MOZAMBIQUE'S ECONOMIC OPTIONS, 1975-1995:
Problems, Lessons and Alternative Ideas[()]

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INTRODUCTION

Twenty years ago, the hardest and most complex task in the struggle for the emancipation of the Mozambican nation and people began: the construction of a different and better socio-economic base, which would benefit those who produced social wealth, and allow national resources to be used fully and rationally. Over these two decades, development philosophies, goals, strategies, policies and programmes have been modified in response to conjunctural and structural crisis, internal pressure and opposition, alterations in the international climate, new models and modes of economic thought, and donor pressures in opposing directions. In just two decades, the national economy has suffered tremendous shocks: from the structural crisis of colonialism to that of the "free" market, passing through a stage of centralised "socialist" orthodoxy, Mozambique has bounced between extremes, without ever solving its deep-seated structural problems.

Over this period, major economic goals were far from achieved, and were successively abandoned. Table 1 shows four important aspects of this economic trajectory[0)]: the two dominant post-independence strategies followed periods of crisis; in the initial phase of each of the strategies there was a marked recovery from the crisis; this recovery proved insufficient to bring the economy back to the level of activity prior to the crisis; and it was a short-term recovery, followed by a new and still deeper crisis. Numbers give a cold and pale picture of Mozambique's economic trajectory, but they show that the economic options followed did not produce the expected results. Given that several options and economic models were tried in Mozambique, it is important to analyze why different alternatives met with equal failure.

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). Table 1 compares the indices of the four indicators analysed. In the present case, I have used the Laspeyres index in which the evolution of each indicator is compared at constant prices, in relation to a base-level year. The index of each indicator is calculated through the equation:

$$\text{Index} = \frac{Q_n * P_{74}}{Q_{74} * P_{74}} * 100$$

where Q refers to quantities, P to prices, n to the particular year in analysis, and 74 to 1974, the base-level year. Given the form of this equation, the index of the base-year is always equal to 100. If the evolution over time is positive, the index will be greater than 100; if negative, the index will be less than 100.

Table 1: Index of the values of some economic indicators in the 1974-1993 period (the base year is 1974 = 100; for exports, the base year is 1981 = 100)

Years	Per Capita GDP	Manufacturing Production	Agricultural Production	Export Revenue
1974	100	100	100	---
1977	---	66	57	---
1981	87	78	61	100
1986	---	33	48	50
1987	50	36	51	56
1989	53	41	56	63
1991	52	32	52	70
1992	49	27	47	60
1993	50	25	51	60

Sources: Estimates based in DNE 1991, 1992, 1993 and 1994; MIE and UNIDO 1993:15-9 part I; BIRD 1990:9 and Table 1; Wuyts 1989:Cap. 1.

The easiest and most traditional explanations for the failure of economic strategies are the war, natural disasters, deteriorating international terms of trade, and inadequate policies of the past. Without downplaying the effects of these factors, saddling them with the fundamental blame for successive economic failures does not explain the failures, nor does it help us learn and design new paths. For economic development thus tends to become a question of luck beyond the control of the actors in this process. Besides, there is a series of factors that this traditional explanation does not clarify, namely:

* why do the results of the new programme not differ substantially from those of the previous one, and why is its social impact more negative, if the "mistakes" of the policies of the past have been under correction for eight years?

* how are economic decisions taken, and why are some options preferred to others at different times? This question is particularly important when, in less than a decade, the same government designed and adopted economic strategies as different as the PPI[()] and the PRE.[()]

[).] The Prospective Indicative Plan (PPI), adopted in 1981, was the government's programme to eliminate underdevelopment and lay the bases for socialism, in just a single decade.

* what are the characteristics of the Mozambican economy that make it so vulnerable? It is well known that droughts and floods (the main natural disasters in Mozambique) are cyclical and, like the deterioration in the international terms of trade, they affect some countries more than others, as a function of their economic, technological and social vulnerability. If natural disasters could explain the failure of the structural adjustment programme, then they can also explain the failure of the PPI. And if their impact is so important as to prevent the structural adjustment of the economy, then the adjustment programme has to be able to respond to this reality.

* what does the permanent state of war show ? Though the war began as a clear form of foreign aggression against Mozambique, it spread and lasted for 16 years which, while not indicating social support for the guerrilla group, is at least a sign of a deep social crisis.

What factors, then, can explain the successive crises of the Mozambican economy, if the traditional explanation is jettisoned? Firstly, the socio-economic, institutional and historical structural characteristics of the Mozambican economy which influenced the choice of options and the results obtained. Secondly, problems common to the two strategies, particularly those related to their lack of adjustment to the characteristics of the Mozambican economy, which reproduce successive crises of accumulation and development.

In the following sections, this article deals with six central topics: the dominant characteristics of the Mozambican economy, the nature and characteristics of the economic options in Mozambique, the problems common to these options in relation to the characteristics of the Mozambican economy, the main lessons to be learnt from Mozambique's economic experience, a sketch of ideas on alternative development paths for Mozambique, and an introduction to the debate on the relationship between the institutional management system and economic development.

Analysis of the dominant characteristics of the Mozambican economy is necessary in order to discuss the problem of development options and alternative paths, since the main argument about the two dominant economic options is that they were not in line with these characteristics. As this text presents the various characteristics of the Mozambican economy, their possible impact on the conception of development strategies will be analysed. The analysis of strategies will be carried out along the three sections: presentation of the options adopted, analysis of their problems, and identification of fundamental lessons. The strategies will be presented with the detail deemed necessary to develop the arguments of this study. In order to keep the analysis focused, the periods of transition between one dominant strategy and the other will not be discussed. Throughout the discussion of the problems and lessons of the economic options, questions concerning alternative options will be implicitly raised: such questions will be discussed later, in the section on development alternatives. The need to develop the great mass of poor and middle peasants, as well as the importance of associative forms of production, commerce and services to ensure this development in the context of transforming the pattern of capital accumulation, are central arguments presented in the section on alternative paths. The introduction of the debate on reassessing the experience of collectivisation in Mozambique and its implications for the present is therefore justified. Finally, any options to be followed, now or in the future, depend on the established institutional framework, that is, on the political system, the form of governance and the institutional capacity for pressure and action of the various social groups. The final section therefore introduces the debate on the relation between development and the institutional system of social management.

A large part of the information and analytical arguments presented in this article has already been introduced and discussed, albeit in a dispersed manner, in a vast range of theoretical literature on

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). The Economic Recovery Programme (PRE), begun in 1987, and later renamed the Economic and Social Recovery Programme (PRES). This is a classic structural adjustment programme, of neo-liberal orientation, financed by the World Bank and the International Monetary Fund.

economic development, and in statistical and political reports from the Mozambican government, and from multilateral institutions. Thus, throughout this article, whenever new arguments are introduced, the reader will be presented with some of this extensive literature.

Finally, it is important to stress that the use of statistics to analyze the Mozambican economy should be handled with great care. The available statistics are very poor and incomplete. For more than two decades there has been no complete industrial and agricultural surveys. Methods used to calculate and present information have varied greatly over the past 20 years. Data presented by different sources are frequently inconsistent. Much of the data results from projections rather than from real information, and there is a certain distortion of aggregate data provoked by various factors (e.g. the aggregate data for agricultural production are greatly influenced by the level of marketed production of cashew nuts, cotton and maize, while peasant family production for subsistence and local marketing is very difficult to estimate). Despite all these problems, what could be done without resorting to statistics ? Nonetheless, the reader has been warned.

DOMINANT CHARACTERISTICS OF THE MOZAMBICAN ECONOMY

The Mozambican economy is strongly influenced by a series of structural factors that determine its potential, the level of income and its distribution, the capacity for adjustment, flexibility, complementarity and degree of efficiency. These factors are the following: a pattern of capital accumulation that blocks progress, weak links between and within sectors, deep social and regional differentiation, the small scale and fragmentation of domestic markets, and the weakness of the institutional, human and technological base.

The pattern of capital accumulation

The pattern of capital accumulation in agriculture, industry, trade and the financial system depends on the exploitation of the middle and poor peasantry. On the one hand, the peasantry supplies labour to the business sector at a wage below the social cost of its reproduction (or, which comes to the same thing, below the social cost of subsistence). On the other hand, it produces food for waged workers (e.g. cassava, maize, groundnuts, sorghum and rice), which are purchased from the producer at prices below their social cost, which reduces the social cost of reproduction of the waged labour force. Finally, the peasantry also produces raw materials for domestic industry and more than a third of Mozambican exports (Table 2) (e.g. copra, cotton, cashew nuts, grains and oilseeds), which are purchased by industries and traders at prices below their social cost. These prices usually are no more than 20 per cent of the international price for the same product (Wuyts 1981a, 1981c and 1989, O'Laughlin 1981, Mackintosh 1983, Castel-Branco 1983a, 1989 and 1994b).

The peasants are unable to satisfy their own consumption, savings and accumulation needs through waged labour (unless they have had access to many successive contracts on the South African mines) and through marketing their surplus, because wages and producer prices for marketed goods are often fixed, rigid and/or set below their social cost. How, then, are such wages and prices sustained? How is it that labour power is reproduced and remains available, and why do peasant families continue to produce surplus for the market?

On the one hand, family production for subsistence satisfies part of the family's basic needs (e.g. food, basic housing, firewood and charcoal, domestic utensils), which allows employers, traders and industrialists to pay low wages and prices without endangering the reproduction of labour power and of the goods produced by the peasantry. That is, a substantial part of the social cost of reproducing labour power (waged or used on family farms) is borne by the subsistence production of the peasant family. Sustaining unemployed workers and their families, and the costs and risks of periods of recession in the markets for agricultural produce are carried and absorbed by family production and not by capital. Thus keeping the peasantry in possession of the land is just part of the specific system of capitalist accumulation in Mozambique (Wuyts 1981a, 1981c and 1989, O'Laughlin 1981 and 1982, Mackintosh 1983, Castel-Branco 1983a, 1983b and 1994b).

On the other hand, the peasantry has become as dependent on waged labour and on production for the market, even in unfavourable conditions, as the capitalist sector has become dependent on exploiting the peasantry. Waged labour and production for the market have come to constitute the main sources of monetary income and of savings for the great mass of poor and middle peasants. Apart from this, income from waged labour and production for the market have become the fundamental bases for investment in family production. Given that the peasant family produces a substantial part of its own sustenance, some of the monetary income - more than would be expected from this level of income - can be saved for investment (O'Laughlin 1981, Wuyts 1981a, 1981b and 1991c, Castel-Branco 1983a, 1983b, 1989, 1990 and 1994b).

Table 2: Contribution of peasant family production to Mozambique's total exports (main peasant export crops), 1973 (in percentages)

Crops	Contribution to total national exports	% of these crops produced by the peasants	Contribution of the peasantry to national exports [(2)*(3)/100]
(1)	(2)	(3)	(4)
Cotton	21	67	14
Cashew nuts	23	90	21
Copra	6	21	1
TOTAL	50	72	36

Source: Castel-Branco 1994b: 37, estimates based on Wuyts 1981a.

The pattern of accumulation described above has a strong impact on national development capacities and problems. First, it does not encourage technical and technological progress, because the capitalist sector has at its disposal a waged labour force that is cheap (paid at below its social cost of reproduction) and relatively abundant (because dependent on the wages); and the peasantry does not accumulate enough to invest in new forms, methods and techniques of production (O'Laughlin 1981, Wuyts 1981a and 1989, Mackintosh 1983, Castel-Branco 1994b).

Secondly, this system increases the economic costs of labour power, although it allows the reproduction of labour power that is cheap for its direct employer, because: it prevents its organisation and specialisation, it discourages training, it makes it difficult to assimilate and introduce new working methods and new technology, it blocks increases in the social productivity of labour, and it prevents the development of the peasantry by creating a shortage of labour and of financial resources for this sector (O'Laughlin 1981, Castel-Branco 1994b).

It is commonly considered that the existence of cheap labour power is a comparative advantage of the Mozambican economy due to the abundance of labour relative to capital. If its development options and technological choices are based on the intensive use of labour power, national production will be cheaper (it will have competitive advantages) in relation to the production of other economies. This argument might be valid if the relatively low cost of labour in Mozambique resulted from the high efficiency of production processes. In this case, labour power would be cheap relative to the amount of goods produced by each unit of labour.

However, Mozambique does not possess the technological advantages and the institutional capacity to attain competitive levels of productivity; besides, the very pattern of capital accumulation, which generates cheap (because paid below its social cost) labour power, also prevents the creation of technological and institutional capacity.

Apart from this, the reproduction of this pattern of accumulation keeps the great mass of producers linked to subsistence family production which, besides preventing increased productivity of the factors of production, also blocks the positive transfer[()] of factors between sectors of the economy.

Thus Mozambican labour power is cheap for the direct employer because it is paid below its social cost of reproduction, which generates low quality labour power and low efficiency production processes. These in turn reproduce the dependence of capitalist accumulation on the existence of cheap labour, thus establishing a vicious circle (Castel-Branco 1989, 1994a and 1994b).

Bigsten (1987) develops the classic argument for the growth and development of an underdeveloped economy, relating this to the transfer of resources from agriculture to industry with the function of increasing the productivity of the factors of production in agriculture and the expansion and increased efficiency of the industrial sector. In his analysis, well-being is a function of economic growth with a more equitable distribution of income: equity is a function of a determinate relation between the industrial sectors (which include industry proper, and all sectors - including the agricultural one - that are undergoing technological transformation and are surpassing archaic, traditional production methods) and traditional agriculture (which basically covers peasant subsistence production using archaic techniques and social and institutional methods); and poverty is a function of the scale of the agricultural sector that operates with traditional methods and techniques, because such a sector is the least efficient part of the economy. This structural relationship is represented by equations (1) and (2), which follow:

$$\Delta Y = \Delta(f_i + y_i \text{ Ä } f_{at} + y_{at}) \qquad [1]$$

where _Y refers to the growth of national income, f and y refer to the proportion of the labour force allocated to and of the income produced in one of the two sectors of the economy, and i and at refer to the industrial sector and the traditional agricultural sector.

Thus development will be the process during which national income increases with growing equity in its distribution, insofar as the proportion of the labour force allocated to agricultural production in traditional forms declines (-fat), the productivity of traditional agriculture increases (+yat), making it gradually less traditional, and the allocation of factors to industry and the productivity there grows

[)]. The positive transfer of factors of production between sectors of the economy occurs with the increased productivity of factors in the sector in which they are most abundant, freeing them for the expansion and development of other sectors of the economy. Negative transfer occurs when factors are expropriated without their productivity increasing. Thus, in the sector from which the factors are withdrawn, generally agriculture, production declines, at the same time as productivity does not increase in the sectors to which these factors are re-allocated, because they have not increased in quality, nor has the social organisation of production improved.

(fi+yi). However, it is important to note that the transfer of resources from the traditional agricultural sector to the industrial sector can only happen to the extent that the industrial sector is able to absorb resources.

To measure how various groups benefit from economic growth, to assess the factors determining growth, and to see whether growth is related to a reduction in inequality and poverty, equation [1] can be rearranged:

$$\Delta Y_c = \underbrace{\{(f_{i2}-f_{i1})(y_{i1}-y_{a1})\}}_{\alpha} + \underbrace{\{(y_{i2}-y_{i1})f_{i1}\}}_{\beta} + \underbrace{\{(y_{i2}-y_{i1})(f_{i2}-f_{i1})\}}_{\gamma} + \underbrace{\{(y_{at2}-y_{at1})f_{at}\}}_{\rho} \qquad [2]$$

where ΔY_c refers to the growth of per capita income; fi and yi represent the proportion of the labour force allocated to the industrial sector and the proportion of the product produced by the industrial sector; fat and ya represent the proportion of the labour force allocated to the traditional agricultural sector and the proportion of the product produced by the agricultural sector. Subscripts 1 and 2 indicate different time periods and different levels of absorption of the labour force and of production. For example, fi2 represents the proportion of the labour force allocated to the industrial sector in period 2; while fi1 represents the labour force allocated to the industrial sector in period 1, which immediately precedes 2.

The first term to the right of equation [2], a, represents the expansion of the industrial sector: labour power was transferred from the traditional agricultural to the industrial sector (fi2 > fi1), and productive capacity increased compared with the agricultural sector (yi1 > yat1).

The second term, β, indicates that the industrial sector has become more efficient, by making better use of its resources: with the labour force stable, fi1, the product grew (yi2 > yi1).

The third term, γ, shows the combined effects of expansion and greater efficiency in the industrial sector: both the product and the labour force have increased.

The fourth term, ρ, indicates increased efficiency in the use of resources in the traditional agricultural sector: despite the reduction in labour power allocated to the sector (given that fat2 < fat1), the product of the sector has grown (yat2 > yat1).

Although it has various other merits, conclusions and some fundamental analytical limitations and lacunae (Castel-Branco 1994d), the discussion of which is outside the aims and reasonable bounds of this article, Bigsten's analytical model raises two important points for analyzing the impact of the pattern of capital of accumulation on the Mozambican economy. First, it confirms, theoretically, that maintaining a pattern of economic accumulation dependent on the links between the overwhelming majority of social productive forces with subsistence production, to sustain the profits of capital, constitutes a fundamental blockage for the development of these productive forces, for economic growth, and for reducing inequality and poverty. Second, it stresses the need for positive integration[0)], happening at the same time as strategies for sectoral development, as a way of breaking with the existing pattern of accumulation.

Thirdly, this pattern of capital accumulation results in limited aggregate demand and prevents the expansion and specialisation of markets, because of its impact on the low level of income and its unequal distribution, and because of its dependence on family production. Thus it contributes to blocking the expansion of production (Nixson 1986, Stewart, Lall and Wangwe 1992, Castel-Branco 1994b and 1994c).

Fourthly, any development strategy must simultaneously transform the organisation of the

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). Positive integration between sectors occurs when the sectors of the economy contribute to their mutual development. Negative integration occurs when one particular sector, usually manufacturing industry and/or urban trade, expropriates the resources generated by other sectors, generally agriculture, without helping the expropriated sector become more efficient and capable of generating more resources.

labour process in the business sector and in peasant production, because of the nature of the interdependence between the business sector and the peasantry. Without this simultaneous action, a crisis will occur in the agricultural sector and in the economy as a whole.

For example, if the agricultural business sector maintains its pattern of monoculture dependent on the massive employment of seasonal workers, it will be very difficult to transform and develop family production: if peasants work for companies for low wages and for short periods of time, they will not manage, at the same time, to guarantee family production as well and to develop alternative forms of production (e.g. accumulating to invest in new technologies, in cooperatives and associations). The supply of labour is not infinitely elastic in relation to time: thus peasants will have to choose between seasonal employment with the agricultural companies, or expanding their own productive base. If the conditions for expanding the peasant productive base improve, the agricultural companies will face a shortage of labour, unless real wages increase substantially and employment becomes more stable. If the companies create these more attractive working conditions, without modifying their production pattern and labour processes, they will go bankrupt. If the companies modernise without any improvement in the conditions for expanding and transforming the productive base of the peasantry, then the peasants will lose one of their main sources of monetary income and savings: their wages.

Thus, without simultaneous transformation of business organisation and of the family sector, either the business sector will face a serious crisis of profitability (for example, if wages and agricultural producer prices for the peasants are increased, and if the availability of below cost labour diminishes), or accumulation in the family sector will be put at risk, and with it, the survival of the peasantry as a productive force (for example, if employment opportunities or the capacity to market agricultural produce are reduced) (O'Laughlin 1981, Wuyts 1981b and 1981c, Castel-Branco 1989 and 1994a).

Fifth, the transformation and development of the peasantry requires additional resources, given the limited savings available in this sector. Thus if the economy's means of investment are exhausted in modernising and expanding the business sector, the peasantry will not only lose employment and income opportunities, but will not be able to benefit from social resources to carry out the minimum investment necessary for its development and transformation. In this case, the option for business expansion could worsen the underdeveloped state of the economy (O'Laughlin 1981 and Castel-Branco 1994b).

Sixth, the social differentiation generated in the countryside (among the peasants and between peasants and other economic agents, such as traders, transporters, industrialists and financial institutions) prevents automatic adjustments in the economic structure and a "fair" share-out of the benefits of economic activity, since the institutional organisation of the markets does not allow it (O'Laughlin 1981, Mackintosh 1983 and 1986, Castel-Branco 1983a and 1983b, 1989, 1990 and 1994b, Wuyts 1990).

This pattern of accumulation may, in itself, be the main obstacle to the socio-economic development of the country.

Weakness of sectoral relationships

The second fundamental characteristic of the Mozambican economy is the weakness of the links within and between sectors. Each sector functions like an island within the economy, isolated from the other sectors, and strongly dependent on the outside. For example:

* the rail and port network functions mainly for the hinterland (South Africa, Zimbabwe, Malawi, Swaziland and others). About 80% of rail and port traffic and of the revenue from this sector comes from cargo movement to and from the countries of the hinterland. Furthermore, rail and port links within the national economy are very feeble, limited to some cities and commercial centres linked to plantations;

* import substitution industries import more than three quarters of their inputs, capital and

technology, and make little contribution to the production of other sectors. Apart from this, they do not generate the foreign currency that they consume, which means that they are "subsidised" either by the sectors that export primary products, or by the foreign indebtedness of the economy. Relations between these industries and the rest of the economy are therefore negative. For example, about 70% of industrial production comes from light industry: food processing, drinks and tobacco, textiles, clothing and leather, and timber and furniture. The chemical industry (which represents about 11% of industrial value added) scarcely produces any basic chemicals: basically it just mixes together imported components, and imports more than 70% of the inputs it uses. For their part, the remaining industrial subsectors import about 90% of the chemicals they need. The production of chemicals for agriculture represents a little more than 3% of this industry's production, and a tiny part of the agro-chemicals that are consumed. Through its exports, this industry only generates four cents for each dollar of inputs that it imports; and since it has few links with other industries, it does not make much contribution towards saving hard currency. The engineering industry (with a little more than 5% of industrial value added) basically produces metallic packaging and assembles some light equipment based on imported components (e.g. motorcycles, domestic lamps, and manual water pumps) (Castel-Branco 1994c, and the DNE series from 1988 to 1994);

* agriculture and export industries consume, in imported inputs and equipment, four fifths of the resources they generate, and only export semi-processed primary products, with very little value added (CEA 1980, Wuyts 1980a, 1981a and 1984, Castel-Branco 1994b and 1994c).

Furthermore, the technologies used are not made compatible with national capacities, and are not standardised so as to generate new national capacity, and to gain more benefit from existing capacities. Each investor and financier introduces his own technological pattern and production lines. They are more interested in exporting capital goods and technological packages to Mozambique than in developing any Mozambican technological capacity. Thus industry is incapable of generating the technology and equipment used in transport and in agriculture, and of using and transforming national inputs. Within the same industry there exists an enormous variety of technological standards (despite the limited domestic technology market) which hinders rationalisation, learning, the development of economies of scale and of externalities in producing national technology, and tightens foreign dependence (UNIDO 1987, MIE and UNIDO 1993, Castel-Branco 1994c).

Finally, in most cases relations between sectors take on a negative character. They are relations of the expropriation of resources and of surplus value, which enrich some sectors at the cost of impoverishing others. The transfer of resources between sectors does not result from increased productivity of the factors of production, but from their expropriation by more powerful social sectors. Thus the transfer of resources from the less capitalised sectors to the more capitalised ones invariably reduces production and income in the former. For instance, the profitability of the industry that shells and semi-processes cashew nuts depends on two basic factors: the low price paid to the peasants for the nuts, and the protection of national industry against the export of raw nuts to the world market where the price is higher. Frequently industrialists and traders are involved in sharp debates over who has the right to expropriate the greatest slice of surplus value generated by the agricultural cashew producers; the size of the traders' slice depends on being able to export raw nuts so as to take advantage of a higher international price - while the size of the industrialists' slice depends on not allowing this export, so that they can hold onto a monopoly position in buying the nuts. The traders' proposal is to liberalise trade in cashew nuts (in which they are supported by the World Bank), while the solution advocated by the industrialists is to reduce the number of middlemen in the marketing, so that the industries are directly involved in buying nuts from peasants. However, those who cultivate the cashew trees, look after them and collect the nuts (the millions of small and middle peasants of Nampula, Cabo Delgado and Gaza[0)])

). Cashew nuts are basically a peasant crop in most of the country, although there are also some large scale do not have the necessary institutional organisation to intervene in this debate on their own behalf. And so, on average the peasants receive between 20 and 25% of the international price of cashew nuts, and the difference is accumulated by traders and industrialists. Thus, while the traders and the industrialists dispute who should pocket more, the economy loses out, because marketed cashew production is rapidly shrinking, and the peasants are becoming increasingly impoverished.

This weakness of the economy raises important questions for any development strategy. First, it is necessary to ensure very strictly that the various sectoral development programmes are compatible amongst themselves and with the real capacities of the economy. For instance, a strategy of rapid mechanisation of agriculture tends to consolidate the isolation of agriculture from industry, since the latter will not have the capacity to provide technology and equipment for the agrarian sector.

Second, it is necessary to identify and select technological options and coordinate investment within each sector, which requires information, institutional and technological, capacity, and a definition of what can and should be done with the existing structure and economic agents. For example, a strategy to develop the engineering industry, the furniture industry or the sugar industry cannot avoid the fact that in each of these industries there already exist half a dozen or more companies, producing the same goods with very different technological and quality standards, which leads to enormous waste and prevents links and multiplier effects. If the development of these industries is left entirely in the hands of foreign investors, without effective coordination of technological policies, then each investor will bring a different technology to the company where he is going to invest, making it dependent on an outside source, usually the investor's home company. Furthermore, it is not possible to jettison these companies and build new ones within more perfect standards: one must identify how to transform them and make them compatible with the rest of the economy. Thus the strategy must not only identify realistic goals to be attained, but must outline the steps in the transition from today's reality to future goals, and the policy measures that will allow those goals to be achieved.

Thirdly, it is necessary to define a new framework for relationships between the various sectors of the economy that encourages the transformation of the pattern of accumulation and allocation of capital. Intensifying the inherited pattern, or liberalising trade relations, does not solve the central problem of sectors of the economy and social sectors accumulating capital at the expense of the de-accumulation and discouragement of the basic sectors.

Social and regional differentiation

The third characteristic of the Mozambican economy is strong social and regional differentiation, particularly with regard to the distribution of national income, motivated by the pattern of capital accumulation, the weakness of links between sectors, and the interest of the most powerful capitalist interests that operate in each region of the country (Wuyts 1981a, 1981c and 1989, Castel-Branco 1994b).

The economy of southern Mozambique (Maputo, Gaza and Inhambane) is influenced by South African mining capital and by the capital invested in services, trade, finance, large and medium sized agricultural companies and import substitution industries. Up until the mid-1980s, out of the total Mozambican waged labour force, 25% were migrant workers in South Africa, and 10 % were employed

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cashew cultivators. In the colonial period this was a compulsory crop, precisely to ensure that the low producer price would not affect supply. This kind of organisation of production reduced peasant interest in producing and marketing cashew. Consequently, the cashew trees have not been renewed for decades and the current yield per tree is very low. Additionally, the peasants consume a very high proportion of the nuts as a substitute for groundnuts and other oilseeds: either because the relative prices of the latter are better, or because cashew is a permanent crop (the tree is already there, and produces nuts whether you want them or not), so that the peasants prefer to re-allocate the land they have to other crops (such as grain) instead of oilseeds.

in manufacturing industry and on the railways in the southern region. More than 50% of Mozambican manufacturing industry is located in this region. In the centre (Sofala, Manica, Tete and Zambezia), the regional economy is above all influenced by capital invested in plantations and in industries exporting primary products (tea, sugar, cotton, copra), and in the rail and port system. In the north (Nampula, Cabo Delgado and Niassa) the regional economy is particularly influenced by peasant production for the market, by the export of primary products (cashew nuts and cotton), and, more recently, by plantations (cotton).

Given that the pattern of capital accumulation depends on the exploitation of peasantry, this regionally differentiated economic structure has been reflected in a regional differentiation of the peasantry, of its functions and of its sources of income (Tables 3 and 4). Thus subsistence family production was proportionately greater in the north (60% of the regional agricultural production). Here too the contribution of the peasantry to marketed agricultural production was also greater (62% of regional marketed agricultural production, including 29% of national exports). Peasant production in this region came to 48% of total national family sector production (Table 3). In the centre, the peasantry was essentially integrated as a plantation labour force, which produced 28% of total regional agricultural production, and 57% of marketed regional agricultural production (including 30% of national exports). Peasant production in this region amounted to 38% of total national family sector production (including 24% of marketed national production of cotton and 26% of marketed national production of rice) (Table 3). In the south, the peasants produced only 14% of national family sector agricultural production, since they were basically absorbed as a waged labour force. For example, the total wage bill of the Mozambican miners was eight times greater than peasant revenue from agricultural marketing in the region, and almost twice as much as total value of regional agricultural marketing (from the peasant sector plus the agricultural business sector) (Table 4).

Table 3: Regional patterns in the structure of agricultural production at the start of the 1970s

		South	Centre	North	Total
National Production					
	total	17	43	40	100
	marketed	19	46	35	100
	from the peasantry	14	38	48	100
	from plantations	6	88	6	100
Regional production					
	for subsistence	49	52	60	
	marketed	51	48	40	
	total peasant production	59	61	86	
	marketed by the peasantry	20	19	62	

Source: Adapted from Castel-Branco 1994b: 38 (estimates based on Wuyts 1981a; Tables 4,5,7 and 8).

Table 4: Income from agricultural marketing and from miners' wages, 1968 (in millions of escudos)

Source of Income	I'bane	Gaza	Maputo	Total
Peasant marketed production	24	56	5	85
Commercial agriculture	---	---	---	351
Miners' deferred wages	78	85	105	268
Miners' total wages	209	228	280	717

Source: Wuyts 1981a, Table 6.

Markets (in labour and in goods and services) are influenced by monopolies and oligopolies in labour recruitment (e.g. the reserve pools of migrant labour and plantation labour), and in the marketing of agricultural goods bought from the peasants and industrial goods sold to them (e.g. the monopoly role of the cotton plantations and the cashew industrialists). The rural retail trade network is concentrated in the areas where the crops of greatest commercial value are grown, and operates under the control of the large-scale traders, wholesalers and transporters (O'Laughlin 1981, Mackintosh 1983 and 1986, Gibbon et al 1993).

Access to different sources of income also developed differentiation among the peasantry. The determinant factors in this differentiation are: access to wages on the South African mines, the proximity to frontier areas which allows the peasants to sell their goods at more favourable terms of trade, and links with so-called "traditional authorities" who are frequently involved in the control, allocation and use of local resources, particularly land and labour power (O'Laughlin 1981 and Castel-Branco 1994b).

> *It is possible to give an approximate indication of the degree of differentiation in peasant agricultural production....About 5% of peasant holdings occupied 20% of the land cultivated by peasants. Slightly more than 20% occupied more than 50% of the cultivated area...About 20% of the holdings occupied only 4% of the cultivated land, while 44% occupied 16% of the area....At the highest level, 5% of holdings are larger than four hectares, with some reaching even 10 or 20 hectares. At the lowest level, 20% of peasant holdings cover less than half a hectare, and 40% less than a hectare* (Wuyts 1981a: 9).

This differentiation hinders optimising rational reactions by economic agents and automatic adjustments, at the same time that it shrinks the market and builds a consumption pattern out of line with national productive capacity. Furthermore, it strengthens the lobbies and unproductive rents of the most powerful economic agents, and reduces competition and incentives for efficiency (Stewart, Lall and Wangwe 1992, Castel-Branco 1989).

A development strategy for the Mozambican economy will have to solve this problem, for reasons both of efficiency and of social equity. However, given the institutional basis of the differentiation, this problem cannot be left in the hands of market forces: these forces are strongly differentiated, and are incapable of modifying, on their own, the dominant pattern of differentiation. Furthermore the necessary institutional intervention must be able to avoid becoming a prisoner of the various lobbies. The development of the institutional organisation of the great mass of national productive forces, particularly the poor and middle peasants, is necessary so as to create alternatives of internal pressure and introduce new forms of competition that contribute towards reducing inequality, not only in the distribution of wealth, but also in the organisation of decision making power over the production, exchange and distribution of wealth (O'Laughlin 1981, Castel-Branco 1989, Wuyts 1990, Bowen 1992, Mkandawire 1992).

Size of the market

The domestic markets for consumer goods and investment are very small and fragmented, due to: small population; low level of economic activity and investment; weakness in relations between sectors; sharp social and regional differentiation in the production and allocation of resources, which distorts consumption and production patterns in relation to national capacities, makes them very dependent on imports, and hinders contacts between consumers and producers in different markets; low level of aggregate income; and finally, the persistence and reproduction of a pattern of capital accumulation that requires 80% of the population to be kept linked to subsistence production in order to ensure the basic social subsistence of the labour force (Wangwe 1992, Stewart 1992a and 1992b, Helleiner 1992, Castel-Branco 1994b and 1994c). Besides being an effect of the socio-economic structure, the small size and the fragmentation of the markets constitute an obstacle to development, by constraining technological and institutional choices, and the reactions of economic agents.

Thus the development strategy must take this factor into account, by considering several alternatives, such as: expanding the market through greater regional coordination of development and of exports; the approximation and integration of markets by decentralising poles of development, making sector strategies compatible and ensuring greater integration between and within sectors; modification of the centre and the pattern of economic accumulation through a policy that prioritises the development of the poor and middle peasantry and rural industrialisation, with priority on small and medium sized companies to process agricultural products, and the production of inputs for agriculture; the adoption of technological choices that make possible greater national economic integration, the development of Mozambican technological capacities, and minimising problems of scale in the efficient organisation of productive units.

Institutional, human and technological capacity

Finally, the fifth great characteristic of the national economy is the weakness of its institutional, human and technological capacity. This characteristic is the result of the three previous ones and it helps to perpetuate them.

This weakness imposes huge constraints on the capacity to define strategies, to select objectives and courses of action, to implement decisions taken, and to introduce substantial changes in the economy. Thus excessively centralised and interventionist strategies could fail right from the start because of an inability to implement them. On the other hand, leaving the course of action at the mercy of market forces in no way helps to solve the problem, and is more likely to consolidate it, though altering its form over time. Any development strategy for Mozambique will have to solve the problem of establishing the institutional, human and technological conditions for its implementation. This problem must not be underestimated, for it is central to any strategy: either it is solved, or the strategy will not be successfully implemented.

ECONOMIC OPTIONS IN MOZAMBIQUE

Given these central characteristics of the Mozambican economy, it is important to analyze whether the dominant development options, the PPI and the PRE/PRES, had any replies for the fundamental problems identified.

Two dominant overall strategies, theoretically opposed to each other, marked the economic trajectory of Mozambique over the past 20 years. The first, known as the Prospective Indicative Plan (PPI), sought to eliminate the underdevelopment inherited from Portuguese colonialism in just ten years. Composed of three basic programmes - collectivisation of the countryside, industrialisation and training - the PPI prioritised rapid growth of material production: the projection was a quintupling of material production over 10 years, which would have required an average annual growth rate of 17.5% throughout the decade of the 1980s.

Consistent with the aim of rapid growth in material production, the PPI also had the following characteristics (Castel-Branco 1994b and 1994c, O'Laughlin 1981, Mackintosh 1983, Wuyts 1989):

* it centralised capital accumulation in the state, because of: the belief that the state was the supreme interpreter of the "socialist" model; the recognition of the underdeveloped character of markets and market relations; the example of rapid growth rates in countries with centralised economies; and the need to concentrate resources for key large-scale investments, and to control consumption, savings and the allocation of investment resources;

* it centralised investment in the state-owned business sector, which was consistent with the centralisation of the economy and of resource allocation, with priority given to rapid growth in state companies, alongside a distrust in the ability of the peasantry and the Mozambican private sector to respond rapidly and efficiently to the aims of economic policy. For example, by 1984 more than 70% of national investment was destined to construction (mainly of large new state-owned agricultural and industrial projects) and to agriculture, and more than 90% of the investment and technical staff allocated to the agricultural sector went to the state farms. The area covered by state agricultural companies rose to 140,000 hectares in 1982;

* it marginalised the other sectors of the economy, particularly the peasantry, despite the rhetorical priority given to the family and cooperative sectors. In large measure this was because the rapid growth of the state business sector and of investment in new large-scale projects exhausted available resources. Furthermore, the reproduction of capitalist relations of production, so as to intensify capital accumulation, tended to maintain the family sector as a simple reproducer of labour power and a generator of surplus value for other sectors. Finally, it was believed that the rapid growth of the state business sector would transform the majority of peasants into agricultural and industrial waged workers, and would in itself stimulate the formation and development of cooperatives. For example, by 1982 over 3,000 tractors and 500 combine harvesters had been imported for the state farm sector, while the peasants were faced with a crying shortage of basic tools and consumer goods to exchange for their surplus production. Up to 1984, the family and cooperative sectors received no more than 3% of the investment and technical staff allocated to agriculture;

* it marginalised the transformation of the social organisation of the economy, basically because it

was believed that the increase in infrastructure and the larger scale of projects and investment would automatically bring about the necessary social transformation. The argument at the time was that the priority lay in capital accumulation, in order to increase national wealth so as to be able to promote social transformation in the following stage;

* it applied a passive system of macroeconomic management and funding, as a simple bureaucratic instrument of the material plan, in response to the centralised material planning model, and because it was believed that the deficits then generated would be covered in the future by the effects of rapid growth in production and in company efficiency; and

* it prioritised compliance with physical production targets, neglecting efficiency and the economic costs involved in meeting these targets, partly because of the pressure exerted, through the central material plan, on the need to make the product and inputs of different companies compatible, and the volume of exports compatible with the demand for imports.

The choice of this economic strategy was determined by several factors, namely: the need to overcome the conjunctural crisis of the colonial economy (Table 1), and to confront and solve the structural weaknesses of the national economy and its unused potential; the critical analysis of the less than encouraging post-independence experiences of other African countries; faith in the ability to mobilise workers and peasants politically as an instrument capable of overcoming all obstacles; and the affirmation of the Soviet model of a centralised economy as the solution for socialism. The dependence of this strategy on foreign resources (given the scarcity of national capacities), the expectation that Mozambique would become a member of COMECON[0)], the climate of international East-West conflict (from which Mozambique could not escape), and the growing dependency on the countries of eastern Europe, were enough to force the almost mechanical adoption of the Soviet model of "socialism".

Although socialism was a possible development option (given the nature of Mozambican society and of its dominant social and economic forces), the adoption of this path would not have to follow any particular model, Soviet or otherwise. In any case, socialism and development are not compatible with copying models, because both are directed towards the development and transformation of specific social and economic forces, and are the result of the activity of those same forces. Thus the critique of the Mozambican experience does not have to become a rejection of the option for a socialist transformation of the economy in itself, though it may be a critique-rejection of a particular model of "socialism", the Soviet one, and of the method of absorbing and copying social models in their finished form (Bragança 1981, Bragança and First 1981, O'Laughlin 1981 and 1992, Wuyts 1981a, 1981b and 1989, Ganhão 1983, Adam and Gentili 1983, Castel-Branco 1989, 1994b and 1994c).

The second strategy, known as the Economic (or, later, Economic and Social) Recovery Programme (PRE/PRES), basically sought to repair the mistakes of the PPI, and restore the production and export indices of 1981. In the PRE's view, the main mistakes of the previous strategy had been bad macroeconomic management, the distortion of the relative price structure which prejudiced agriculture and exports, and discouraging the operations of the Mozambican and foreign private sector.

Thus the programme proposed to restore equilibrium to the Mozambican balance of payments and to control inflation, through devaluing the currency to stimulate exports and restrict imports, through cutting public expenditure and subsidies to companies, through privatising state property, through introducing the principle of cost recovery in the provision of essential public services (such as health and education) and through credit ceilings. The argument was that bad macroeconomic management during the PPI period had led the Mozambican economy into a state of serious financial and structural imbalance, and that only a strong government undertaking to reverse the policies of the past and to introduce tough fiscal and monetary corrections could restore the health of the economy and the international credibility of the country. At the same time, the government should opt for the systematic

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). Community of Mutual Economic Assistance - the economic community of the socialist bloc.

privatisation and liberalisation of the economy: this model was seen as the only viable alternative. It would allow correction of the mistakes of the period of excessive state administration, avoid any repetition of such excesses, and give market forces the opportunity to show their potential for economic management. Thus this was a golden period for the defenders of the free market (Mackintosh 1986, BIRD 1991, Wuyts 1990 and 1995, Stewart, Lall and Wangwe 1992, Gibbon et al 1993, Castel-Branco 1994b and 1994c).

Alongside the need to adjust the economy, in order to stabilise it and make it more efficient, the new strategy also sought to adjust the national economy to the options of the creditors, for without the adoption of such measures Mozambique's foreign debt would not be rescheduled and it would have no access to fresh credits and aid. This tremendous pressure from the most powerful financial centres of the world economy was the lever that forced the adoption of strategies with this magnitude of economic, social, political and ideological adjustment (Wuyts 1990, Bowen 1992, plank 1993).

Under the new strategy, the priority was macroeconomic stabilisation, and all other aims were subordinate to this, regardless of the profound structural causes of Mozambique's economic imbalances (Mackintosh 1986, Castel-Branco 1994b and 1994c, Wuyts 1995). Thus sector development programmes had to be consistent with policies of contracting domestic demand, credit and public expenditure (even if this implied compromising the achievement of sectoral objectives) instead of responding to clear sectoral strategies (Tibana 1991, Steward, Lall and Wangwe 1992, Gibbon et al 1993, Castel-Branco 1994b and 1994c, Wuyts 1995). Liberalisation and privatisation became the dogmas of the moment, seen as in depth "solutions" for stabilising the economy and attracting foreign investment, rather than as elements of an overall development strategy. As the PRE/PRES unfolded, and the promised results did not appear, so greater pressure was applied by the multilateral agencies - the World Bank and the International Monetary Fund - to speed up the privatisation and liberalisation of markets in goods and services, and the finance and capital markets (making such processes ends in themselves), even when such measures seemed irrational and irrelevant given the real circumstances of the national economy (Moçambique 1988, 1991a, 1991b, 1993a, 1993b and 1995, Gibbon et al 1993, Castel-Branco 1994b and 1994c, Wuyts 1995).

PROBLEMS COMMON TO THE ECONOMIC OPTIONS

The two options followed, the PPI and the PRE/PRES, sought different goals. The first intended to expand rapidly the capacity and the material production of the economy so as to overcome underdevelopment and the weakness of the socio-economic structure and to eliminate poverty. The second intended to restore macroeconomic balance and give the economy greater flexibility and efficiency by correcting the mistakes generated by the PPI. Although the two options reflect opposing economic philosophies, they share a series of deep-seated problems, the essence of which lies in their inability to come to terms with and reply to the structural problems of the Mozambican economy. A more profound and exhaustive analysis of these common problems may provide some explanations for why the practical results of both strategies are not all that different.

First, both strategies were designed in reply to the need to introduce deep changes, under the pressure of serious structural crisis, and of the dominant donors in each period. However, both tackled more the effects than the causes of the crises that they proposed to confront. Thus efforts were concentrated on the rapid growth of productive capacity under the first strategy, and on economic stabilisation in the second, without taking into account the causes of economic backwardness and instability, and the constraints imposed by this state of the economy. (Castel-Branco 1989, 1994a and 1994b, Wuyts 1990, Doriye and Wuyts 1993).

Secondly, options were adopted that demanded very brusque and rapid changes. The institutional and socio-economic reality of the country were not taken into consideration, and the rhythm of change was imposed by adopted models and by donor pressure (Bowen 1992, Plank 1993, Castel-Branco 1989, 1994a and 1994b). For example, the PPI intended to integrate more than five million peasants into cooperatives in 10 years, even though it was only allocating to this process 3% of the investment and the technical staff of the agricultural sector, because these were the resources that were left over after massive investment in state companies. Furthermore, it centralised the planning process, decision making and control over economic decisions without in fact dominating the entire economic process, the surplus and the productive process, and without developing the institutional, technological and human capacity that would have allowed it to carry out this process efficiently. Planning became a bureaucratic formality without much practical use.

As for the PRE/PRES, it intended that economic agents should be sensitive and capable of reacting rationally and rapidly to price incentives, without taking into account the structural, social, institutional and technological constraints of the markets. That is, this programme has an idealistic vision of markets and of economic agents, which results to a large extent from the pressure of multilateral institutions who are incapable of understanding real socio-economic processes and act in defence of the interests of the major creditors.

In both options, the argument prevailed that brusque and rapid changes were imperative to deprive the opposition to these measures of the time to reorganise, adapt and resume its lobbying. But in fact, while society has to pay the economic and social costs of attempts to carry out brusque and rapid radical transformations in the economy, these changes end up not being effectively implemented because of various economic, social, technological and institutional constraints. This combination of effects (high costs with few benefits) has made opposition to these changes stronger.

Thirdly, the two strategies were marked by the absence of a vision of transition and of development as a process of transformation that involves selecting objectives, priorities, technologies, methods and the social forms that the organisation of production should assume, as well as incentive systems and the necessary institutional organisation. Both therefore adopted closed and dogmatic models, which may or may not have resulted from transformation processes in other economies under other conditions, but which do not respond to the deep-seated concerns of the Mozambican economy. At the same time, they did not consider the steps necessary to build the technological, institutional and social conditions for implementing these same models (Singh 1986, Sender and smith 1986).

Fourthly, in both strategies the need to modify the pattern of capital accumulation was neglected: they were concerned more with the rehabilitation and expansion of existing infrastructure, with the growth in production or with the attack on economic instability - which are no more than symptoms of a deeper structural malaise - than with the social and economic efficiency of the economic development process. The peasantry, as the fundamental productive force, and the need to transform the relations of exploitation that subordinate it to the capitalist sector, were systematically neglected. State control and privatisation - in the conditions under which they were carried out - worked against the family sector, that is, against 80% of Mozambican economic agents (O'Laughlin 1981, Bowen 1992, Castel-Branco 1994b and 1994c, Pitcher 1994).

Fifth, the inability to select priorities flexibly and coherently and to conceive of the structural transformations necessary in the Mozambican economy, as well as the adoption of "finished" models of brusque changes, led to the reproduction and worsening of the isolation within and between sectors: the various sectors of the economy operated in much closer liaison with the outside world - exporting primary goods and services or importing inputs, technology and capital - than with each other. Naturally, this problem strengthens economic dependence, and minimises the use of Mozambican economic potential. In practice, the PPI and the PRE/PRES were unable to decide what to do and to define a process of transition that would transform the existing - distorted, underdeveloped and imbalanced - economic structure, agents and institutions. The PPI sought to build a new harmonious and developed economic structure without worrying much about what would happen to the one that already existed. It was partly because of this that all attention was turned towards building new large scale projects, at the same time as the capacity to keep what existed operational was declining (Wuyts 1989, Castel-Branco 1994b and 1994c). The PRE/PRES adopted a non-selective attitude towards economic rehabilitation: in its first stage, up to 1989, it tried to rehabilitate everything, without a clear development strategy. In the later stage, it imposed severe restrictions on the rehabilitation of anything (Tibana 1991, Castel-Branco 1994a and 1994b, Wuyts 1995).

Sixth, both strategies were rigid and dogmatic towards incentive systems: the PPI adopted planning and propaganda as methods for mobilising resources, capacities and willpower. The PRE/PRES adopted market mechanisms as the magic solution, irrespective of any serious analysis about the nature of economic agents and the relations between them and the markets. For instance, despite liberalising the prices of most agricultural and livestock products, the terms of trade for the peasantry deteriorated after 1988 (Table 5), for the following reasons:

* the bankruptcy of national industry has made the peasantry still more dependent on imports, which became more expensive with the devaluation of the currency: at the same time, about 80% of peasant production was destined for the domestic market, and so the peasantry did not benefit from the advantages of devaluation (Gibbon et al 1993, Castel-Branco 1994b and 1994c);

* the international terms of trade for some peasant export crops have also deteriorated (Table 6);

* the monopolist and oligopolist control by traders, transporters and the major producers over rural markets allows them to establish prices for products bought from and sold to the peasantry (Mackintosh 1983 and 1986, Gibbon et al 1993, Castel-Branco 1989 and 1994a);

* the dispute between industrial and commercial interests for capturing greater portions of the surplus value generated by the peasantry[0)], without the peasants having the social organisation to intervene in this process on a footing of equality, affects the terms of trade to the detriment of the peasants (Gibbon et al 1993, Castel-Branco 1994b and 1994c); and

* food aid, often granted with high levels of lack of programming and lack of coordination, also helps push down the terms of trade for agricultural products (Gibbon et al 1993, Wuyts 1995).

Thus, the institutional conditions of real markets and economic agents have been systematically neglected in drawing the prescriptions for liberalisation measures (Sender and Smith 1986, Nixson 1986, Mackintosh 1986, Edwards 1993).

Table 5: Index of the domestic terms of trade (TT) for the peasant sector 1976 to 1989 (base year 1986 = 100)[0)]

Period/ Strategy	III Congress	IV Congress	First Libe- lization	Period of PRE

). See, for example, the struggle between industrialists and traders over who should take the largest share of the surplus value extracted from the peasant producers of cashew nuts.

). The terms of trade reflect the relationship between two price indices or, which comes to the same thing, the purchasing power of one product compared to another. Under analysis in this case are the terms of trade between what the peasants sell and what they buy. If the index of the terms of trade is higher than 100, relative prices for agricultural produce have gone up, which stimulates agricultural producers. If the index of the terms of trade is less than 100, the relative prices of agricultural products gave declined, which discourages agricultural producers.

(Years)	1976	1980	1983	1985	1986	1987	1988	1989
Index of TT	88	69	74	97	100	111	62	45

Source: adapted and adjusted from Gibbon et al 1993: 46, Table 14.

Seventh, both strategies were highly dependent on foreign aid in their conceptualisation, implementation and endowment of resources. Under the PPI, official foreign aid came to cover 80% of public investment; while under the PRE/PRES, 80 to 90% of GDP is constituted by foreign aid, which also covers three quarters of Mozambique's debt servicing. Though the two strategies both recognised that dependence on foreign aid limits sovereignty in decision-making and economic management, neither of them drew the appropriate lessons from this fact: that the capacity of the national economy and the offer of foreign resources on really concessionary terms, without strings attached, establish the limits within which the national economy can operate, so that the conception of development and the choice of economic options must be made compatible with these limits. Despite this, both strategies used imported factors intensively, and wasted scarce resources, either because of bad planning, or because of market inefficiencies (Doriye and Wuyts 1993, Plank 1993).

On the other hand in neither of the strategies were two other factors taken into consideration: foreign aid can discourage and replace national production, and can exert enormous pressure on the allocation of scarce resources in the economy, generating more inefficiency and increasing the deficit of these resources. For example, tied aid oriented towards the expansion of productive capacity can worsen the deficit on domestic savings and foreign currency, if the economy is also dependent on the import of capital goods and circulating capital (Doriye and Wuyts 1993, Plank 1993, Castel-Branco 1994c).

Eighth, in both options macroeconomic management and sector programmes were not aligned with each other (more so in the second than the first). This lack of alignment worked in different ways: in the first option, macroeconomic management was passive - which caused inefficiency. For instance, the companies covered by the central plan worked with a current account in the Central Bank, whose overdrafts were automatically covered by the bank. Capital investment was financed directly by the state budget, and running costs were financed either by the budget or, more frequently, by the bank. The state firms and intervened companies[0)] transferred all their profits to the public treasury which later redistributed them in accordance with the material plan. Thus these companies had no incentive to make themselves profitable, or even efficient, from the cost point of view (Wuyts 1989, Castel-Branco 1994b and 1994c).

). Translator's note: companies which were not actually nationalised, but where the state intervened by appointing a management commission to run the firm (usually after the owners had abandoned it).

Table 6: Indices of the international terms of trade and of the quantities exported of Mozambique's main export products (base year for both indices 1986 = 100)

Main Exports	1980	1986	1987	1988	1989
Cashew nuts					
Terms of Trade	109	100	92	79	62
Exports	505	100	193	217	181
Prawns					
Terms of Trade	85	100	81	82	77
Exports	91	100	89	90	90
Cotton					
Terms of Trade	217	100	141	113	137
Exports	725	100	462	540	592
Sugar					
Terms of Trade	526	100	100	142	179
Exports	328	100	53	59	66
Global Terms of Trade	93	100	98	88	79

Source: Gibbon et al 1993: Table 15.

Apart from this, absolute priority was accorded to investment in large scale projects to the utter detriment of rehabilitating existing capacity. It is estimated that, between 1979 and 1985, 80% of investment in the economy went to construction, large scale agriculture and new industrial projects, while existing small and medium sized companies were unable to find resources to import spare parts, raw materials, auxiliary materials and fuel (Wuyts 1989: 109-112).

Public investment and state expenditure continued to increase, although the national product had begun to decline, which reduced fiscal revenue. In 1981, the global public deficit was equivalent to 41% of global public expenditure and to 18% of Gross Domestic Product (GDP). In 1983, the global public deficit fell to 30% of global public expenditure, but at the cost of a 40% reduction of public investment in the economy. In the same context, public investment as a percentage of GDP increased from 15% in 1980 to 20% in 1981, falling back to 15% in 1983 (Wuyts 1989: 108-111). At this time, GDP was already smaller than in 1981, and thus the volume of investment had fallen to below that of 1981. The severity of the fiscal deficit provoked a sharp application of the brakes, and an abandonment of the targets for rapid economic growth determined by the PPI (Table 7).

Under the second strategy, macroeconomic management was the dominant goal in itself, which prejudiced the response of the productive sector to new forms of economic incentives. For example, devaluation of the currency and credit ceilings became central measures to restrict aggregate demand, harmonise the balance of payments, and control inflation. The theoretical economic argument behind these measures is simple: devaluation of the exchange rate increases the competitiveness of the economy, because it stimulates economic agents to export more (since they receive more, in local currency, for the same quantity of goods and services exported), and to import less (because imports become more expensive). On the other hand, if the economy is working at full capacity, an expansive credit policy tends to generate inflation because of the slow supply response relative to the rapid growth in demand for goods and services. If inflation increases, the economy loses competitiveness, and its exchange rate climbs, which cancels the effect of devaluation. So these two measures, devaluation and credit ceilings should be applied together.

However, the productive sector in Mozambique faces two problems that do not allow the supposed advantages of devaluation to be felt: it is heavily dependent on imports, which become more expensive with devaluation, which increases the costs of production; and it faces many structural constraints (technological, organisational, infrastructural etc) which hinder an efficient response to export incentives. The productive sector needs to undertake basic investment so that it can respond to economic incentives, but credit ceilings and high nominal interest rates make capital too expensive for the capacities of Mozambican economic agents. This is made worse by fiscal policy which severely penalises the formal productive sector, with the sole aim of balancing state expenditure and revenue. Thus the absolute priority given to economic stabilisation by cutting aggregate demand prevents economic agents from becoming more competitive, and, in the medium to long term, prevents the economy from becoming more stable.

Table 7: Allocation of public investment in the industry and energy sector: value of investment (in millions of current meticais), annual growth rate (_I/I) of investment, and index of its evolution (1978-1979 = 100)

	1978-79	1980	1981	1982	1983
Values	561	1 227	3 349	3 493	2 769
∆I/I (%)	---	119	173	4	-21
Index	100	219	598	622	491

Source: Estimate based on Wuyts 1989: Table 3.

Apart from this, given the conditions of extreme poverty and general structural weakness of the Mozambican economy, it is not possible to slash aggregate demand without causing severe damage to the economy and to social stability. Finally, the Mozambican economy has a lot of underused capacity: that is, it is very far from operating at full capacity (Table 8). Thus it is highly likely that a selective policy of rehabilitation and development on favourable terms would encourage a rapid growth in supply (Sender and Smith 1986, Loxley 1986, Singh 1986, Wuyts 1989 and 1995, Castel-Branco 1994b and 1994c, Akyuz and Kotte 1991).

Table 8: Utilisation of installed capacity in manufacturing industry (sample of 148 companies in 1991): rate and frequency.

	Use of installed capacity (in %)			
	< 25%	26Ä50%	51Ä75%	+ 75%
No. of companies	83	54	19	12
Frequency				
Relative	56%	23%	13%	8%
Accumulated	56%	79%	92%	100%

Source: MIE and UNIDO 1993: 34, Table 1.16, part 1.

The main cause of inflation in Mozambique is the inability to produce and not an excess of aggregate consumption. How can anyone claim that one of the countries with the lowest per capita income in the world has an excessive aggregate demand which needs to be cut ? However, given the growing inequality in the distribution of the national income and the liberalisation of access to scarce resources in the economy (particularly hard currency), it is very likely that the pattern and level of consumption of the richer strata of society, which make more intensive use of imports, has a strong impact on inflation. Thus, as regards demand, the solution is still not to cut aggregate demand, but to adjust the consumption patterns of the most privileged sectors.

Under the PPI, macroeconomic management occupied a secondary position, which encouraged the adoption of economic strategies that were completely out of line with the capacities of the economy and stimulated inefficient investment and management practices, Under the PRE/PRES, correcting the macroeconomic indicators so as to reach a balance became the main target of the adjustment and stabilisation programme, which led to inconsistency between recessive economic measures and the stability of the economy, and made it impossible for the productive sector to respond adequately.

Ninth, the PPI and the PRE/PRES were both unable to solve the problem of the relationship between the state, the market and the economy as a whole: in the first option, the state was the only positive economic agent and was regarded as an all-powerful being. In the second, the state was an enemy to be removed, failing to recognise that to impose free markets, a strong state is needed to intervene extensively and efficiently (Amsden 1989, Edwards 1993). In practice, neither of these strategies understood the limits and weaknesses either of the state or of the markets - and the constraints imposed by such limits on the choice of development options - mainly because of their extreme idealist conception of the rationality and perfection of the state, in the one case, and of the market, in the other. Thus neither strategy managed to build the institutional conditions for implementing successfully its lines of development (Sender and Smith 1986, Chang 1991, Mkandawire 1992, Edwards 1993, Castel-Branco 1994c).

LESSONS TO BE LEARNT

The two economic options adopted, out of line with the deep-seated structural problems of the Mozambican economy, were unable to attain their basic goals, to overcome the constraints of the national economy and to prevent the worsening of successive crises of accumulation and development. It is important to draw some lessons from the two economic options I have analysed.

First, development is a process and not a model. Besides, models are the result of processes of transformation. What is important to learn from other experiences is the process through which they were (or were not) developed, instead of simply consuming the finished models resulting from those experiences.

Second, development is a process of coherent and flexible selection of aims, priorities, technologies, markets, social forms of production organisation, incentives and institutional forms of action that modifies economic relations and structure as a whole. The definition of development as "the building of infrastructures", "establishment of industries', "privatisation", "nationalisation" or "macroeconomic stabilisation" reflects a very superficial understanding of the problem: it merely tackles an effect and not the causes. To question (and to find replies) as to why an economy has no industry or infrastructures, why it is unbalanced and has a feeble business sector, allows one to understand why the economy is as it is, instead of how one would like it to be. By analyzing the causes, rather than just the effects of the problem, one can avoid classic structuralist mistakes (e.g. investing in productive capacity as if this, in itself, generated development), or classic neo-liberal mistakes (e.g. liberalising and stabilising, even at the cost of stability, when the institutional base cannot be liberalised). It also allows one to identify the fundamental variables of the economic process and of transition in a specific economy, and the relations established between these variables. At the same time, it can link together the various aspects of the development process much more efficiently.

Third, the Mozambican economy is incapable of responding positively to brusque and sudden processes of change, because the problems weakening it are structural and long term ones: a pattern of capital accumulation resting on the de-accumulation of the peasantry and which does not stimulate development, the fragility of links between and within sectors, the deep-seated social differentiation that prevents automatic adjustments and optimising rational reactions, the weakness of institutional, human and technological capacity, the low level of income and the huge inequality in its distribution (Nixson 1986, Castel-Branco 1983a and 1983b, 1994b and 1994c, O'Laughlin 1981, Mackintosh 1983 and 1986, Wuyts 1981a, 1981b, 1981c, 1984, 1989 and 1990). Extreme measures which claim to be able to rise above these problems can only worsen the situation. It should be recognised that there are no "magic wands" that can solve the problems of the national economy: that is, there is no single solution and no rapid solution.

Currently a heavy stress is being laid on the potential of large projects based on natural resources (such as the Pande natural gas and the Cahora Bassa power lines) and on the role of direct foreign investment and of tourism as solutions to the problems of the economy. Without downplaying the importance of these factors for national economic development, it is important to analyze certain aspects.

Large scale projects are, in general, very intensive in the use of capital, technology, technical assistance and imported inputs: thus they are highly dependent on external resources that the economy does not possess. Furthermore, their initial costs are very high, going well beyond the capacity of the national economy to pay: hence they involve further foreign indebtedness. The national economy does not have the capacity to absorb what these projects can potentially produce: thus their viability depends on the availability of foreign markets. Usually the benefits from large scale projects are long term: in this case the ratio between the benefits and the cost of the project could be much smaller than expected. In small economies, large projects tend to exhaust resources destined for other sectors, and thus they may cause a reduction in aggregate supply in the economy. In short, although they might play a fundamental role, large scale projects should not compete with the rest of the country's economic activity, nor should they be substitutes for a more overall development strategy. Besides, the positive effects of large projects depend on their positive links within the national economy: if the other sectors are marginalised because of the economic weight of the large projects, then negative links will be developed with important economic and social prejudices (Seidman 1989, Stewart, Lall and Wangwe 1992).

Direct investment is the worst way of obtaining foreign resources because it has high foreign currency costs, and is not very susceptible to insertion into a national economic and technological policy. Apart from this, it is no substitute for national economic agents: historical evidence from many different sources shows that if the quality of national economic agents is bad, then the quality and effects of direct foreign investment will also be bad. It is necessary to be particularly careful in analyzing the conditions under which this investment could be useful, namely: in the promotion of exports, training, the transfer of technology, research and innovation, development of management and institutional capacities, in the context of coherent, selective and flexible economic strategies. Direct foreign investment is not a good substitute for the scarcity of domestic savings, since it tends to worsen this situation (Eshag 1983, Stewart, Lall and Wangwe 1992, Lall 1992, 1993 and 1994, Edwards 1993).

Tourism is only beneficial if the country can supply goods and services competitively. Otherwise its effect on the economy will be limited to generating some jobs with very few positive links to other parts of the economy. Thus tourism is no substitute for an efficient economic fabric.

Fourth, strategies of rapid change, when the socio-economic climate is characterised by strong institutional constraints, tend to consolidate the external dependence of the economy and to exclude broad social strata from economic and social development. This in no way contributes to national stability (Seddon 1986, Nixson 1986, Akyuz and Kotte 1991, Edwards 1993).

Fifth, the Mozambican economy needs not only to grow; it needs to change, to become different, but at the pace of the majority of national economic agents: the peasants. This does not mean going backwards, to a society of poor peasants. Instead, it means looking for paths that allow the small and medium peasants to go forward, towards a society of advanced producers. It means, not going excessively slowly, but going at the pace the national economy is able to support. Over the last twenty years strategies were adopted for rapid growth and rapid stabilisation - and they resulted in negative growth and less sustainability (Castel-Branco 1994b and 1994c, Wuyts 1989 and 1995).

Sixth, throughout successive development strategies in Mozambique, there have been discussions on how to relate industrialists with agriculture (by making them participate in agricultural production, or in marketing agricultural surpluses), and how to relate the traders with agriculture and industry (by making them transfer part of their capital to these sectors); this debate and these strategies have been going on since the colonial period. But the possibility of doing the opposite is never discussed: the possibility of the peasants marketing and processing industrially their own produce.[0)] Why? Because historically the peasants have been the producers of the surplus value accumulated by the industrialists, traders and finance capital: they have not benefitted from opportunities of institutional change and organisation that would allow them to change this relationship. None of the strategies has altered the economy's basic pattern of accumulation. All have tried to modify the allocation of accumulated capital so as to speed up economic growth (e.g. to transfer capital from commerce to

). Obviously there will be many who protest that if we have to wait for the peasants to become industrialists, there will never be any industrial development in Mozambique. But even recognising the difficulty of such an undertaking, particularly on a national level, there are three remarks that can be made. First, the Maputo City General Union of Agricultural Cooperatives has developed, in just a dozen or so years, animal feed and poultry industries. It has also acquired autonomy in marketing its goods, and in supplying cooperative members with inputs. The successes enjoyed by this organisation are due to several factors: motivation, opportunity. investment, training, self-management, technical support, and the correspondence between individual and collective interests. Secondly, the traditional paths, followed up until now, have had negative results. Thirdly, it will not always be possible to follow this path: in any case, it is not the aim of this article to replace one rigid system by another just as, if not more rigid, only different. The aim is to show alternative paths and provoke reflections on key questions of how to conceptualise the economy and its development process, rather than building a rigid model.

industry, to relate industry more directly to agricultural production), recognising that the existing pattern of capital allocation is not efficient for obtaining the goals of rapid growth. But none of them have yet perceived that this allocation of capital depends to a large extent on the manner (or pattern) in which capital is accumulated, which is what determines the motivation and behaviour of economic agents (Nixson 1986, Stewart, Lall and Wangwe 1992, O'Laughlin 1981, Wuyts 1989, Castel-Branco 1994b and 1994c).

Seventh, the national economy needs more competition, but will not achieve it through the current process of privatisation and liberalisation which is mainly benefitting the most powerful economic agents, particularly those who operate as middlemen, and, theoretically, groups among the peasantry who produce certain types of goods for export. But helping the peasantry in general to develop and to penetrate trade and industry - which will require a certain level of socialisation[0)] of services, of capital, of some of the factors of production and, in some cases, of the productive process itself - will generate much greater efficiency, competition and equity than the frenzied privatisation now under way, and will allow the transfer of resources to other sectors of the economy in a more balanced and more efficient fashion (Castel-Branco 1983a and 1983b, 1989, 1994b and 1994c).

ALTERNATIVE APPROACH TO THE DEVELOPMENT IN MOZAMBIQUE

In the previous section, some basic lessons were identified from the economic development experience in Mozambique, namely: development is a selective process of socio-economic transformation (and not a copy or application of a model), which requires the construction of the institutional, human and technological conditions necessary for its success and sustainability, whose impact will depend on how this process selects and deals with the deep-seated issues to be transformed in the Mozambican economy. In this case, development strategy must identify which are the determinant socio-economic factors in the current underdeveloped structure of the economy, and how these factors can be transformed so as to free the capacities of social productive forces and promote development, instead of constraining and distorting it.

This chapter cannot, nor does it intend to offer a complete, finished model of development.[0)] Its aim is to contribute towards a critical analysis of the development options, their problems and lessons, so as to allow identification of the factors that constrain, and those that promote, socio-economic development. Essentially, this chapter tries to offer an alternative approach to the fundamental problems of the Mozambican economic structure, in a perspective of development, rather than some new single, linear and rapid solution: this section discusses such an approach.

The alternative approach proposed is centred on four aspects: the transformation of the pattern and centre of economic accumulation in favour of the great mass of small and middle peasants; the development of an alternative approach for the cooperative movement; the strengthening of positive links between sectors; the reformulation of the starting points for development strategies from "products" to "goals". Two vital aspects, common to all these points, namely the development of domestic markets and of national institutional, human and technological capacities, are dealt with as each of the four points are discussed. This does not mean that these aspects are being marginalised (I repeat, they are vital), but that I consider they fit better in a discussion of their implications under each point.

). Socialisation can, under different circumstances, take on different forms: public, cooperative, associative or community property etc. In any case, it means that the beneficiaries are collective, and are both users and producers, rather than someone else benefitting from their social labour.

). Besides, as mentioned above, models result from processes of transformation. Development is a process, and when the model appears, it is a sign that a new process of transformation should begin. So this chapter is centred on the process, not on a model.

Transforming the pattern of economic accumulation

The central element in this approach to the development problematic in Mozambique is the transformation of the pattern and centre of capital accumulation and allocation. This means that the priority is socio-economic transformation in the medium to long term and not the achievement of quantitative targets for economic growth in the short term.

Clearly foreign investors, Mozambican businessmen and some institutions (national and/or foreign) will question the practical utility of this approach, since the Mozambican economic crisis is so acute, and there are so many basic needs to be satisfied with so few resources that it does not seem realistic to relegate short term quantitative targets to a secondary position. After all, it may be argued, the people are struggling with hunger and misery, the workers are facing unemployment and low wages, the industrialists are suffocating with low profit rates: all of society needs to prioritise quantitative targets in the short term.

Three basic factors should be taken into consideration when responding to this concern. First, the common and deep-rooted cause of all the problems mentioned is the social and economic inefficiency of the pattern of capital accumulation and allocation, analysed in the earlier sections of this article. Thus solving this problem deserves priority precisely in order to end hunger, create more jobs, increase the efficiency and competitiveness of the economy, expand the markets, develop the quality of the institutions, of the technology and of the human factor, increase social equity, reduce poverty etc. The sooner and the more deeply this question is tackled, the sooner will these fruits be harvested.

Secondly, this approach implies changing the priority and the centre of accumulation away from foreign investors and the urban national business sector, to the poor and middle peasantry and the rural areas. This does not mean dismantling import substitution industries, neglecting direct foreign investment or abandoning the national business sector. Instead, it means that the centre of the strategy will be the development of the peasantry as a productive and business force, and of small and medium cooperative, associative and community enterprises, through which peasants can develop their productive agricultural activity, and begin to penetrates into trade, transport, services and industry, and to generate more competition and efficiency in the economy. This will imply, for example, transferring resources to the family sector, improving its conditions for accumulation (agricultural producer prices and wages), and developing the institutional base for social and business organisation in ways that allow them to compete efficiently on the market.

It also means that it is necessary to modify the pattern of investment, labour organisation and the accumulation basis of the business sector. Business investment (national and foreign private investment, or public investment) cannot be solely oriented towards short term quantitative results, and towards expansion and maximisation of profits at the expense of the de-accumulation of the peasantry and of the economy. Instead of this, one must seek alternatives of business and economic efficiency based on: new production methods, more efficient appropriate technologies that are compatible with the country's capacities (economic, technological, industrial and human), employment stability, training of the labour force, economic and social incentives to encourage labour efficiency, innovation, efficient management etc.

Thus, the main function of the strategy will be to identify solutions and resources so as to mobilise massive national capacities that are normally marginalised (the peasants), and to situate direct foreign investment and other business investment in the context of transforming the basis of business accumulation. No form of investment, technology, distribution of income and economic activity in general, is socially neutral. They must therefore be coordinated in a framework of development policies where the centres and bases of economic accumulation clearly prioritise the transformation of the peasantry and rural development, and benefit the economy as a whole.

Thirdly, the real meaning of "relegating quantitative targets to a secondary position" is: not to limit the necessary process of socio-economic transformation in the name of the need (never before met without such a transformation) to attain high rates of quantitative growth in the short term. It is an illusion to imagine that the fundamental problems of the economy can be left to one side for conjunctural reasons of a crisis which causes urgent problems. There will always be urgent problems, and they will be increasingly urgent, for as long as the acute crisis of the economy persists: and the crisis will persist as long as the fundamental problems are not solved. Thus this approach does not neglect the need to achieve quantitative targets: it simply considers that attaining such targets does not determine the development strategy, but is determined by it.

Transforming the economy's pattern of accumulation requires the application of a substantial part of investment resources in developing the peasant sector, particularly the poor and middle peasants, prioritising the following aspects:

* innovative research into alternative small and medium scale production technologies, that are ecologically sustainable and adapted to local conditions, including studying and improving the local technological experience of small and medium producers. This activity can be coordinated regionally, in order to benefit from the experience of southern African countries more advanced in this area (such as Zimbabwe), and to ensure economies of scale and of resources in the exploitation of the capacities and results of research and innovation;

* developing and supplying more efficient factors of production (that must be accessible to the great mass of rural producers and adapted to local conditions), basic infrastructures (e.g. small and medium scale irrigation systems, storage capacity, and the means for the industrial transformation of agricultural produce), and transport capacity (e.g. secondary roads, access roads, means of transport);

* technical assistance and extension services for production, including plant pathology and veterinary services, the maintenance and appropriate use of equipment, infrastructures and the available technology;

* training peasants at a basic educational level and in production techniques, quality control, conservation, storage, industrial processing and management, adapted to social, economical and environmental conditions;

* development of institutional capacity to create national technological abilities, new forms of production organisation and of trade and supplies, increasing the negotiating power of small and medium producers and guaranteeing the sustainability of the process.

A considerable part of these activities can and should be undertaken by and/or with the full participation of the local communities. The peasants are not passive objects of this process, but its main subjects and beneficiaries. They know, better than anyone else, their problems, and they can struggle to solve them.

But individually the peasants do not have the capacity or the labour power to put most of these projects into operation. Besides, many of these projects, even on a small scale, are much vaster than anything a single family of poor or middle peasants could operate. Finally, the individual negotiating power and socio-political influence of the peasants is very small, because of their dispersion, and the very fact of being small scale producers.

A possible solution to this problem would be to concentrate institutional and financial support on the creation of a rural business class, resting, for instance, on the most well-to-do peasants. This business class would involve the rest of the peasantry in a larger scale productive process, more efficient than family production. However, this alternative might simply reproduce the current pattern and base of accumulation in the economy, since the overwhelming majority of peasants would remain dependent on waged labour (paid below its social cost) as a source of monetary income, and linked to family production as a means to sustain themselves and subsidise the costs of capital. This alternative would probably reproduce the economic and social inefficiencies of the current pattern of capital accumulation.

The other alternative would be to develop associations and cooperatives of poor and middle peasants, which would allow them to increase their negotiating power, their capacity to absorb investments and projects, and the scale and efficiency of their activity in relation to the current stage of family production. In the short and medium term, such organisations could be occupied essentially with the construction and management of important community economic and social infrastructures, organising the provision of services, training peasants, mobilising investment resources (local credit, public funds, funds from Mozambican and foreign NGOs, and other concessionary funds), and identifying, selecting and publicising the best technological experiences of the peasants. Over the medium and long term, they could have a more active role in technological innovation, in coordinating their members' investment policy, in diversifying the services provided, and perhaps in the collective organisation of various productive activities where questions of scale, specialised operations and cooperation are important for the efficiency of the activity.

This could be preferable to the alternative mentioned earlier, as long as it is chosen voluntarily by the peasants, since it makes it possible to confront the overall problem of the pattern of capital accumulation, and increased productivity of the factors of production. It could thus gradually reduce the economically and socially inefficient concentration of labour power in subsistence family production and set up more efficient opportunities for the majority of the population and of the country's producers. For example, the Maputo City General Union of Cooperatives has generated relatively efficient business activities. It has developed its system of credit on easy terms, and has transferred hundreds of family producers to industries and services supporting agricultural and livestock activity. This transfer of factors occurred not because the associates lost land or were becoming impoverished, but because the collective enrichment of the organisation and its associates allowed an increase and diversification of investment.

The two alternatives outlined above are not necessarily mutually exclusive. In accordance with economic and social circumstances, the characteristics of productive activities, particular historical conditions and the development of the markets, the two alternatives can coexist up to a point, or one could take the lead over the other. But there are inevitable conflicts between these two alternatives, particularly as to the centre and pattern of accumulation, access to, and use of, resources, intervention in the market, ways to organize production, and long term socio-economic impact. Where one of the alternatives is more highly developed, the other will have fewer opportunities. For instance, if the poor and middle peasants in a locality organise themselves into efficient associations and/or cooperatives, the better off peasants will have less chance to recruit cheap labour and to accumulate commercial profits from marketing the surpluses of poorer peasants: this will increase competition and, eventually, the degree of efficiency both of the associations/cooperatives and of the richer peasants.

Land is another central question. In the first place, the problem arises of the distribution of land, and the rights to hold and use it. This is a fundamental problem because the land is the peasantry's main means of production, and good quality land[0)] is scarce. There is fierce competition for this land, and the large scale producers (foreign or Mozambican businessmen) have many more resources (capital, experience, institutional capacity and influence) than peasants individually have, and they manage to acquire the best land.[0)] The war displaced about two thirds of the rural population from their home areas,

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). The concept of "good quality land" includes the following factors: soil fertility (related to the use one wishes to make of the land), access to infrastructures and water, proximity of access routes (e.g. main and secondary roads, and railways) and of important markets (to consume the peasant surplus and to supply inputs and consumer goods), availability of land without significant additional costs (e.g. without having to compete with other users, to clear forest, or to enter the speculative market in land).

). The largest producers, particularly foreign companies, acquire firms which were already occupying the best land. The area covered by state farms shrunk from 140,000 hectares in 1982 to 67,000 in 1990 and 30,000 in 1991 (Gibbon et al 1993: 50-1). But foreign investors, Mozambican businessmen, politicians and army officers (both on active usually pushing them towards the urban and peri-urban areas. This caused new problems: population pressure on the very little good quality land available in these areas (which significantly reduces the marginal productivity of labour, given the dominant technological pattern); conflicts between the local population and the displaced peasants; loss of cleared land, since in many areas dense bush has grown over what used to be fields, orchards and infrastructures; the destruction of vital infrastructures and access roads and the threat of land mines, which reduces still further the good quality land available; and the problem of the return of peasants to their home areas with the end of the war. And from this return derive many of the conflicts over landholdings, mainly because individually peasants have not managed to benefit from efficient formal mechanisms for registering, controlling and demarcating their land. Richer businessmen (Mozambicans and foreigners) are better able to occupy land rapidly, and to protect themselves by formally registering their right to hold and use the land. Some of the land problems are created by lack of coordination in investment programmes, such as the systematic conflict between new mining concessions (for Mozambicans and foreigners) and the peasants who already occupy the land.

Secondly, the problem arises of protecting the quality of the soil against erosion, salination, reduction and eventual exhaustion of its fertility, and keeping open the options for future use of the land. High population density in some parts of the country, as well as the use and abuse of inappropriate methods of cultivation and land exploitation, put agricultural yields in danger, and make it possible that in the near future good quality land will become even scarcer.

Reforms in the policies governing the distribution, possession, use and ecological protection of land are central in the context of this development option. Peasant access to good quality land must be guaranteed, protected and valued: which necessarily restricts the development of a free market in land, and requires simple but efficient formal, global and community mechanisms to protect the right to hold and use land. At the same time, the use of land must be accompanied by institutional measures and incentives that value and protect the quality of the soil. Associations and cooperatives could play a very important role in community protection of the possession and use of land by poor and middle peasants, and in the protection of the environment and of soil quality. It is communities who, more than anyone else, can benefit or can lose out from the way in which the land problem is solved. Their organised participation in managing the land collectively is fundamental for guaranteeing their negotiating power and protecting the interests of the great mass of small scale producers.

The poor and middle peasants do not have the necessary savings to carry out the investment required, since their level of income is very low. Furthermore, they have no access to the financial system to obtain credit or insurance against the risk involved in agricultural campaigns[0)], because they have no guarantees to offer, they have not mastered the procedures and conditions involved in the banking system, and the financial system itself is not very developed, and is not particularly oriented to the countryside. Given the trend towards reduced recruitment of migrant labour for the neighbouring countries (particularly South Africa and Zimbabwe), reduced opportunities for employment in the Mozambican economy, and the deterioration of the terms of trade of the peasants' agricultural produce, the monetary income and savings of the great mass of peasants will tend to decline.

So a policy is needed to allocate resources to this sector, through public investment, to re-allocate aid and concessionary credits, as well as the mobilisation of those capacities and resources, meagre though they are, that are within the peasants' reach. Community institutions of the peasants themselves (such as associations and cooperatives) could allow: the mobilisation of local resources, increased interest of the financial system, increased peasant capacity to negotiate with this system, improved management of resources and the return on investments, plus the ability to mobilise and gain access to public funds and foreign aid.

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service and demobilised) were the main beneficiaries of the distribution of this land. The peasantry gained practically nothing. There are even certain recent cases where Mozambican and foreign businessmen became involved in expropriating the land from the cooperatives and from peasant family farmers.

). This risk is very high for most peasants, given their vulnerability as independent producers, the fragility of social, economic, technological and climatic conditions, and the weakness of infrastructures.

Unfavourable terms of trade for the peasantry and a concentrated and unbalanced trading network are major obstacles to the expansion of marketed peasant production, to the integration of markets and to increased rural income. Altering the terms of trade depends on bringing together a flexible price policy favourable to the peasantry, the rehabilitation of the country's industrial base under competitive conditions, and particularly the increased power of the peasantry to intervene and negotiate in the market for agricultural produce. The expansion of the trading network and stepping up economic competition with greater equity also depends on the possibility of the peasants themselves becoming involved in marketing their own surpluses and the consumer goods and inputs they need. This can only be done fairly and in competitive conditions, if their activity is coordinated and organised collectively through associations and/or cooperatives.

The experience of rural cooperatives: an overview

The voluntary formation of associations and cooperatives has been identified as the fundamental institutional base for increasing the power of poor peasants to negotiate and intervene, providing them with the opportunity to improve conditions for expanding their productive base, individually and collectively, and their economic accumulation. The economic, technological and social base of small scale peasant producers is far too weak for them individually to cut the chains that bind them to the dominant economic pattern of capital accumulation in the national economy. In this context, I have mentioned that associations and/or cooperatives can play a fundamental role in: building and managing community infrastructures; technological innovation and publicising technological experiences and information; providing extension, technical assistance and maintenance services; organising education and professional training; protecting the right to hold and use land, soil quality and the environment; organising access to credit and mobilising local, public and external resources; improving the management of projects and raising their rate of return; negotiating the prices of agricultural produce; expanding the trading and transport network; and introducing new elements of competition.

If associations of small scale peasant farmers play such an important role in this process of transformation, then it is important to analyze the experience of cooperatives over the past 20 years, since cooperatives have already been a fundamental political option.

The theoretical bases for the cooperative movement in Mozambique were not very different from those presented in this chapter. But the political basis for its development was particularly difficult, controversial and sometime pernicious, for several reasons.

First, early on the cooperative movement lost its character as a process of transformation, and just became on obligation, a task that had to be carried out. Local bodies (provincial, district and locality ones) were only worried about the number of cooperatives set up, as statistical evidence of their commitment to implementing the official political line. How these cooperatives were set up (violently or voluntarily), why they were set up, how they functioned and what social and economic impact they had on the life of the people - these were regarded as absolutely secondary factors. Desire to prove loyalty to the political line, mixed with ignorance and political ambiguity, soon turned the cooperative movement into a formality with a mere facade, which created opposition more than it solved problems.

Secondly, cooperativization never had a scientific basis resting on the socio-economic analysis of the problems, capacities, differentiation and constraints faced by the peasantry in the general conditions of Mozambique and in the specific conditions of each area. At the start of the 1980s, the cooperatives seemed, essentially, to be an ideological utopia with little real significance for the country's economic policy. The state itself, which defined them as one of the two main axes of rural development (along with the state sector), marginalised them in the allocation of resources. Thus while the watchword for the state farms was "more and more investment" (so that these companies received more than 90% of the investment and technical staff allocated to the agricultural sector), that for the cooperatives was "rely on your own strength" (so that they received a little more than 3% of the investment and technical staff allotted to agriculture). This was in a context where the peasantry was in a very weakened condition because of the loss of employment opportunities within and outside the country, the reduction in real wages, the systematic deterioration in terms of trade for agricultural produce, and the severe shortage of means of production and consumer goods in rural areas. This difference in treatment between the two sectors (the state farms and family/cooperative agriculture) reflected the pattern of accumulation and resource allocation centred on the state, and the scarcity of resources available for development.

The cooperative movement was affected not only by basic errors of political conception, but also by the profound structural limitations of society and of the economy, determined by specific historical and social factors. It is important to recall these basic constraints and see how far they still exist[0)]:

* colonial-fascist laws, the pattern of recruitment of cheap labour and migrant labour were all based on repressing every form of political organisation of the peasantry, and resulted in its social dispersal. In general, the Mozambican peasantry did not have the social and political organisation, nor the experience of organisation and management that could form a basis for a cooperative movement. This does not mean that it was impossible to develop cooperatives, only that the basis for doing so was very fragile. This factor influenced the practice of working with cooperatives, for Frelimo and the state had to give birth to this movement from the top downwards, rather than from the bottom up. Up to a point these conditions have now been changed: the peasants do have positive experiences of social organisation, and general political conditions have changed greatly over the past 20 years, during which social and economic agents have become more active and participatory. But on the other hand the bad experience of many cooperatives, alongside the absence of grass roots democratic institutions and the horrors of war, has affected negatively the climate for developing the cooperative movement. These problems will have to be taken into account in conceptualising the process of developing the peasantry;

* since there were no landless peasants, in general collectivising the cultivated area in itself brought no economic advantages. To ensure that cooperative production became immediately more productive and attractive than family production, it would have been necessary to invest in productive capacity, extension, transport, storage capacity, conservation of produce, irrigation etc., in accordance with the specifics of each region and of the market. But most of the peasants involved in the cooperative movement did not have accumulated capital to risk in any significant investment in a new form of production. The most prosperous layer of the peasantry could accumulate capital outside the cooperative movement, and was therefore not interested in investing in collective production; eventually they might have been interested in cooperatives in the area of services, because of possible economies of scale and competition with (economically) more powerful economic agents. The state exhausted the resources available for agriculture with extensive investment in the state sector, which meant it was unable to promote investment in the cooperative sector. It never promoted cooperatives of services which would have stimulated capital accumulation on the part of the poor and middle peasantry. Besides, the state feared that such an accumulation process might generate a national bourgeoisie with a solid basis - which was largely a ridiculous argument. Currently the general problem persists. But there are two fundamental differences: nowadays private or community accumulation of capital does not constitute a political problem; and there is greater openness to expand the centre of accumulation. However, it is necessary to avoid concentrating resources in the hands of large businesses (Mozambican or foreign): for if this happens, it will again prevent the necessary investment for developing the poor and middle peasantry.

). For a more detailed analysis of the problems of the cooperative movement, see O'Laughlin 1981, Mackintosh 1983 and 1986, and Castel-Branco 1983a, 1983b and 1990.

* the peasants who were potentially most interested in the cooperative movement were also dependent on waged labour, the main source of their monetary income. Their work was already divided between the family plots (where they produced a substantial part of the level of subsistence socially necessary for reproducing their labour power), and the companies (where they obtained a basic monetary income). The cooperatives arose as a third option: but in the short term they did not offer the security of the family field and of waged employment, however unstable this might be. To dedicate him or herself to a cooperative, a peasant would have to decide to abandon one of his or her previous activities, exchanging it for an activity not yet well known, and not necessarily more advanced. In this context, many cooperatives faced the endemic problem of lack of labour at peak periods - just like the state farms and the family sector itself. Furthermore most of the cooperatives consisted of two main groups of peasants:

- those who were seeking in the cooperative the resources they lacked in order to become prosperous middle peasants. So they were more interested in the services that the cooperative could offer e.g. land, extension, means of production, cooperation with other cooperative members in bringing in the harvest from the family fields; and

- the wives of waged peasants, or widows, who were probably more interested than the other group in the efficiency of collective production. But above all they were concerned to: maintain possession of the land and, if possible, expand its cultivated area; gain access to goods and services unavailable on the market and/or at prices lower than the market price; ensure entry into the accumulation system through the cooperatives where they might, eventually, apply the savings gained through waged labour (e.g. acquiring means of production or a new plot of land). Many agricultural cooperatives consisted exclusively of women, and in almost all the rest, the majority of members were women. This fact is an approximate indication of the high degree of semi-proletarianisation of the Mozambican peasantry.

With this base, it would be very difficult to develop efficient agricultural production cooperatives, although cooperatives of services and of collective management of community infrastructures could have developed. This reality persists, but changing the policy focus (in favour of collective and community management of services and infrastructures) could make it possible to overcome this constraint.

* cooperative production presupposes the production of a surplus: otherwise, why should a peasant substitute family production or waged employment for activity in the cooperative ? The breakdown in the marketing networks (initially resulting from the flight of the Portuguese shopkeepers), and agricultural producer price policy (fixed, rigid and below the social cost of reproducing labour power) prevented the cooperative movement from consolidating itself economically: surpluses of the first years were not marketed; marketed surpluses rotted in warehouses; access to inputs and to the most sought-after consumer goods became very difficult in rural areas. Furthermore, the prices did not encourage production and marketing through the official circuits, and did not favour accumulation by the peasantry. Marketing in the parallel market enriched in particular traders and transporters, because of the control they exerted over marketing circuits. The commercial network was severely depleted by the war, so that, from this point of view, today's situation is worse. However, there is a lot more social awareness of the importance of the commercial network, of supplying the countryside, and of the terms of trade, in order to stimulate peasant marketed production. Furthermore, it is immediately more attractive to organise the community to trade its surplus and negotiate the relative prices, than to produce collectively. Thus collective forms of participation are part of the solution to the problem of the commercial network, the intensity of the circulation of merchandise and the level

of relative prices;

* the technological advantage of cooperatives requires a certain level of technological progress in the short term; for its part, this progress cannot occur without efficient extension and development services. The main agricultural research programmes were centred on the state sector, and most of the cooperatives had no systematic access to any kind of extension service. This problem persists, but the accumulation centre has shifted to the national and foreign private business sector. The difficulty in solving this problem is worsened by the country's institutional and technological weakness, but could be minimised through a resort to regional cooperation (e.g. with Zimbabwe and Swaziland) and to forms (simple ones to start with) of innovation and dissemination of appropriate technologies. In any case, significant investment should be shifted into this area.

* forming cooperatives demands new forms of accountancy, management and planning, which are very difficult to absorb while the peasants involved in the movement are illiterate. Organising and developing the peasantry into cooperative business moulds required a major effort in literacy, and training in management and new forms of production. Given the scarcity of financial and human resources allotted to this sector, this task became impossible. This is still an acute problem. However, there is a possibility of decentralising the allocation of investment resources for education and professional training through experiences such as that of the Maputo City General Union of cooperatives and the National Union of Peasants.

The climate for the cooperative movement could be worsened by the tendency of both national and foreign institutions to reject irrationally all past experiences, without any scientific analysis, and to consider (obsessively) privatisation in favour of foreign and national capital as the single and magic solution of the moment. In the past, the loyalty of institutions was measured by the number of cooperatives set up; today it is measured by the number of privatisation. In both cases, concerns over the form, objectives and socio-economic impact of the process are absolutely marginal relative to the speed at which the process should occur.

But in one sense, the climate for developing cooperatives can be regarded as having improved. There is less administrative and bureaucratic intervention, fewer trends towards centralisation, more possibilities of developing decentralised democratic institutions, and greater experience.

Furthermore, this chapter is presenting a different conception of the process of rural development: cooperatives and associations are viewed not as a goal, but as a means to achieve development, given particular circumstances (analysed previously), Measuring performance will not be done on the basis of the number of cooperatives and associations, but on the level of efficiency and development of the peasantry and of the national economy.

This approach intends to remain faithful to four rules. First, the choice of cooperatives or any other social form of organising the production and circulation of goods and services should be voluntary.

Secondly, the Mozambican peasantry is socially differentiated, and the pattern of social differentiation is heterogeneous for historic and social causes, specific to each region. This social differentiation generates interests, aspirations, concerns and a variety of capacities, sometimes in conflict with each other. Any policy to develop the peasantry must take into account that different social groups have different starting points and points of reference. For example, introducing animal traction might represent a major technical and social advance for a family of poor peasants, might be regarded as something commonplace and simple by a family of middle peasants, and dismissed as outdated and archaic by a family of rich peasants. While one can conceive of collective exploitation of the land by poor peasants using animal traction, this idea makes no sense at all if one is thinking of middle or rich peasants. They would be more interested in organising trade and transport, negotiating the terms of trade, securing inputs for the productive process, organising extension services etc. Thus social and regional differentiation has to be taken seriously when conceptualising the development of the peasantry.

Thirdly, the most important thing is to identify the constraints facing the peasantry hindering its development as an efficient producer for the market, and possible ways to overcome these constraints. These may be linked to access to means of production, land and infrastructures, storage capacity, conservation, transport and transformation of surplus, technical assistance, size and specialisation of markets, access to labour power, training and technical and management capacity etc. Many of these problems cannot be solved by peasants on an individual basis because of scale and cost effects, and the financial, technological and institutional weakness of the peasantry. Cooperatives and associations will be the product of a process of solving these problems and will only make sense if they do manage to solve them.

Fourthly, state, social and international institutions should regard this process as neither spontaneous nor automatic. It will not happen as the direct result of the magic touch of the wand of liberalisation. Investments must be made in infrastructure, technology, productive and commercial capacity and training, prioritising the country's poor and middle peasantry.

Strengthening links between sectors

Strengthening links between and within sectors is directly related to the transformations of the pattern of capital accumulation and resource allocation.

Transforming the pattern of capital accumulation can generate the essential bases for the development of positive intersector integration. In the medium to long term, peasant organisations will be able to participate actively in marketing, transporting and transforming their own produce, as long as capital accumulation occurs and there is an increase and diversification of investment. This process could generate positive integration at various levels, and minimise (or even eliminate) negative links:

* by creating an industrial base linked to national resources and to the producers of primary resources, and less dependent on imports, thus generating real and dynamic comparative advantages for the national economy;

* by ensuring a pattern of accumulation and consumption in line with the capacities if the national economy, and more equitable and competitive;

* by favouring the positive transfer of factors of production and labour power between sectors, based on increased efficiency, productivity and availability of primary sector resources;

* by expanding and integrating rural markets and creating a sustainable demand for new industrial products: equipment, machinery, infrastructures, various inputs and services;

* by linking more closely the production and the consumption of scarce resources in the economy;

* by encouraging technological progress, the qualification of the labour force and increased productivity.

In addition, this process should be accompanied by research necessary to generate alternative technologies, more appropriate to the socio-economic, human, institutional, ecological and market conditions in Mozambique (including coordination with neighbouring countries and others whose experiences may be useful).

Furthermore, it is necessary to define, clearly and selectively, what should be done to strengthen links between already existing sectors, industries and productive units, since it is not possible to wait for a new economic structure to be built to replace the current one. This requires:

* making technological choices compatible between sectors, so as to make better use of national capacities. This presupposes the development of institutional and technological capacity to select and formulate investment policies, the coordination of decisions, and planning;

* technological harmonisation within sectors, so as to maximise positive links between sectors, reduce costs and waste, take the greatest benefits from experience, and encourage learning and innovation;

* making programmes of investment, research, innovation and technological norms compatible at regional level, particularly in areas and activities where there can be major economies of scale (e.g. production of agricultural technology for small scale producers, mechanical engineering projects, implementation of quality norms etc);

* selecting rehabilitation projects that allow the reconversion of production lines and technological standards so as to favour harmonisation, standardisation and compatibility between sectors, rather than reproducing the current pattern of dependence;

* identifying and selecting projects for rehabilitating industries and productive units which, while they cannot generate technological and input-product links within the national economy, can, however, contribute to producing surpluses of scarce resources for the economy as a whole (e.g. net gains of foreign currency);

* coordinating major investment and rehabilitation projects so as to make the maximum use of national capacities in the production of parts and equipment, in building infrastructures, and in industrial maintenance;

* developing an information system on the possibilities of the Mozambican market, so as to facilitate contacts and contracts between companies, industries and sectors.

The strategy's starting points

> The industrialisation strategies implemented throughout Africa take "the product" rather than "purpose" as their point of departure. They ignore the extent to which products incorporate concepts of functionality, costs, quality and aesthetics that correspond to the producer's principal market. The logic and economics of this strategy result in a tendency not only to reproduce the characteristics of imported products, but to do so with technology similar if not identical to that used in the original market of manufacture. This strategy tends to shift attention away from dynamic learning effects and towards quantitative indicators of economic growth (Wangwe 1992: 238).

This argument applies to at least two cases. Import substitution industries, producing for the local market, which simply copy processes and production lines, using technologies and generating products inappropriate to the market and the capacities of the national economy, do not develop dynamic links with other sectors and industries. As a rule, they generate negative links (e.g. they become net consumers of foreign currency). The obsession to produce a particular product (e.g. the assembly of vehicles in a small economy without a technological base) hinders industrialists and planners from realising the fragility and unsustainability of such a strategy (given the weakness of positive links and the dependence on resources that are not available). What might look like a symbol of progress often ends up as a symbol of dependence and of economic irrationality.

The second case is that of the major export industries (e.g. sugar, cashew nuts, cotton and prawns which, in 1992, accounted for 65% of Mozambican exports [Castel-Branco 1994b: 75]). Since the economy has a very limited export base, industrialists, economists and planners never tend to consider the possibility that traditional export industries might be consuming such a large quantity of resources as to hinder the expansion and diversification of the production and export base. In general, the priority given to these industries is taken for granted, and they swallow up a very significant part of national resources, and of the foreign savings that have been mobilised. This fact is most obvious at moments of crisis and rehabilitation, when some of these industries show that they are completely unsustainable. But since they are traditional exporters, nobody asks whether these industries are, or are not, contributing to the real development of the economy, or just to growth in production for a particular period of time. So nobody asks about the need to improve the national economic integration of these industries, or about their economic and social performance.

The approach to the economy via "the product" is very frequently encouraged by foreign investors, and in the pre-investment phase by studies supporting this approach, which are generally ordered, or even carried out, by the potential future investors themselves. Evidently these investors have their own specific interests, not always compatible with social and economic needs, such as: the export of equipment to the country receiving the investment, the maintenance of a certain kind of product appropriate to the markets where the investor has his major interests etc. Mozambican investors also resort to this approach, since in the name of industrialisation and development, they benefit from a series of incentives to invest in manufacturing industry, regardless of the economic and social efficiency of the project.

The alternative approach, in this case, would be to consider "the goal" instead of "the product", as the starting point for the development strategy. There can be multiple goals: the adoption of appropriate technology, technological harmonisation and standardisation, development of a national technological capacity, the strengthening of positive links between sectors, the diversification of exports with a particular level of efficiency etc. It is more logical to start from these objectives in order to identify and coordinate specific investments in specific sectors: this will allow one to build a base of criteria for drawing up investment policies and incentive systems, and of selecting between different projects and different ways of carrying out projects.

THE POLITICAL BASIS FOR SOCIAL TRANSFORMATION AND DEVELOPMENT WITH A DEMOCRATIC FACE

In the previous section, alternative approaches to economic development in Mozambique were suggested, which imply far-reaching changes in policy and in the institutional basis of the economy, namely: the transformation of the pattern of capital accumulation, recognition of the role that cooperative and associative forms of economic organisation can play, the strengthening of relations between sectors, and change in the starting points for development strategies. The major questions (among others) that remain to be answered are: how can such changes be undertaken? What can encourage the state, institutions, markets and economic agents in general to change? How can this transition be carried out in practice? These questions raise the problem of the relationship between the institutional form of management or political system, and development (Rueschmeyer and Evans 1985, Skocpol, 1985, Sender and Smith 1986, Sawyer 1989, Chang 1991, Mkandawire 1992).

In the current historical conditions of Mozambique, the transition to a liberal, multiparty political system is debated as the alternative to ensure good governance and sustainable development. Will such a system be sufficient to promote the necessary transformations ?

Historic evidence does not allow us to state that there is a linear relationship (or indeed any relationship at all) between a liberal multiparty system and economic development (see the examples of the four South-East Asian "tigers" and of Japan [Amsden 1985 and 1989]). One cannot even state that economic liberalism goes together with political liberalism and with economic development (see the example of Chile under Pinochet). There are even those who argue that economic neoliberalism is a form of market fascism, particularly in underdeveloped economies, because it excludes the great majority of the population from the decision making process and from the benefits of the system. To keep going, it requires the authoritarian hand of the state to maintain order and stability in the face of social upheavals. Edwards (1993) and Amsden (1989) argue that to impose free markets a state is needed that is just as strong and effective as the state of extensive intervention. Furthermore, if, as has already been mentioned, development is a process of selection, how can pluralism help exclude options, activities, lobbies, interests, and maybe economic agents (since any selection and choice presupposes a certain degree of exclusion)? Besides, similar economic models can be adopted and implemented by different political models (e.g. the application - at least partially - of the Soviet model of rapid industrialisation with centralised management to political realities as different as those of the USSR, India, Brazil and various African countries with different social and political regimes). Finally, under conditions of great social differentiation, widely differing opportunities and weak institutional development, elite groups are those who can immediately benefit from political liberalism. Such groups are unlikely to form the social basis for the promotion of change.[()]

However, the debate about democracy does not begin and end with multiparty liberalism. Democracy is essentially the process through which the great mass of citizens participate in power, in formulating decisions and implementing them. In other words, democracy is the empowerment of citizens, and not a mere choice between subordination to one elite (albeit an elected one) or another. The multiparty system is a form, not the essence, of this empowerment.

Questions needing replies are: how does this process, in which citizens are able to participate in taking and implementing decisions, occur? And how can citizens who support change end up with more influence than those who do not?

It will not be possible in this chapter to reply to all these questions in detail, because this is not its purpose, nor is there space available for this. But there are three important questions to focus on, which could be interesting to analyze in the Mozambican case.

On the one hand, ideas learnt and received from outside have always played a fundamental role in policy-making in Africa.

> *The eager hope of independence conspired with current economic theory to direct development policy towards unbalanced growth through urban industry and infrastructures, which bred unprofitable enterprises, heavy recurrent costs, unpayable debts and exploited villagers* (Illiffe, cited in Mkandawire 1992: 307).

From the interventionist policies promoting social well-being and centrally planned rapid growth in the 1970s, African countries shifted to a predominantly monetarist approach in which, alongside the promotion of politically liberal ideas, economic policies are advocated that work against the great majority of the population (Mkandawire 1992: 307). While such a transition may well have reflected internal social and economic pressures, it also owed a great deal to foreign pressure, and to changes in the dominant economic theories.

African states and societies, including Mozambique, are very sensitive to new ideas and sources

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). Returning to the example of cashew: there is an association of cashew industrialists and another of traders, which organise their respective members to debate over who should have the greatest slice of the surplus value generated by the peasants. The cashew workers' trade unions fight to keep the jobs of their members, so that, at this stage, they support the industrialists' demands. But there is no peasant association making itself heard in this debate.

of pressure, probably because of their institutional and economic weakness. Offering contributions for alternative approaches to the problematic of development - that is, ideas - can play a crucial role in promoting important changes. It would be better if such ideas and pressure came from within, and particularly from the social groups most interested in reforms.

On the other hand, class relations and social and political alliances in African societies are more complex and less polarised than is suggested traditionally. Thus family and social ties between the industrial working class and other urban workers, and the peasantry and rural waged workers are much stronger in Africa than in other regions, for two reasons: historically recent urbanisation, and the natural effect of a pattern of accumulation dependent on reproducing relations between waged workers and family subsistence production. Thus the demands for adjustment and change promoted by urban groups and waged workers, less dispersed than the peasants, can be reconciled, though not automatically, with peasant demands for a far-reaching agrarian reform (Mkandawire 1992: 308-9). Besides, the transformation and development of the peasantry is a process with great positive structural impact on improving living conditions for urban workers. Thus the economic, social and political demands of urban workers and of peasants are inter-related, which could strengthen social support for changes.

Finally, internal social pressure for real change has increased substantially, and has become stronger as the neo-liberal packages of structural adjustment and stabilisation have increased social tension, and criticism of dominant elites, and have exposed the weakness and dependency of many African states.

> (these packages) *raise the question: to whom is the state accountable ? Foreign institutions will be fundamentally wrong if they assume that the rejection of national governments is an opportunity for foreign domination. If anything, the confrontation within the local states is a prelude to a confrontation with foreign powers as the latter continue to demand the repayment of debt from countries which cannot account for their monies* (Mkandawire 1992: 310).

Experience shows that effective democratisation cannot come from foreign pressure in the form of the political and economic conditionalities linked to structural adjustment. In the final analysis, those who pay for the political and economic conditionalities of aid are the majority of the workers and peasants to whom democracy is supposedly addressed. Furthermore, the majority of those countries who have scored important successes in following structural adjustment programmes did so in an extremely undemocratic manner, using the authoritarian hand of the state to crack down on internal social instability, at the behest of international creditor agencies. Additionally, the "informal" government of African economies by international institutions waters down the concept of democracy they wish to impose. It thus seems that democracy is not compatible with the current structural adjustment packages (Mkandawire 1992: 310).

However:

> *The current waves of political protest and calls for change suggest that the internal political climate in Africa is much more favourable to "growth with equity" strategies than it was in the 1970s. The big question is whether the international political and economic climate will be supportive of both the quest for democratic governance and the egalitarian strategies of adjustment and growth: indeed, whether `democracy with a human face', which is on the agenda of most political movements, will meet with international solidarity, or will have to contend with an international order which is not preoccupied with issues of equity* (Mkandawire 1992: 311).

Any state, and any institutional, social and political environment, is sensitive to ideas, to social pressure, and to the domestic and foreign climate. In this context, the development of the institutional basis for the activity of small and medium producers and workers can supply the conditions for generating new ideas, exercising pressure and building part of the environment necessary for changes in development strategies and in power relations.

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