrastructure and transport, trading channels, and processing industries;
- (iv) *pricing policy* : liberalization of prices and profit margins on all products, both agricultural and industrial, and both in domestic trade and in foreign trade ;

- (v) direct foreign investment: foreign investment is not only welcome but sought and encouraged in numerous ways, among other means through an investment code that contains generous tax holidays and other benefits (including guarantees);
- (vi) control over "strategic" economic levers: the general tendency is for the State to withdraw from the production field ; although its presence remains unchanged in some sectors (e.g. uti- lities, transport) , liberalization has led the State to open to the private sector such vital areas as banking (which previously topped the list of what were considered to be "strategic")---with the de facto monopoly held by public entreprises being increasingly challenged.

4. The General Context: Policies and Politics

The economic policies described above for the four Development Cycles of the last 40 years did not, of course, exist in a vacuum. They were designed and implemented within a much wide context, in which "politics" (wathever the exact meaning of that term) certainly plays a central role. This section is intended to examine the interactions between economic policies and political events. Historically and politically, the 1950-1989 period is made up of three district sub- periods :

- the end of colonial rule, which continues until 1960 but with a transition period in 1958-1960;
- the first republic, which formally extends from independence in 1960 until the proclamation of the second republic in 1975 but also with a transition period in 1971-1975; and
- the second republic in 1975-1989, with two sub-periods corresponding respectively to the current President's first term (1975-1982) and second term of office (1982-1989).

4.1. The End of Colonial Rule: 1950-1960

Madagascar became a colony in 1896 and did not recover its formal sovereignty until 1960. Throughout the colonial period, economic policy was a textbook implementation of what a colonial policy known as "economie de traite" should be. The colony was to be, on the one hand, a source of cheap raw materials and unpro- cessed products: and, on the other, a captive market for the manufactures of the "mother-country". And indeed, the country's economy remained largely agricultural, despite the installation of a few industries (mostly agro-based industries) in the late 50's. Strictly speaking, independence occurred in Madagascar on June 26, 1960. The creation of the Republic (la "Republique

Malgache"), however, dates back to October 14, 1958, following the referendum held in september 1958 on the continuation of the country's association with the "mother-country" within the "French Community". In this sense, the year 1958 may be taken to mark the formal end of colonial rule in Madagascar, or at least the beginning of a transition.

The V-shape phase (1959-1960) can thus be seen to correspond to this period of political transition, between the creation of the first republic and the country's regaining its independence. At that time, the economy was controlled by expatriates from the colonial power, or at least by non-natives. The approach of independence most certainly created some insecurity in their mind, leading them to slow down their activities and their investments. (In fact, disinvestments had started in some areas as early as 1954 or 1955.) And they were probably waiting for some reassuring sign.

They obtained this reassurance in three steps, and from both the former colonial rulers and the leaders of the future independent country:

- first, the 1958-1962 Plan was issued to show that things would not be stopped with the approaching independence ;
- second, the Republic was proclaimed peacefully and by mutual consent ;
- third, the new Republic and the former colonial power concluded the necessary cooperation agreements that would guarantee continuity.

All of this occurred before independence was declared. The uncertainly for the foreign firms was lifted: for them, it was back to business as usual. Hence, the V-shape. Uncertainty in 1959 means a dip. Reassurance and guarantee in 1960 translate into a quick recovery.

4.2. The First Republic: 1960-1975

The circumstances under which formal independence came to the country explain to a large extent why the first period following the return of sovereignty was not characterized by any sharp break with the past. Madagascar was annexed by France in 1896 and was ruled as a colony for the next sixty years or so. The "loi cadre" passed in 1956 was meant to introduce Madagascar, along with other French colonies, to an apprenticeship to autonomy. (It may be noted that right after World War II, French rule in Madagascar was highly contested, most prominently in the so-called "1947 Events" : in the aftermath, repression cost the lives of well over 100000 victims.) When independence came on June 26,1960, it was granted by colonial power.

With independence, past trends, practices and policies continued. The presence of the colonial power's citizens at the commanding heights of the economy continued, and their actual role {as opposed to their nominal functions) remained essentially unchanged. The economic policies adopted by the Government did not entail any great modifications in the various vested interests.

Toward the end of the period, the Government itself was fully aware that independence had not brought all the economic and other benefits that had been hoped for. Sensing that the policy of continuity had run its useful life, the autorities convened a national conference, called "National Days for Development Planning" (*Journées Nationales de la Planification du Développement*) .The conference participants included not only the various departments and public bodies but also many other concerned parties, especially the so-called *"forces vives de la Nation"* (or the Nation's life/live forces); in all, 2800 persons registered for the meeting. Lasting 6 days (from April 19 to 24, 1971), the conference came up with a series of recommendations, relating namely to socialism and development, malagasization of the economy, people's participation in development, and economic independence.

But this apparently was a case of too little too late. By that time, the results of the continuity policy had affected the population to such a negative extent that unrest began to gain ground. It started with troubles or open rebellion in the Southern part of the country in April 1971. Combined with the growing un- rest, a power struggle was taking place among senior Government leaders as to who should succeed President Philibert Tsiranana, who had been ill. strikes upon demonstrations, division and indecision within the Government led to the end of the regime which had been in power since 1958. The end of an era came in May 1972 when the country's first President handed power over to the highest-ranking officer, General Gabriel Ramanantsoa.

The battle-cry during the May 1972 events had essentially been "enough is enough". This was taken by the new Government as a mandate for change. And indeed, probably the most important event that occurred during this 1972-1974 period was the revision of the cooperation agreements (*accords de coopération*) which the country had with the former colonial power. This act marks a break with the past that is both symbolic and substantive in nature: its most visible effects were the closing of the French bases in the country, and the country's withdrawal from the franc zone.

The economic/development policies pursued by the Government were spelled out in the Head of Government's *Discours Programme* (Program-Speech) of July 27, 1972, in his *Discours sur l'Economie et le DeveloQPement* (Speech_on the Economy and Development) of August 31, 1973, and in the 1974-1977 National Development Plan which was prepared during 1973 and adopted on April 23, 1974. A reading of these documents and of the recommendations of the April 1971 Conference shows that some or most of the elements from the latter are reflected in the former set of documents.

However, the Government that came to power in May 1972 did not have the time to implement these newly-defined policies. The period end-1974 to mid-1975 in Madagascar was one of political turmoil with unprecedented events: a mutiny; an officer relinquishing power to another officer; the assassination of Colonel Richard Ratsimandrava, the new Head of Government, after only six days in power; and the constitution of a provisional military Government *(Directoire Militaire)*. This unsettled period only came to an end when the *Directoire Militaire*_appointed Commander Didier Ratsiraka as the new Head of State in June 1975; the choice was later to be confirmed through a nation-wide referendum held in December 1975. (In the evolution of production and output indicators shown in Figures 1 and 2, these times of troubles are reflected by a relative slowdown of activities in 1975-1976 however, the movement is not as sharp as with the other crisis or V-shape periods, and in any case it is not as systematic.)

The life of the First Republic thus includes the entire Development Cycle 2, with both its phases 1960-1971 for the expansion phase, 1972-1974 for the V-shape or crisis phase. Here again, the uncertainty is what caused a negative reaction: the cooperation agreements had been abrogated *de facto_*by a popular movement in May 1972; what was going to happen in the country's economic relations with the outside world, especially in terms of payments ? The uncertainty was lifted in 1973 with three events :

- Madagascar withdraws from the franc zone in May;
- new cooperation agreements with the former colonial power are signed on June 4 and go into effect on June 26 (independence day)
- the Central Bank of Madagascar is created on June 12 (ordonnance No. 73-025).

The rules of the game have been clarified. Things can go back to normal. After the dives of 1972 and 1973, economic activities pick up again in 1974. (Some decline observed in 1975---a year of political changes---has no lasting effect, and, in any case, is

not enough to reverse the upward surge.) And thus endeed the Development Cycle 2 and began DC3.

The First Term of Office (1975-1982). The government of President Didier Ratsiraka did not reject out of hand all of the ideas and policies drafted during the 1972-1974 period. While droping a few, it carried most of them further and introduced additional elements. The overall design and sectoral strategies were fully laid out in the Charter for the Malagasy Socialist Revolution (*Charte de la Révolution Socialiste Malgache*), and the details regarding economic and social development were later provided in various Plan documents, especially The Basic Options for Socialist Planning (*Les Options Fondamentales pour la Planificatoin Socialiste*), the 1978-1980 First Plan (Premier Plan 1978-1980), and the 1982-1987 Second Plan (*Deuxième Plan 1982-1987*).

The *Charter for the Malagasv Socialist Revolution*_is a fondamental document that was accepted by the same December 1975 nation-wide referendum that adopted the country's new Constitution and elected Commander Didier Ratsiraka as President of new Democratic Republic of Madagascar. (The President has since been reelected for a second term of office in November 1982, and for a third term in March 1989.) The document covers the whole spectrum of the country's life. The guiding principle is "the development of all men, of the whole man" (*le dévelopment de tout homme. de tout l'homme*) .The design and strategies for (economic) development are based on the following premises :

- an omni-directional foreign policy (politique tous azimuts);
- self-reliance : "rely first on one's own strengths" (*compter d'abord sur ses propres forces*);
- considering "agriculture as the basis of the economy and industry as the engine for development".

Spelling out the details of the design and strategies, various Plan documents were adopted. *The Basic options for Socialist Planning* takes the long perspective, with the year 2000 as its horizon. The *1978-1980 First Plan_*provides more specifics.

The 1975-1981 period was characterized by a very active involvement and direct intervention of Government in the economic sphere. Most notable among the numerous actions undertaken were :

- he nationalization of banks, insurance companies, utilities, large trading companies, etc. ;
- the creation of State/public corporations in industry (e.g. OMNIS, or National Military Office of Strategic Industries, etc.), in commerce, and in transport;
- the creation/transformation of large-scale parastatals in the agricultural area : *sociétés d'amenagement*, OMIPRA or Military Office for Agricultural Production ; -
- many large-scale projects: infrastructure (e.g. stadiums), social (e.g. regional university centers), etc.

So intense an activity of the State, which in the later years became known as "all-out investments" (*investissements a outrance*), was of course bound to be translated into large public expenditures and large public investments. Furthermore, local ressources being rather limited, recourse to foreign sources (both public and private, and in the latter, both financial/commercial and suppliers' credits) was libe-ally used

The end of this period thus saw the emergence of large deficits in both public expenditures and external payments. (Thus, paradoxically, the search for self-reliance led the country to become even more dependent, at least financially) These develop- ments on the internal front, combined with the impacts of equally detrimental events at the international level (e.g. 1979 increase in price of oil, adverse movements in terms of trade, fall in prices of main commodity exports, etc.) led the country to contract its first standby agreement with the International Monetary Fund in June 1980, to be followed shortly there-after by negociations for a stabilization program credit approved in April 1981.

And so endeth self-reliance. In fact the 1982-1987 Second Plan, which was fully endorsed and adopted by the National People's Assembly in December 1981 (Loi No. 88-036 portant sur le Deuxième Plan 1982-1986. du 16 décembre 1981), and was to go into effect in January 1982, was abandonned even before its implementation started.

The Second Term of Office (1982-1989)

By 1982, the debt crisis had come to a crunch. And the country now had chosen to accept to work with its foreign creditors led by the International Monetary Fund and the World Bank. And some/most elements of economic policies (not only short term or financial ones, but also medium- and even long-term strategies relating to the country's development) had to be discussed with them, and in many instances agreed with them.

Policies pursued during the 1982-1987 were primarily designed to restore public finances and external payments to levels that would ensure an uninterrupted servicing of the country's foreign debt. This led to various austerity programs, stabilization programs, recovery programs, devaluations, etc. Furthermore, the end of the period saw increasing emphasis put on divestiture and on liberalization, both internally (of prices, especially) and externally (of imports and exports, and of foreign exchange allocation).

The withdrawal of the state from the economic sphere---at least as an active producer---is to be compensated by an increased involvement of the private sector. In fact, according to the new rules of the game that seem to be emerging, private initiative is not to be limited to nationals but is to be open to all.

The main features of economic policy in the era starting in 1988 seem to include: continuation/intensification of divestiture and of liberalization; priority and encouragement to private initiative (including a revision of the investment code); and opening the country to the outside world (including legislation on export-processing zones).

The first manifestations of this orientation toward a new open-door policy are evident in several sectors :

- the opening up of the banking sector: new banking legis- lation (Ordonnance No. 88-005 portant reglementation bancaire of 18 April 1988, ratified by Law NQ 88-010 of 7 July 1988, and various decrets d'application : No. 88-321, NQ 88-322 and NQ 88-323 of 31 August 1988), change of status of the three existing banks (from state companies to sociétés anonymes, thus allowing other partners to join), creation of a new and private/foreign fourth bank;
- the adoption of a tourism development project, which not only opens up the country to tourism but also leaves the sector entirely to private foreign promoters to do as they please: the convention pertaining thereto was adopted by the National People's Assembly in December 1988 (Law NQ 88-030 of 19 December 1988);
- the acceptance/promotion of "free zones" : signing of an agreement with a foreign group for the creation of special economic zones in April 1989, the adoption of a new investment code (Law No. 89-026 of 29 December 1989), and the adoption of legislation relating to export

processing zones or *zones franches industrielles*_(Law NQ 89-027 of 29 December 1989).

Thus, under the 1975-1981 "omni-directional policy", the principle was that we will no longer accept to be stuck with one partner but want to go out in the world and be friends with every- body. The new open-door policy, initiated in 1988, seems to consist in saying: let all the world come to us !

The Second Republic and the Development Cycles.--Development Cycle 3 starts in 1975 and ends in 1983. DC4 starts in 1984 and ends 1990 (?). The V-shape or crisis phase would appear to lie respectively in 1981-1983 and in 1988-1990 (?). For one reason or another, the economy needed again some reassurance in each of those periods.

In the first case, reassurance seems to have been provided by successful debt rescheduling, currency devaluation and a series of meetings held with the country's creditors over exactly a 24-month period :

- -April 29-30, 1981 : first meeting of the Paris Club ;
- -June 17-18, 1982 : conference for aid coordination (round- table) , organized by the World Bank ;
- -July 12-13, 1982 : meeting of the Paris Club ;
- -April 27-29,1983 : first meeting of the Consultative Group. In the second case (1988-1990), the signals came both on the domestic front and from the outside. On the domestic front, the following developments may be noted :
- -April 1988 : liberalization of banking ;
- -December 1988 agreement on a large-scale tourism development project ;
- -March-April 1989 : agreement in principle for the creation special economic zones ;
- -December 1989- April 1990 : adoption of a new investment code and of legislation relating to export processing zones (*zones franches industrielles*), together with the regulations for their implementation.

Signals from the outside may be considered to provide necessary reassurance, especially for foreign investors. Noteworthy among those signals were a succession of visits made in Madagascar, over a relatively short period, by a series of leaders :

- -the Managing Director of the International Monetary Fund, Mr Michel Camdessus, in December 1988;
- -the Head of the Roman Catholic Church, Pope John-Paul II, in April 1989;
- -the President of the World Bank, Mr Barber Conable, in November 1989; and
- -the President of the French Republic, Mr François Mitterand, in June 1990.

For DC1, DC2 and DC3, the pattern has not varied upon receiving the right signals, the economy reacts positively, production increases, and the cycle ends on the ascending half of the V before the start of the next cycle. There is thus every probability (unless recent street disturbances have lasting effects) that, having received the appropriate/requested signals in 1988-1990, the country will move to a new Development Cycle 5 in 1991 or, at the latest, by 1992.

5. Conclusion and Summary

The approach adopted for the present paper has been that of scientific investigation, combined with a desire to arrive at practical results. After all, these Development Cycles are no more than a construction of the mind designed to gain a better under- standing of past reality and, as a consequence, to be in a better position to mold future reality in accordance with society's ob- jectives. Seeking thus scientific understanding and practical applicability, the paper will present in this last section some hypotheses relating to the future in terms of economic growth and development, some indications on directions for further research, and a summary of the main results.

5.1. A Peek into the Future

Trying to see some orderly pattern from events in the past is already risky enough business. Speculating about the future is an even more hazardous undertaking, especially when data are rather shaky and official information scant. It may however be interesting---in fact, for planners and decision-makers in various areas and at differing levels, it is essential---to gain an over- view of future growth potential. Such an overview is precisely what the paper will try to provide in the next few lines. It will attempt to assess the prospects for the future and the chances of success.

Prospects for the Future. Three elements are deter-minant in any scenario for the future: the existence of ob-jectives that are clearly identified; an explicit choice of policy instruments; and the availability of a minimum set of assets. Besides the general goal of improving the population's standard of living, the objectives for the future in Madagascar

appear to have been clearly identified. They are the twin aims of achieving durable growth and self-sustaining development.

So far as can be ascertained from various written sources, official pronouncements and concrete actions of several departments, policy instruments come under two general headings : liberalization on the internal front, and open-door vis-à-vis the outside world. Actions on both counts are likely to be intensified in the future. For liberalization, this concerns mainly divesti- ture, opening the banking sector, freeing foreign trade, and eliminating or reducing State interference, especially on prices----in general, to improve the "working environment for producers. The open-door policy will allow foreign investment a freer hand: in particular, it will provide a larger scope for the establishment of export processing zones and for the concretization of regional cooperation (within the Indian Ocean Commission, among other possibilities)

As for assets, one may mention three main ones. First, the country possesses vast natural ressources that have only been partially tapped up to now: these relate to proven res sources in mineral deposits, agriculture, livestock, forests, etc. Secondly, human ressources are abundant and skilled; furthermore, the country has a very industrious population, especially when the population sees that it can obtain a just and fair return on its work. The third asset resides in the capital of goodwill that the country has accumulated over the last few years with the donor agencies and countries, which have publicly manifested their appreciation for the stabilization and rehabilitation measures.With all these assets, combined with clear objectives and identified policy instruments, the prospects appear promising for the country on the threshold of its Development Cycle 5 starting in 1991.

Chances of success. Economic policies, however, do not constitute an end to themselves. They are no more than means to an end, and the end often is to solve problems. In the case of Madagascar at the present time, one problem that has existed before and still persists is that of equity and participation. How do you make everybody share fairly, in the fruits and benefits of course, but also in the responsibilities and burden of producing? The solution lies in providing adquate employment and protecting purchasing power.

All the ingredients for success seem to be present today. The wish to succeed is there: the objectives are clear enough. The will to succeed also is there: that is what policy instruments are all about. The assets are there: the natural res sources and the human ressources provide the necessary bases for growth and development. Friends are also there: for having been a "good student" who has followed all the orthodox prescriptions, the country has turned its creditors into partners willing to help---although that will to help has yet to be translated into more substantial real ressources.

Thus, there seems to be an engine ready to start and, once started, ready to be oriented in the desired direction. All that is needed is the spark to energize the engine!.What is this spark going to be ? Where will it come from ? Who will bring it ? These are all questions that cannot be answered in a paper as short as the present one. More research is needed.

5.2. Directions for Further Research

The present paper constitutes a first attempt at taking the long view on economic development in Madagascar. Being no more than a tentative approach, it cannot by any means be expected to be complete.

It has permitted the development and test of a new methodological approach: looking at facts first, detecting some patterns, and only then trying to reconcile facts, policies and politics. Essentially, it has been shown that recent economic history in Madagascar has been through several phases which can be briefly described as follows :

- the winding down of an operation (colonial rule) : 1950-1958 ;
- the "transition" to independence: 1959-1960;
- continuity and trust in the tried-and-true : 1960-1971 ;
- breaking with the past: 1971-1974 :
- having a genuine try at self-reliance : 1975-1981 ;
- waking up to the debt problem: 1981-1983;
- facing up to the debt obligations: 1984-1988;
- preparing the future: 1988-1990.

The paper has also pointed to directions for further research. In fact, many questions remain unanswered about these Development Cycles, and they constitute areas for further investigation :

- the impact of the Cycles and of the phases on living standards;
- changes in the structure of the economy from one cycle to another;
- changes in the structure of foreign trade from one cycle to the next ; the impact of the cycles on income distribution: among various groups of nationals, between nationals and non-nationals.

5.3.Summary

The primary purpose of the present paper is to review the economy's performance in Madagascar over the last 40 years, by examining the general pattern in the behavior of selected economic indicators over that period. The indicators consist of aggregate time series on the one hand, and of data relating to output on the other. Agriculture and industry being the main goods-production sectors of the economy, three products in each of their three most important branches were chosen as indicators on the basis of their representativity: for agriculture, the branches were food crops, industrial crops, and export crops; and for industry, they were mining, food processing, and clothing and footwear. As for the macroeconomic indicator, Gross Domestic Product deflated by the Consumer Price Index was used to represent GDP at constant prices.

An examination of the data reveal that the evolution of economic aggregates and output figures is a succession of relatively calm periods, with a more or less continuous trend, separated by crisis periods showing a V-shape movement, meaning a decrease followed by an increase or a drop followed by a recovery. During the calm periods, economic policies_are pursued consistently and prevail over political considerations *i* and, invariably, calm codes to an end because of some disturbance creating'a climate of uncertainty for the economy. The crisis periods are brought about precisely by this uncertainty, and they only come to an end when clear political_signals are given, especially to clarify the new rules of the economic game. Thus, in calm periods, economic policies occupy center stage while in crisis period, it is political gestures that take the prominent place.

If we consider that a "development cycle" is a set made up of a calm or continuoustrend phase and a crisis or V-shape phase, then the economy of Madagascar has known four such "development cycles" over the 1950-1989 period. The main characteristics of each cycle are briefly set out below.

Development Cycle 1 covers the period prior to 1960 (the year of independence), and may be labelled "The End of an Era." The calm or continuous-trend phase lasted up to 1958: its main focus was on the smooth winding down of an operation, namely colonial rule. It was brought to an end with the approach of independence, which by now was seen by all parties as unavoidable, due to developments at various levels: at the international level with the creation of the united Nations and its Charter *i* inside the French empire with the colonial wars, especially in Indochina *i* and inside Madagascar itself, with the 1947 Events or Rebellion. The inevitability of independence was recognized by the colonial power itself, and led to the instauration of the *Loi cadre*, or framework-law, which was aimed at progressively introducing the country to self-rule. Political realism translated into economic uncertainty for investors and producer, and hence to a slowdown and even a drop in economic activities and investments. The crisis of 1959-1960 was brought to an end only through political gestures in three dif- ferent but interrelated areas: the first was the creation of the First Republic, which remained a member of French Community i the second was the conclusion of "cooperation agreements" in different fields between the new Republic and the colonial power i and the third was peaceful proclamation of a negotiated and mutually agreed independence. Taken together, these three events were enough to constitute a guarantee of continuity, and things could go back to business as usual.

Development Cycle 2 thus starts in 1961 and extends to 1974. Its hallmark was "The Choice for Continuity." Its continuous trend or calm phase was brought to an end in 1971 for two inter-connected reasons growing dissatisfaction with the results of the continuity policy, on the one hand; and widespread disappointment about the unfulfilled promises of independence, on the other. Again, the crisis, lasting from 1922 to 1974, was overcome through various political decisions: withdrawal from the franc zone and establishment of a central bank; renegociation of cooperation of agreements with the former colonial power; and publication of a new investment code and a new National Development Plan. These measures had the effect of redefining the respective roles of the various economic agents in the economic sphere (that is, the State and public entreprises, the private sector and individual entrepreneurs), as well as defining the new rules of conduct for each actor.

Coming now to Development Cycle 3, the master-words were self- reliance, selfsufficiency, and national control of the economy and of development. The calm or continuous-trend phase, during which these objectives were pursued, lasted from 1975 to 1980 ; but these efforts came to an end when a paradox, or rather a contradiction, began to develop between the objectives and the means used to achieve them. And in fact, the strategy was based to a large extent on an industrialization drive, materialized in part in an "all-out investments" program. The mere size and the nature of the financing of this program led to the accumulation of large- scale financial imbalances, both internally and externally, which very rapidly became unsustainable for the country and its economy: hence, the crisis of V-shape phase of 1981-1983, during which the actors adopted a waitand-see attitude toward the administration. The crisis once again was only solved when the Government accepted the political responsibility for the debt problem, and took concrete steps to show its readiness both the negociate with the country's creditors, and to design and implement new economic policies deemed commensurate with the difficulties. These steps consisted essentially in the organization of a series of meetings with creditors from April 1981 to April 1983 : to meetings of the Paris Club, plus one round-table on aid coordination and one meeting of the Consultative Group, both organized by the World Bank. Among other things, these meetings produced successful debt rescheduling and resulted in currency devaluation. And with the 1981-1983 crisis came the end of "The Attempt at Self-Reliance."

Finally, Development Cycle 4, which may be called "The Age of Adjustment," started in 1984, with the continuous-trend or calm phase lasting from 1984 to 1987. Economic policies during that period can be described by one single word: austerity! Austerity in public finance, austerity in foreign trade, austerity everywhere. To austerity were later added such concepts as rehabilitation, recovery and adjustment which, in colloquial terms, were all taken to mean belt-tightening all around. The period of calm ended when dissatisfaction with the results of all this austerity began to be expressed, and when people began asking such questions as: adjustment, then what? This type of interrogations led to an increasing awareness of, and impatience with, the inequity in the burden sharing, with the rich getting ever richer, and the poor getting ever poorer. Attention began to focus more and more on what was shyly called the "social dimensions" of adjustment, as the crisis of 1988-1990 set in. Such was the depth of this crisis, that its solution entailed some drastic reorienta- tion in the entire thinking on development strategies; so much so that the measures that were actually taken would not have even been imaginable in the Madagascar context just a few years back.

The measures taken to overcome the crisis concern both the domestic and the external fronts. On the domestic side, new orientations were anounced, and concrete steps taken, to implement the option in favor of liberalization: this meant, in particular, a substantial reduction of State intervention and interference in such areas as production activities, foreign trade and pricing; it also meant, not only a recognition but also an active encouragement of the private sector as a legitimate actor in all, or at least in most, fields of economic endeavor. Vis-A-vis the outside world, the new strategy may be characterized as the initiation of an open- door policy, designed to ensure a successful and progressive integration of Madagascar economy into the world economy. This opendoor policy constitutes the foundation and justification for three important initiatives in 1988-1990 : one is the decision to open up the banking sector not only to national private interested groups, but also to foreign private sector participation; the second is the agreement on a large-scale tourism development project, to be carried out by a consortium of mostly foreign private promoters; and the third one is the acceptance in principle of the creation of special economi zones and export processing zones.

This is then the situation in Madagascar at the present time. The political signals have been given as to the new rules of the game, which should now all derive from the two basic principles, namely liberalization on the domestic front, and open-door <u>vis-a-</u>Yi2 the outside world. If reference to past patterns should provide a reliable indication, the present crisis should be over fairly soon and, with it, Development Cycle 4. And Madagascar's economy should be entering in 1991, or at the very lasted in 1992, a new Development Cycle 5.

The economy seems poised for a period of solid and real gains. All the ingredients for success seem to be present today. First, the wish to succeed is there: the objectives of achieving durable growth and self-sustaining development are clear enough. Second, the will to succeed_also is there: that is what the various policy instruments to implement liberalization and open-door are all about. Third, the <u>assets_are</u> there: the natural ressources and the human ressources are ready to provide the necessary bases for growth and development. And, as the saying goes, last but far from least, friends are also there: for having been a 'Igood student, '1 who has scrupulously followed all the orthodox prescriptions for austerity and adjustment, the country has turned its creditors into partners wilhing to help---although that will to help has yet to be concretely translated into making real ressources available in a more substantial way.

Thus, it would appear that there exists an engine that is ready to start and, once started, ready to be oriented in the desired direction. All that is needed now, is the spark to energize that engine! What is this spark going to be ? Where will it come from ? Who will bring it ?

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The present paper has been prepared on the basis of data and information available in published documents and other sources accessible to the public. This Bibliography contains a list of such references, with (i) documents appearing in chronological order and (ii) periodicals in alphabetical order of title.

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