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Review

Meles's Development Paradigm and Its Impacts on Economic Transformation in Ethiopia

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On August 20, 2012, Ethiopia lost its brave son the late prime minster Meles Zenawi. When the state media announced his death, various international news agencies reported about the death of the prime minster the way they perceived him. Many newspapers presented his significant contribution in social, economic and political development in the country. In contrast to these, few individual and organization tried to write a report against the fact that prevailed in the country. For instance International Crisis Groups (ICG) said that Ethiopia's much praised economic development was not as robust or cost free as Meles would have wanted or as the international community believes (ICG, 2012). Such kind of flawed report or analysis arose mainly due misunderstanding the recent social and economic development in the country or purposely construed to undermine the contribution of our late Prime Minister Meles Zenawi. Chicago boys like ICG and Mesay Kebede who would like to shape Ethiopia in their own image cannot understand the prevailed structural transformation observed in Ethiopia during the last eight years. It is the responsibility of all Ethiopians to remember and maintain the legacy of our late Prime Minster. We want stable and prosperous Ethiopia as well as independent nation that depend on the vision of its leaders. I think this is against of the interest ICG and its scholars.

Keywords: Development, Paradigm, social, economic development

INTRODUCTION

This research is on Meles's Development Paradigm and Its Impacts on Economic Transformation in Ethiopia. "We are making progress on the economic front though not necessarily according to the standard orthodox prescription, so some people think there must be something wrong…"Late Prime Minster Meles Zenawi. During his term as president and Prime Minster, Meles Zenawi was a leader, policy maker and also a nation builder. In one of his monograph released in Colombia University, Meles Zenawi argues that, the neoliberal paradigm is dead end incapable of bringing about the Africa renaissance. To this effect, he adamantly recommended a fundamental shift in a new paradigm and the need for African states in general and Ethiopia in particular to move towards becoming developmental state. Unlike his fellow contemporary African leaders, Meles brilliantly distinguished himself as a prominent pro-poor economic activist and formidable actor in the neoliberals' discourse (Alazar Kebede, 2012). In his speech on Africa Challenges and visions for development, Meles said that Africa's conditions thus remain precarious and without fundamental rethinking of our development path it would be unlikely for Africa to be able to manage bringing about meaningful change in the economic domain. The purpose of this article is to present Meles' development paradigm and its contribution on economic transformation in Ethiopia. This article is consisting of six sections including an introduction. The second section explains the concept of development paradigm. The third section discusses about the major types development paradigms: Neoliberal and Developmental State. The fourth section identifies the major argument of our late prime minister on the democratic developmental state. The fifth section analyses the economic transformation achieved in the country after the developmental state has been in place in Ethiopia. The last section presents the conclusion and recommendation.

What is development paradigm?

Development paradigm is a completely new way of thinking that can bring social, economic and political transformation to improve the well being of the society. It is a modality or path to follow to achieve development, based on a codified set of activities and/or based on a vision regarding the functioning and evolution of a socio-economic system (FAO, 2011). In other words a development paradigm is an economic system for development that is composed of interactive functions among markets, governments, and institutions (ADB, 2003). It should be understood as a statement of the core values that a nation or regional grouping should adhere to in the future whenever it formulates policies, makes strategic choices and takes administrative action. According to Abonyi Nichodemus Nnaemeka (2009), the basic assumptions of the development paradigm are as follows:

1. Development is not economic growth even though economic growth in large measure determines its possibility.
2. Development paradigm cannot, therefore, be judged merely by its conduciveness to economic growth although this criterion of judgment is not irrelevant to its validity.
3. Development is not a project but a process.
4. Development is the process by which people create and recreate themselves and their life circumstances to realize higher levels of civilization in accordance with their own choices and values.
5. Development is something that people must do for themselves, although the help of others can facilitate it.

If people are the end of development, as is the case, they are also necessarily its agents and its means.

Africa and the global environment are to be taken as they are and not as they ought to be. What the paradigm contributes is some idea of what they can be.

Types of development paradigms

The idea of economic development received more attention after World War II when the gap between rich and poor got wider and wider. Economic development refers to the reorientation and reorganization of an entire economic system for improving the welfare of the society. The challenges of the 1950s determined what type of development paradigm would enable the developing countries to attain sustainable economic growth. During the post independent period, developing counties mainly focused on nation building and more government intervention. After the end of World War II, with the emergence of newly independent states in Africa and Asia, the international community embraced a state-led model of development, which was intended to bring about industrialization and entrepreneurship through intensive and deliberate effort and state intervention (V. Fritz and A. Rocha Menocal, 2006). Except for some East Asian countries, most of the developing countries especially Sub Saharan African (SSA) countries were not successful in their development endeavors.

Though there were different schools of thoughts since 1776, the clear diversion regarding development paradigm started during the 1980s. Up to the great economic depression of 1927, classical. It is one of the dominants economic thought that promote the market outcome is more efficient than the government intervention economic had influenced or was the dominant economic thoughts. But after 1936, John Menard Keynes challenged the classical economic thought by promoting more government involvement in the economy. In general someone can observe two broad different development paradigms during early 1980s, which are known as neoliberalism and developmental state development paradigms.

Neoliberal development paradigm

Neo-liberalism development paradigm was started during 1960s by a group of professors from Chicago University mainly by Milton Friedman. Milton Friedman (July 31, 1912 – November 16, 2006) was an American economist, statistician, and author who taught at the University of Chicago for more than three decades. It is an ideology based on economic liberalism. The ideology favors economic policies based on neoclassical theories of economics that minimize the role of the state in the management of an economy and advocates a greater role for the private business sector. Neoliberalism seeks to transfer control of an economy from the public to private sector, with the belief that it will produce a more efficient government and improve the economic health of the nation.

The basic assumption of neoliberalism is that human beings will always try to favor themselves. Neoliberalism is not a movement that simply took place overnight. Instead it grew over time as a result of a changing world market. In the 1970s authoritarian regimes played key roles in the economies of their respective countries. Such is the nature of human desire to rent seeking, corruption and inefficiency when the government intervention is higher in the economy. The only solution to solve this problem is to reduce as soon as possible the government intervention and promote free market economic system. Here the interesting point, neo-liberal does not consider there would be market failure. For them the demand and supply represent the right benefit and cost of goods and services produced in the economy. Neoliberal academics, decision-makers, business leaders, politicians and opinion formers have thus argued that market competition should be the organizing principle of ever more areas of life from the production of cars, to delivery of health services a policy which requires stripping the state of "excessive involvement" in the economy and in society. Neo-liberal development paradigm promotes minimal government intervention sometimes they called it “night watchman state” whose role has been reduced to protecting private property and enforcing contractual agreements. Classical liberalism is often associated with the belief that the state ought to be *minimal*, which means that practically everything except armed forces, law enforcement and other „non-excludable goods“ ought to be left to the free dealings of its citizens, and the organisations they freely choose to establish and take part in. This kind of state is sometimes described as a „night-watchman state“, as the sole purpose of the minimal state is to uphold the most fundamental aspects of public order.

By the early 1980s, a growing coalition of reform-minded academics, policymakers and political elites were calling for the abandonment of the state-led model of development and a return to a market-based economy. They blamed the government economic mismanagement for higher unemployment, inflation and debt crises in developing countries. Three major factors were assumed to be contributes to the implementation of neoliberal development paradigm. First, the economic crisis facing the Latin American and African countries was so severe that political leaders had no choice but to adopt neoliberal reforms. Second, pressure from international financial organizations forced politicians to adopt stabilization policies and neoliberal reforms. Third, governments implemented radical neoliberal programs because they sought to enhance aggregate economic growth and the "shock" strategy was more efficient than more gradual approaches.

The international assistance community, led by the IMF and the World Bank, embraced a set of neo-liberal economic policies through SAP. Structural Adjustment Programmes (SAPs) required governments to redirect their spending away from public services and publicly owned enterprises into debt servicing. There were two objectives under the SAP: macroeconomic stabilization and structural reform. As mentioned above, the main purpose of the neoliberal development paradigm was to reduce the government involvement and promote the market in the production and distribution of goods and services. In order to reduce the government involvement in the economy, neoliberalism development paradigm advocated or promoted Fiscal Discipline (policies to combat trade deficits); Public Expenditure Priorities (to reduce expenditure through removal of subsidies); Tax Reform; Financial Liberalisation (towards market determined interest rates); Competitive exchange rates; Trade Liberalisation (to replace licenses with tariffs and to reduce tariffs); Foreign Direct Investment (Remove barriers); Privatization; Deregulation (of impediments to competition); Establish and expand property rights.

This development paradigm has been implemented in SSA between early 1980 to late1990. While neoliberalism can point to some successes, especially in its ability to become the dominant ideological force among policy makers an various global organizations, it has so far been unable to resolve developing countries’ endemic problems of vulnerability to external forces, social exclusion, and poverty and has even aggravated some of them. The statistics of Africa’s role in the global economy make the point clearer enough. Africa’s share of exports in world trade, for instance, which was 2.4 per cent in 1970, dwindled to 1.4 per cent by 1990. Even its share of non-oil primary commodities fell from 7 per cent to less than 4 per in the same period (Abonyi Nichodemus Nnaemeka, 2009).

At a national and international level, neoliberal policies have led to a massive transfer of resources and power away from public institutions towards private ones, whittling away the means and ability of ordinary citizens to define, protect and promote the public interest.

Neoliberalism has been reshaping the world in its own image, that it replaced public decision-making with economic logic and social bond with formalistic and individualist market rationality (Martin Konings, 2009). It is blamed for more economic and social crisis in Africa. In these circumstances, Africa has become heavily indebted. Sub-Saharan Africa’s debt as a percentage of GNP was 28.6 percent in 1980 and 107.9 percent in 1991. As a percentage of total exports it was 96.6 percent in 1980 and 329.4 percent in 1991. Debt service as a percentage of exports was 10.9 percent in 1980 and 20.8 percent in 1981. (World Bank 1993e: 285). According to Getahun Tafesse (2004), some of the reasons why Structural Adjustment Program has generally failed include:

The Program is characterized by “Top down” conditionality, which is driven by Washington Consensus;

There has been no “ownership” by countries implementing the program;
“Wrong economic fundamentals” that explain more on how current highly developed economic systems work as opposed to how poor economies can revive and initiate a dynamic process from within;

The Program has failed to appreciate and take into account “institutional” factors

The SAP-inspired decades in Africa are today frequently referred to as the “lost decades”, and the persistence on the poverty crisis has led international donor to rethink, revise and refocus their aid programs on debt relief-funded poverty reduction strategies. That is why since mid 1990s, a number of governments, NGOs and other organizations had undertaken to work out an alternative neoliberal development paradigm. Not only these, even those international organizations that promote the minimal government intervention has been realized the importance of strong government in the economy.

Developmental state paradigm

Realizing the failure of neoliberalism development paradigm in solving economic problems in developing countries, various writers suggested alternatives to neoliberal development paradigm. The 1997 World Development Report was thus dedicated to ‘rethinking the state’, and reaffirmed the position that ‘the state is central to economic and social development’. Since then, there has been a growing awareness among development practitioners as well as academics of what this means- namely; that the orientation and effectiveness of the state is the critical variable explaining why some countries succeed whereas others fail in meeting development goals. One of the dominant and influential alternatives of neoliberal development paradigm that was forwarded by these scholars was developmental state development paradigm. The term ‘developmental state[1]’ has been dominating the development discourse, especially following the rapid economic growth of East Asian countries (such as Japan, Malaysia, Singapore, and South Korea). The concept of the developmental state addresses the role of the State in the process of structural transformation. In its contemporary usage, the concept of the developmental state came from Chalmers Johnson (1982) who used it to describe the phenomenal growth of the Japanese economy and its rapid industrialization after the Second World War. The term *developmental state* refers to a state that intervenes and guides the direction and pace of economic development. Developmental state, development paradigm refers to a situation in which state/government is determined to influence the direction and pace of economic development by directly intervening in the development process, rather than relying on the uncoordinated influence of market forces to allocate economic resources. A developmental is defined as a state that puts economic development at the top priority of government policy, and is able to design effective instruments to promote such a goal.

It took it upon itself the task of establishing ‘substantive social and economic goals’ with which to guide the processes of development and social mobilization. This entails the importance of more government intervention in the area in which the market failed to provide goods and services. Actually the public sector economics course I am teaching in our university explains the rationale for government intervention. Government intervention is needed because of market failure, to attain fast and sustainable economic development and to reduce income inequality. In this juncture, nobody explains how neoliberal development paradigm can provide the above function of the state or government. UNECA (2011) argue that Africa’s states have three major development tasks for achieving economic transformation: planning the process, formulating appropriate policies and implementing the plans and policies.

According to Esteban Pérez Caldentey (2009) developmental state has the following features. The idea of the DS is most closely associated with Chalmers Johnson and his seminal analysis of Japan’s very rapid, highly successful post-war reconstruction and (re)industrialization.

First, the developmental state can be conceived as an interventionist state. Second, this does not imply that it make heavy use of public ownership. Rather, the developmental state tries to achieve its goals through a set of instruments such as tax credits, breaks, subsidies, import controls, export promotion, and targeted and direct financial and credit policies instruments that belong to the realm of industrial, trade, and financial policy. Fundamentally, while the ‘developmental state’ idea emphasizes the effectiveness of the state, the ‘good governance’ concept emphasizes the need to control the state. Third, the degree and type of government intervention varies over time in scope and content. It can depend on different factors, such as external/internal circumstances, and on the life cycle of the industry the state is trying to develop. Fourth, the developmental state requires the existence of a bureaucratic apparatus to implement the planned process of development. Finally, the developmental state requires the active participation and response of the private sector to state intervention.

Many argue that a developmental state will exist when the state possesses the vision, committed leadership and capacity to bring about positive transformation of society with a short period of time. Such transformation can take various forms. In the classical East Asian examples, it was aimed at speeding up growth, while at the same time enhancing opportunities to participate in the modern economy---most commonly through the expansion of public services such as education, health care and agricultural extension. These are core areas where neoliberalism paradigm failed in Africa. Developmental states are marked by a combination of capacities, visions, norms and/or ideologies to solve social and economic problems.

Therefore, successful developmental States can have a number of common features. Firstly, they have formulated a clear vision for the developmental future of the economy, which has provided a common-sense approach to coordinating the evolution of different parts of the economic system. Secondly, they have sometimes encouraged the emergence of political elites who are not committed first and foremost to the enhancement and perpetuation of their own privileges. Thirdly, they have built technically competent bureaucracies who have been relatively insulated from sectional interests and been able to act in the general interest. Finally, successful developmental states have built their legitimacy on development results, ensuring that the benefits of development are widely shared and that the population is actively engaged in the process of formulating common national project of development.

Meles' development paradigm

Today, development challenges in the Third World remain much the same as they were in the early 1980s. More people are poor and hungry today and our planet is in greater environmental distress. The developing countries need new pragmatic development paradigm that solves the existing social and economic problems. As stated above in section 2, a development paradigm is the practice that defines a scientific discipline at a certain point in time.

Meles Zenawi (2009) asserted that the end result of neoliberalism has in fact proved to be that we have neither meaningful growth and transformation nor sustained liberalization and macroeconomic stability. During his life time our late prime minister identified a set of assumptions, concepts, values, and practices that constitute a way of viewing reality for the community that shares them, especially in an intellectual discipline. Many argue that he was behind a number of new ideas in Ethiopia as well as in Africa. Just to mention a few them that he pioneered are: the Ethiopian renaissance, NEPAD, green economic development, growth pool and one voice for Africa. In this section I will focus on his democratic developmental state the development paradigm.

According to Meles, a democratic developmental state can be defined as one that has the capacity to deploy its authority, credibility and legitimacy in a binding manner to design and implement development policies and programs for promoting transformation and growth, as well as for expanding human capabilities. Such a state takes as its overall socio-economic goal, the long-term growth and structural transformation of the economy, with equity. Under democratic developmental state, the fruits of successful development are expected
to win popular support, which is confirmed through a series of elections. Thus, the democratic developmental state earns legitimacy and keeps its power for a long time through both economic performance and democratic procedure. It has three components: the introduction of democracy, the active role of the government, and the political support base.

Meles promoted more government intervention to adjust market failure and achieve sustainable economic development with lower income inequality. Meles also asserted that historical practice has shown that state intervention has been critical in the development process. He believed that pro-poor economic growth state should be the main nature of democratic developmental state in developing countries in order to improve the welfare of the nation. The mass participation of economic growth he believed could be achieved with strong and stable government intervention in the economy. He had strong conviction that the invisible hand promoted by neoliberals needed an institution to get the right price and optimum output.

According to Meles, neoliberalism development paradigm is responsible for economic failure in Africa. He argues that the neo-liberal paradigm, which suggested a non-activist and non-interventionist state, a night watchman state as conducive to economic growth, is based on two pillars. **Pervasiveness** generally refers to something being present in all parts of a particular thing or place.

The first one is that competitive markets are both pervasive and Pareto efficient. Pareto efficiency, or Pareto optimality, is a concept in economics with applications in engineering. The term is named after Vilfredo Pareto (1848–1923), an Italian economist who used the concept in his studies of economic efficiency and income distribution. The second one is rent seeking and rational choice theory. In economics, rent-seeking is an attempt to obtain economic rent by manipulating the social or political environment in which economic activities occur, rather than by creating new wealth. Rational Choice Theory is an approach used by social scientists to understand human behavior. Our late prime minster tried to explain how these two pillars of neoclassical development paradigm does not reflect the economic reality prevailing in developing countries. Regarding the first pillar, competitive market cannot always ensure Praetor efficiency. Because Pareto efficiency assumes that there is perfect information and free mobility of factors of production. Also it assumes that producer and consumer objective is to maximize profit and utility which is highly unlikely in current situation. The other interesting point is Pareto efficiency does not consider the equity aspect of the economy.

The second pillar of neoliberalism, the minimal state intervention, was to reduce rent seeking and rational choice theory. According to this argument more government intervention leads to higher rent seeking due to individualistic nature of humans. Therefore the implication is that people are rational in their decision; we do not need government intervention. Meles explains that government created rent does not necessarily have to be socially wasteful. It becomes wasteful only if solely self-interest maximizing individuals use it to create wealth at the expense of society and only if the state is incapable of improving the market. He said that it is not the size of government intervention that increases rent seeking rather the nature of the government. The proper and efficient design of government structure can reduces rent seeking.

The neo-liberal paradigm failed to uproot the rent seeking system because it denied the role of government as a dynamic agent of systemic change. The naïve view of “market is good, government is bad,” which preached a minimalist government, could not create an agent powerful enough to launch a systemic change in a latecomer developing countries.

According to the late prime Minister of Ethiopia, Meles Zenawi, one of the lessons that development draws from South Korea and Taiwan is their ability to free rural communities from rent-seeking private landlords and to build ‘developmental structures’ through selective government intervention. According to Meles, in Ethiopia, a strong state is guiding the other members of society for development. A government led by a strong leader giving incentives (carrots) and disincentives (sticks) to economic actors such as farmers, workers, merchants, entrepreneurs, and foreign investors becomes instrumental to change behavioral patterns based on value creation rather than rent seeking.

In his speech at the 5th Meeting of African Ministers of Finance, Planning and Economic Development in Addis Ababa on March 26, 2012, the late prime minister said that the reforms in economic and political governance which Africa carried out more than three decades ago has generated not growth and transformation but deindustrialization, the enfeeblement of the African state and the associated malaise that has characterized our continent for far too long. Further he said that, we have to liberate our minds from the neo-liberal ideological shackles that have impoverished our thinking and hindered our progress. This bankrupt ideology insists that the African state should be enfeebled and limits its role to that of a night watchman.

Meles encouraged fast economic development with fair wealth distribution. According to him the neo-liberal ideology tells us that as governments we should focus on primary education and perhaps to some extent secondary education. The rest is for the private sector to take care of and for individual families to finance. This is a recipe for failure and the perpetuation of unjust distribution of wealth. We need to discard the neo-liberal prescription and massively invest in tertiary education and technical and vocational training in addition to primary and secondary education and encourage the private sector to fill in the gaps where it can.

According to Meles, it is possible to achieve economic development with a range of policy instruments that include command-and-control approaches, market-based tools, information, cooperation, education and research. Command and control: These are rules and targets that are set up by the State and are legally enforced. They can achieve numerous aims, such as increasing resource or energy efficiency; reducing emissions, waste and the use of toxic substances; and protecting ecosystems. They may also aim to incentivize the use of certain technologies, address the polluter-pay principle and monitor the compliance of existing regulations. That is why he encouraged market for the goods and services that can be provided by market outcomes. When market failed due to the nature of public good, monopoly power and externality, then we need government intervention to correct market failure. In this regard Meles said neoliberal view on the role of the state was based on their colonial judgement of how the state functions; he stressed that they do not have any empirical and theoretical evidences. According to Meles the state should not follow the market rather the state must lead the market. Since free market forces will not drive economic transformation on their own, the developmental state must play a central role in resource allocation and in efficient coordination of crucial economic activities. This is particularly relevant to developing infrastructure, human capital, and the financial market and setting up production facilities in the agricultural and industrial sectors. Issues of market failure abound in this area, requiring the state’s positive intervention.

The other argument of our late Prime Minster is about getting the right price or getting the basic right. The neoliberal paradigm gives priority for the right price that is determined by the market system. It argues that the right price encourages producers to produce more goods and services, which lead economic growth. In contrast to this argument Meles gave priority to getting the basic right. Meles gave more emphasis for non-price determinants such as infrastructure, social development, market information and technology.

In one of his speeches Meles said that he found the phrase, “getting the basics right”, very interesting for two reasons. First, the reigning policy orthodoxy in Africa that reduced “getting the basics right” to simply “getting prices right.” The reforms that were adopted and imposed on Africa since the 80s were based on the Washington Consensus, which strongly implied that all governments needed to do or should do was to get prices right and leave all the development business to the market and private sector. That policy orthodoxy was partly responsible for the two decades that Africa lost in its development endeavors. For Meles, getting the basics right goes far beyond "getting prices right". In other words it is not possible to get the right price without better infrastructure, technology and market information. Only deregulating price of goods and services will not provide the right price without the availability of market infrastructure. That is why our late Prime Minister advocated rural electrification, telecommunication, infrastructure and technology for economic growth in Ethiopia.

To curb the financial constraint, Meles suggested to rely on alternative sources of finance and to get support from emerging countries rather than western lending agencies. The Prime Minister believed that, while domestic resource mobilization was not as it should be in Africa, additional resources for infrastructural investment from Multilateral Development Banks have reached a "dead-end" as a result of the "ideologically driven neo-liberal onslaught on African states." Instead, he lobbied for the continent as a whole to engage as a group with emerging countries - Brazil, Russia, India, and China - to directly access their savings for investment in green infrastructure (Addis Fortune, 2011)

This implies that Meles developed the alternative development paradigm that has paved the way for economic growth in Africa in general and in Ethiopia in particular. He said that African countries are not assisted in finding ways of enhancing the capacity of the state and in addressing its weakness for carrying out its transformative function with some degree of effectiveness. Instead the policy prescriptions encouraged by international financial institutions has had the effect of weakening the state and of ensuring its emasculation. A radical change in policy prescriptions with respect to the state is thus a condition for any meaningful growth and development in our Continent. In the following section we will see the impacts of democratic developmental state paradigm on economic transformation in Ethiopia.

Economic transformation in Ethiopia

Ethiopia introduced new developmental paradigm in 2002. Meles Zenawi (2006) said that we in Ethiopia have embarked on a reform program that is based, not on the neo-liberal paradigm, but on an alternative paradigm of the establishment of a developmental state that we have called 'democratic developmentalism'. […] The key task is to transform our political economy from one of pervasive rent seeking to one that is conducive to value-creation. Ethiopia changed the development paradigm after evaluating the impacts of structural adjustment between 1991 and 2002. The government has increased its involvement in the economy to create suitable business environment for the market.

The democratic developmental model aims to build a political regime unique to Ethiopia. It is different from East Asia's Authoritarian Developmentalism (AD) which postponed democracy for the sake of development or the Western style "good governance" that requires an early adoption of advanced governing principles in latecomer countries. In the case of Ethiopia, it is not possible to postponed democracy in during the implementation of developmental state due to two fundamental reasons; first, in the multicultural and ethnic country like Ethiopia, democracy is not an option to achieve fast economic development. Second unlike before three decades today democracy consider as one of components of basic human right. This section tries to see the impacts of developmental state on the economic transformation of the country: Economic growth, social and infrastructural development.

Economic growth

One of the objectives of macroeconomic policy is to achieve continuous economic growth. Economic growth refers to an increase in the national output or per capita income. In the 1980s and early 1990s, the Ethiopian economy was on downward trends, with average growth rate of 2.3 percent. In 1996, the national Gross Domestic Product (GDP) was Birr 37 Billion. After six years that is in 2002 the GDP increased only by Birr 30 Billion and reached around 67 Billion. This was in the period of structural adjustment. As one can see in the Figure 1 below, the economy has shown irregular economic growth trends. Data from various sources revealed that during this period, Ethiopia's economic growth was unstable proving once again that neoliberalism is the source of economic irregularity.

At the start of the developmental state, the national output was Birr 67 Billion. In the same period that is after six years the nation's output has shown a leap and has reached Birr 131 Billion. During these years the country produced additional Birr 64 Billion outputs. In 2010, the country was able to produce Birr 159 Billion GDP. That means after introducing the developmental state paradigm the country was able to produce more than Birr 11 Billion in output annually as compared to Birr 3.8 Billion annual output during neoliberal period. In addition to higher national output during the developmental state, the country enjoyed stable economic growth. In 2011, the economy grew at 11.4% marking the eighth consecutive year of rapid growth. Moreover, growth has continued to be broad-based with industry, services and agriculture growing by 15%, 12.5% and 9% respectively (OECD, 2012). The higher and stable economic growth was achieved due to active government intervention in the economy. All sectors have contributed for the stable and higher economic growth in the country.

Even in terms of sector change, no sectoral transformation was observed before 2002. But during the last eight years the share of agriculture declined from 46 percent to 41 percent in 2010. Even if the industry was stagnant during this period, for the first time in the history of Ethiopia's economy, the service sector share reached 46 percent of the national economy. Such an extraordinary kind of strong economic growth achievement at the time of world financial crisis and higher inflation in the country proves transformation is possible.

As you can see in the Figure 2 below the per capita income of the nation was not above 600 USD between 1985 and 2000 based on purchasing power parity. But after the nation started to implement the developmental state policy, the per capita income has started to increase at a higher rate. Thus the per capita income which was stagnant before 2000, has reached 971 USD in 2011. Within eight years the per capita income increased by more than 350 USD. According to the 2011 Human Development Report released, Ethiopia's HDI was 0.363 showing massive improvements in Human Development Index (HDI), The country has the third fastest annual HDI growth rate in the world since year 2000 that means this growth is a dividend of the democratic developmental..

According to Asnake Kefale (2011) Assistant Professor of Political Science and International Relations, Addis Ababa University, the double digit GDP growth rate which the country (Ethiopia) achieved for the last several years since 2003/04 has somehow boosted the confidence of the government in its developmental path. Such economic performance has shown also decline in the income inequality at the national level. According to the findings of the 2011 Household Income and Expenditure Survey, which also showed that income inequality, as measured by the Gini coefficient, declined slightly from 0.30 to 0.29 between 2004/05 and 2010/11. Inequality continues to be higher in urban areas than in rural areas.

Social development

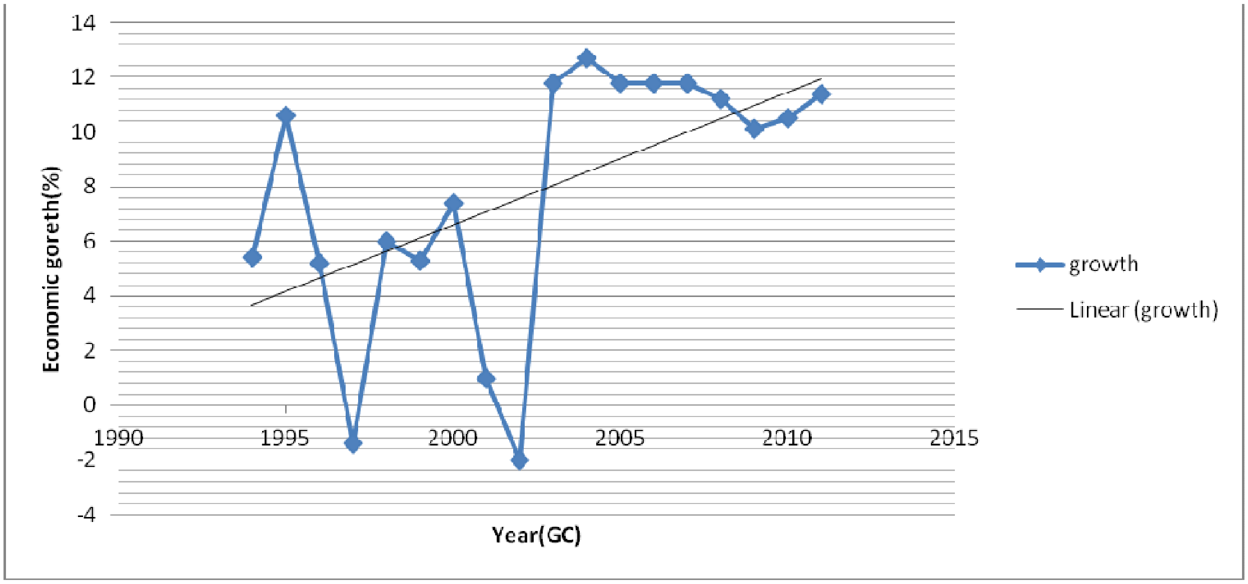
Many argue that the involvement of government in the economy enhance social development by allocating necessary resources for health, education, drinking water and other social safety nets. The absence of government in the economy has shown increase in poverty incidence and social exclusion from the benefit of economic growth. One of the features of developmental state is to improve the social well being. Market does not care for those who do not have ability to pay market price. Some time market violates our social entitlements to get health services, education, dirking water and other social services. As you can see in the table 1 below, the health coverage in the country has increased from 40 percent in 1995 to 60 percent in 2002. During this period the health coverage only increased by additional 20 percent. But between 2002 and 2010, the health coverage increased from 60 percent to 89 percent. Within eight years the nation has managed to increase its health coverage by 29 percent. The introduction of health extension program in the country has played the major role for health coverage performances. In regards to the health faculties, the number of health centres in 1995 was 246. This number has increased to 412 in 2002. Within seven years, the country managed to construct 166 new health centres. After 2002 that means within eight years the nation was able to construct more than 1500 health centres. In the same period, the country managed to construct 42 hospitals and by 2002 it managed to construct 85 hospitals. Such success in the health sector was not due to the demand and supply marker principles rather due to the active involvement of the government in the health sector development by designing the Health Sector Development Program (HSDP).

In the education field too, the year between 2002 and 2010 witnessed massive construction of education facilities and increased number of student enrolment. The number of students in higher education has increased from 30.5 thousand in 1995 to 77.1 thousand in 2002. During these seven years, the additional new student that joined the higher institution was only 27 thousand. The number of students in the higher institution reached 260 thousand in 2010. Just within eight years the nation's higher educational enrolment number increased by 130 thousand students. Such increment in student enrolment in the higher institutions is achieved by the active involvement of the government to increase access to higher institutions in the country.

Neoliberal development paradigm encourages government provision of education only in primary rather than higher institutions. Such approach increases income inequality and deprives the right of a nation to get higher education. Ethiopia under developmental state provides access to higher institutions for the entire nation rather than providing only for those who are able to pay for higher institutions services.

The social development during developmental state was not only in terms of education and health sector, but also in all other components of social development. You can see in Table 1 above the performances of drinking water supply coverage in the country. Clean drinking water is a key development target with massive impact on health and economic progress. The success in these can contribute to wide ranged social developments in the country and reduce the incidence of poverty. The incidence of poverty which was 49.5 percent in 1995 has declined to 41.9 percent in 2002. Therefore within seven years the incidences of poverty has declined by around 8 percent. But during the developmental state, the incidence of poverty has declined from 41.9 percent in 2002 to 29.6 percent in 2010. Its decline was to about 11.3 percent in this period.

During developmental state, the nation managed to reduce poverty incidence by round 20 percent. In the same number of years, due to different development



Source: CSAabstract, 2003 and 2011

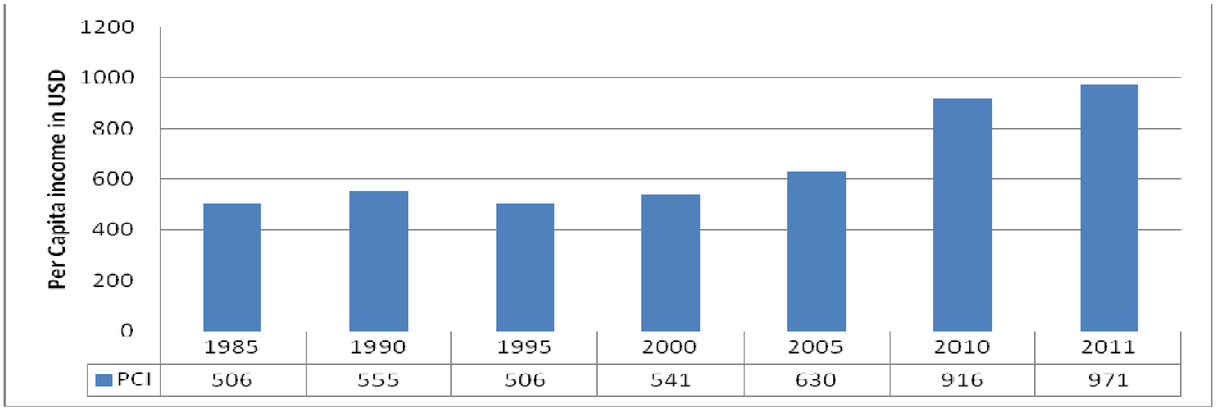
Figure 1. Economic growth rate in Ethiopia between 1995 and 2012

Table 1: Social development in Ethiopia before and after developmental state

S.N	Indicator	Before developmental state 1995	2002	After developmental state 2005	2010
Health sector development					
	Health Coverage	40	60	71	89
	Number of health enter	246	412	644	1,787
	Number of hospital	73	115	131	200
	Maternal mortality rate	1400	-	871	590
	Child Mortality rate	161.3	-	121.0	105.9
Education sector development					
	Primary school net enrolment rate (%)	36.6	61.6	69	88
	Secondary school enrolment ratio (%)		17.1	25	38.1
	Number of student in higher institution	30538	77077	91655	260,241
	Total number of schools	10772	12,962	17,692	30,301*
	Total number of teachers	105892	146,626	194,459	323,576*
Drinking water supply					
	National	19.1	34	35.9	68.5
	Rural	9.6	25	25.2	65.8
	Urban	72.1	85	92.4	91.5
Poverty incidence					
	National incidence of poverty (%)	0.495	0.419	0.380	29.6
	Rural incidence of poverty (%)	0.516	0.411	0.385	30.4
	Urban incidence of poverty (%)	0.365	0.467	0.353	25.4

*-The data represents 2008/09

Source: CSA, 2003, 2006 and 2011



Source: Various UNDP reports

Figure 2. Per capita income of Ethopia in selected year (based on PPP)

Table 2. Transport and communication development between 1995 and 2010

S.N	Indicator	1995	2002	2005	2010
1	Total road network (km)	23812	30871	42,370	49,000
2	Internet subscriber	0	9534	25,724	128,764
3	Mobile subscribers	0	51,234	866,700	10,526,190

The annul progress report reveals that the road network in Ethiopia reached 52042KM
Source: NBE, 2012

Table 3. The hydropower scenario before and after 2002

S/N	Hydro power completed before 2002			Hydropower power completed after 2002		
	Power station	**Capacity**	**Year completed**	**Power station**	**Capacity**	**Year completed**
1	Koka	43.2	1960	Gilgel Gibe I	184	2004
2	Tis Abay I	11.4	1964	Tekeze	300	2009
3	Awash II	32.0	1966	Gilgel Gibe II	420	2010
4	Awash III	32.0	1971	Tana-Beles	460	2010
5	Fincha	134	1973	Fincha-Amerti Nesh	97	2012
6	Melka Wakana	153	1998	Gilgel Gibe III	1870	Under construction
7	Tis Abay II	73	2001	Grand Ethiopian Renaissance Dam	6000	Under construction
Total		**478**		**Total**	**1460 (completed)**	

Source: EPA, 2012

paradigm shifts, Ethiopia experienced higher improvements in social welfare that brought marvellous social development in the country. Life expectancy at birth declined sharply in the 1980s, from 52 years in 1984 to 46.4 years in 1991, probably because of the HIV/AIDS pandemic (Forum for the Environment, 2009), civil war and famine. Health care services and development measures has been taken by the government of Ethiopia since early 1990s has improved life expectancy from 46.4 years in 1991 to 59.3 in 2011. In the same way despite the regular cycle of droughts in parts of the country, the number of emergency beneficiaries has dropped from 15 million in 2003 to a maximum of 5.6 million (USAID, 2012).

Infrastructure development

Infrastructure is basic physical and organizational structures needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide framework for supporting an entire structure of development. The term infrastructure typically refers to the technical structures that support a society, such as roads, bridges, electrical grids, telecommunications, and so forth, and can be defined as "the physical components of interrelated systems" providing commodities and services essential to enable, sustain, or enhance societal living conditions in the country.

The availabilities of infrastructure increase production and productivities. Further the efficient and easily accessible infrastructure reduces cost of production that reduces the prices of goods and services. This improves the purchasing power of the society. Ethiopia is characterized as having lower infrastructure as compared to the developing countries. Such situation was an obstacle for economic and social development in the country. Infrastructure contributed to 0.6 percentage points to Ethiopia's annual per capita GDP growth over the last decade. Raising the country's infrastructure endowment level to that of the region's middle-income countries could lift annual growth by an additional 3 percentage points (World Bank, 2010). Realizing this fact, Government of Ethiopia (GoE) has embraced massive infrastructural development in the country. In this section I will focus on road, communication and hydropower construction.

Transport and communication

Transport and communication facilities are vital infrastructure of a modern economy. The social return of transport and communication is higher as compared to the private return. One of the priorities that received more government investment in Ethiopia is transport and communication. A well-developed road transport and communication sector in developing countries is assumed to fuel up the growth process through a variety of activities of the development endeavors of a nation. Among these, creation of market access opportunities for agricultural products is the major one. Besides, they are essential for expanding education, health service provision, trade facilitation – both within the country and the export market, and better public as well as private service provisions, including banking and insurance services, to the destitute and marginalized rural dweller.

In 1995, the total road network was 23 thousand KM. In 2002, the road network reached 30.8 thousand KM. During this period the rural network has expanded by 7 thousand KM with the annual construction of 0.87 thousand KM. But between 2002 and 2010, the road network has increased from 30 thousand KM in 2002 to 49 thousand KM in 2010; In 2011, the Ethiopian road network reached 53,143 KM (NBE, 2012). Just within eight years, the road network has increased by 19 thousand with annual growth of 2.3 thousand KM. Such higher road construction was achieved not by market principles, rather by an active involvement of the government from policy design and massive government expenditure. No private sector was interested to spend money in road construction in Ethiopia due to market failure. This scenario will likely to continue in the near future. Thus it will remain the duty of developmental state at least in the medium terms for road sector development in Ethiopia.

Communication refers to the flow of information from one place to another place. The availability of information at the right place and at the right time accelerates economic development by enhancing productivity and production. Here I will refer to Internet and mobile subscribers. In 1995, there were no Internet and mobile subscribers. In 2003 the number of Internet subscribers has reached around 9.5 thousand people. In 2010, the number of Internet subscribers increased to 128.7 thousand. Just within eight years the change in the number of Internet subscribers was 119 thousand people with 14 thousand new Internet subscribers annually. At the same time the number of mobile subscribers reached 10 million from 51 thousand people. Between 1995 and 2002, the new number of mobile subscribers was only 51 thousand bringing to 0.4 percent new mobile subscribers between 2002 and 2010. In other words, the performance of mobile subscribers during the developmental state was 200 percent higher than the neoliberal period.

Such performance has not been appreciated by few scholars like Professor Dambisa Moyo, Professor Dambisa Moyo is the author of the book "DEAD AID" in Africa who said the Ethiopian government is not willing to privatize the Ethiopia Telecom to prevent the freedom of its citizen. For such scholars changing ownership of the Ethiopia Telecom is panacea to the development of the communication sector in the country and the exercise citizen freedom. But the data revealed that the performance between 2002 and 2010 was not achieved by the private sector rather it is achieved by the government owned enterprise. I personally do not believe the change in ownership as the solution for the development of telecommunication sector in Ethiopia.

I actually believe it is possible to improve the Ethiopia Telecom operation by modernizing or outsourcing the management practice without changing ownership. For instance according the NBE (2012), the sector obtained 6.9 billion birr profit in 2011 that will be used for rural development in the country. If the Ethiopia Telecom was under private sector, this profit could have been used more for private return investment than social return investment like rural electrification and road construction.

Hydropower construction

The economic growth of the nation depends on the availability of energy in the economy. Ethiopian economy is mainly dependent on traditional sources that take the major sources of energy in the country. The higher dependency in fuel wood energy has increased deforestation and land degradation in the country. The current government thus has developed energy policy to increase and diversify the sources of energy supply in the country. Before 2002, the country was producing only 478 MW. Between 1991 and 2002 the national economy obtained only 226 MW. That means the annual production of the hydropower supply was only 19 MW. But after 2002, just within ten years the country managed to produce additional 1460 MW. In other ward the government able to supply 146 MW annually.

Today the country is able to produce around 2000 MW without including the projects that are under construction. When we include the hydropower under construction, the nation's hydropower energy supply would reach 9808 MW. In the PASDEP, It refers to a Plan for Accelerated and Sustained Development to End Poverty (PASDEP), years (2005-2010) the Ethiopian Electric Power Corporation (EEPCO) stretched transmission lines from 8,380 km (2004/5) to 12,147km (2009/10) while power substation lines mushroomed from 25,000 km to 126,038 km. I hope this not the outcome of Milton Freedom's neoliberal policy that says markets provide efficient groundwork for what the economy needs. This incredible hydropower supply happened in Ethiopia due to the active government intervention in the economy where the private sector cannot be involved.

In addition to the economic development, the country experienced with financial sector development, higher government revenue mobilization and increase number of private sector. Today in Ethiopia private banks are around 14 private banks and there are also around 30-microfinance institutions in 2011. The total number of bank branches increased from 562 in 2007 to 970 in 2010. In the same way the nation's resource mobilization capacities has increased from birr 11 billion in 2002 to 45.3 billion birr in 2010. In the same ways, the number of the private sector in the manufacturing sector has increased in the countries. For instance in 2001, the number of private manufacturing sector were 766. After nine years, the number of private manicuring sector has reached to 1,766. In the same period the public manufacturing sector has increased from 143 to 164. In Ethiopia during the developmental state the number of private sector business enterprise has increased more than the number of public business enterprise. In other word developmental state is the haven for private sector development in Ethiopia.

CONCLUSION AND RECOMMENDATION

Development paradigm refers to the complete set of thought that provide an effective policy and institution for improving the welfare of the societies. The major two types of development paradigm are neoliberal and developmental paradigms. The former promote minimal government intervention and the later encourage more government intervention. The neoliberal development paradigm has been rejected by our late prime Minster Meles Zenawi. Unlike the other African leaders, Meles Zenawi criticized the neoliberal developmental state and proposed a democratic developmental state as an alternative for neoliberal development paradigm.

According to Meles, democratic developmental state encompasses the view that state intervention is necessary not merely to correct market failures arising out of scarce capital, externalities, and technological improvements but also to achieve long-term capital accumulation and society-wide developmental goals. Our late prime Minster strongly promoted the democratic developmental state that focuses more on government intervention in infrastructure and technology capacity accumulation. During the last two decades, in Ethiopia, several processes and structures have been put into place, to help millions of Ethiopia's poor to break free from the intergenerational cycle of poverty. Investments in education and health sectors have been scaled up and the human development indicators have been improved. Such government effort have really enhanced the well being of the nation by attaining fast economic growth, more social development and higher life expectancies.

During the developmental state, the nation's economy experienced broad base and continued economic growth. This economic growth realised by massive infrastructural provision and social development. Beside these economic performances, still the country is facing the twin challenges: inflation and trade imbalance. Few scholars wrongly blame government intervention for these problems. This does not indicate market mechanisms alone solve the economic problems in Ethiopia. The solution now and in the future will be to enhance state capacity and increase the supply side of the economy and diversify export to reduce trade deficit. Here the only solution is democratic developmental state that was developed by our hero the late Prime Minister. Meles already showed us the light at the end of tunnel. From here on nobody can uproot Ethiopia from its social and economic development that emerged during the last eight years.

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