



LISBON
SCHOOL OF
ECONOMICS &
MANAGEMENT
UNIVERSIDADE DE LISBOA

Development History and Policies

Political Economy of Industrial Policy in Mozambique

Carlos Nuno Castel-Branco

(cnbranco@iseg.ulisboa.pt | carlos.castelbranco@gmail.com)

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OUTLINE OF THE LECTURE

Lecture 1: The political economy context of industrialization and of industrial policy in Mozambique

- Introduction to the two lectures: what is industrial policy? The need for political economy.
- Political economy – the method
 - Linkage-agents dialectic relationship
 - Political economy
- Dynamics of instability and crisis
- Structures of accumulation
- Finance
- Historical logic of the system of accumulation

OUTLINE OF THE LECTURE

Lecture 2: Political economy of industrial Policy in Mozambique

- Industrial policy studies and industrial policies – what does the difference between rhetoric and practice tell us?
- Five year economic plan and industrialization as an external factor, or vector, of change – a critique

OUTLINE OF THE LECTURE

Lecture 2: Political economy of industrial Policy in Mozambique (continuation)

- Current questions for industrial policy
 - The context – can an extractive economy change? Into what? How (Agents? Linkages? Dialectics between the two?)
 - Could expansion of industrial activity result in deindustrialization? Linkages in an extractive economy
 - What would the purpose of industrialization be and where would such goals come from? (please, pay attention to dialectic materialism – progress as a result of solving tensions, conflicts and antagonisms, but ideas come from material base and practical experience)
 - Paying attention to the nexus between macroeconomics, business environment, employment conditions and productive structures
 - Industrial organization and firms – understanding the working of specific industries
 - Finance
 - Regional context

OUTLINE OF THE LECTURE

Bibliography:

<https://www.researchgate.net/publication/286457495> An Investigation Into the Political Economy of Industrial Policy the Case of Mozambique Chapter One

<https://www.researchgate.net/publication/286457501> An Investigation Into the Political Economy of Industrial Policy the Case of Mozambique Chapter Two

<https://www.researchgate.net/publication/286457576> An Investigation Into the Political Economy of Industrial Policy the Case of Mozambique Chapter Three

<https://www.researchgate.net/publication/286457636> An Investigation Into the Political Economy of Industrial Policy the Case of Mozambique Chapter Three - Tables of raw data

<https://www.researchgate.net/publication/286457646> An Investigation Into the Political Economy of Industrial Policy the Case of Mozambique Chapter Four

<https://www.researchgate.net/publication/286457591> An Investigation Into the Political Economy of Industrial Policy the Case of Mozambique Chapter Five

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<https://www.researchgate.net/publication/305730467> DILEMAS DA INDUSTRIALIZACAO NUM CONTEXTO EXTRACTIVO DE ACUMULACAO DE CAPITAL

<https://www.researchgate.net/publication/305730405> DESENVOLVIMENTO CENTRADO EM PME PROBLEMATIZACAO CRITICA DESTA ABORDAGEM

<https://www.researchgate.net/publication/273340949> Growth capital accumulation and economic porosity in Mozambique social losses private gains

Lecture 1:

The political economy context of industrialization and of industrial policy

Introduction to the two lectures

- What is industrial policy?
 - Many general definitions, but...is there, and can there be, a universal definition of industrial policy that is both ahistorical and, at the same time, useful analytically and for policy purposes?
 - Where do the goals, capacities and tools of industrial policy come from? Drawn from questions of industrialization. Where do these questions come from? Specific, historical trajectories. How do we identify such questions and answers, which are political and economic and, at the same time, historically specific? Linkage-agent dialectic relationship, as a tool of investigating the political economy context.
 - So, rather than pursuing a general, ahistorical definition of industrial policy, the question is how to draw industrial policy from the political economy context of industrial development, where the questions are defined and the answers are researched for.
 - So, the need to start this investigation from the political economy context under which industrialization, its tensions, contradictions, and possibilities take place, and from which historically specific industrial policy is drawn.

POLITICAL ECONOMY

- Linkage-agent dialectic relationship as a research method:
 - Linkages (dynamics of the productive forces): economic processes/pressures that lead to other economic processes/pressures. For example: economic structures of dependent specialization lead to structural crisis of economic reproduction as the economy expands; technological change that leads to increase in productivity of labour and capital; monopolies that lead to economies of scale and reduction of marginal costs of production, or/and to research and development due to complete internalization of benefits; supply of cheap food and public services, which lower subsistence costs and lead to opening up opportunities for increased proletarianization (higher labour intensity, more jobs) at competitive conditions and higher real wages.
 - Agents (social organization of productive forces): those that perceive, create, respond to and take advantage of linkages, and their formal and informal actions (institutions). For example: what is the response to economic crisis? A monetarist one (control of money supply, including the public deficit, resulting in a linkage, cut in aggregate demand)? A structuralist one, addressing the dependent specialization path of development (for example, by promoting import substitution through backward and forward linkages, which lead to other linkages, such as economic diversification, change in structures of employment and expansion of economic activity)? Who and why would these opposing answers arise?

POLITICAL ECONOMY

- Linkage-agent dialectic relationship as a research method (continuation):
 - What does “dialectic” mean? It entails a notion of tension between antagonistic elements, and development through the resolution of such tensions in a manner whereby elements of both are retained in the new form. Furthermore, the elements are part of a whole and exist and relate to each other within that whole. Thus, historical movement is not arbitrary or predetermined, but emerges through the development and resolution of conflicts, tensions and antagonisms between elements that form part of a whole. Historical movement is not rooted in, nor primarily characterized by the development of ideas, but ideas, consciousness, cultures, norms, institutions and so on are shaped by material conditions and practical experience.

POLITICAL ECONOMY

- Linkage-agent dialectic relationship as a research method (continuation):
 - The dialectic relationship between linkages & agents: (i) they both exist as part of a whole; (ii) there are tensions, conflicts and antagonisms between linkages, between agents and between linkages and agents; (iii) the consciousness, ideas, institutions (like, for example, policies, norms and practices), interests, alliances, are shaped by the material conditions and practical experience, which, in turn, where shaped by the resolution of conflicts, tensions and antagonisms between elements of the system at some point in then past. What it all means is that agents and linkages cannot be understood independently of each other. Social classes are not “things” that exist in absence of material conditions, practical experience and social struggle, tension, conflict and antagonisms in relations to specific questions posed by objective problems.
 - Therefore, industrial policy does not make sense independently of dynamics of industrialization, which, in turn, does not make sense outside the overall system of capital accumulation it is part of.
 - Moreover, agents (be it the State or firms, the markets, capitalists and workers, or whatever else) are not independent of each other, nor of the material conditions of production and of social experience and practice (linkages).

POLITICAL ECONOMY

- Political economy
 - Many approaches to political economy, from different theoretical traditions and schools of thought – generally speaking, they entail some sort and level of combination of political (whatever defined) and economic (whatever defined) elements, within a variety of frameworks.
 - Literature tends to emphasise economic linkages and pressures (economic literature) or agents (political, sociological literature), in which each of the parts is treated independently of the other, such that economic elements are universal and ahistorical, political/social elements are things that exist independently of the material base. Therefore, goals are given – some sort of effectiveness or efficiency in economics (allocation of resources or poverty reduction, or income equalization, or modernization, or whatever it is); some sort of methodological individualism, or neo-patrimonialism, or a concept of the classless state (with embedded autonomy), or whatever.

POLITICAL ECONOMY

- Political economy (continuation):
 - We argue for a different perspective on political economy, which is based on the following:
 - Rejection of disciplinary barriers, rather than interdisciplinarity or multidisciplinary
 - Historical context: Social phenomena and processes can only be understood in their own historical context, theory loses validity if forced beyond its historical and social limits (so, ahistorical and asocial theories have no meaning), and the analysis is internally structured by the relationship between theory and history.
 - The significance of “the economy” in any particular society or era is in itself historically specific, depending on the particular configuration of social relations and material conditions in and through which society is organized.
 - Dialectic materialism identifies concepts, structures, relations, levels of analysis and conflicts, tensions and antagonisms, which enables the understanding of the economic and social process as a whole.
 - Emphasis on transition and historical change – complex and tense relationships between structures of production, social relations and historical transitions.

DYNAMICS OF INSTABILITY AND CRISIS

Average growth rates of GDP

	1959-63	1963-64	1965-70	1970-72	1972-74	1974-77	Crise dos anos 1980			1991-93
							1977-82	1982-87	1987-91	
Taxa média <u>anual</u> de variação do PIB (a)	5%	-4%	6%	-4%	6%	-7%	3%	-9%	5%	-4%
Taxa de variação <u>acumulada</u> no período (b)	22%	-4%	34%	-8%	12%	-23%	14%	-51%	22%	-8%
Índice do PIB, 1950=100 (c)	122	117	157	144	162	141	160	79	96	88
Índice do PIB, 1975=100 (c)	81	78	104	96	108	94	107	52	64	59

DYNAMICS OF INSTABILITY AND CRISIS

Tabela 1: Taxas de variação reais (preços constantes) de alguns indicadores económicos fundamentais entre 1979 e 1984, em percentagem

	1979-1982 (b)	1982-1983	1983-1984	1979-1984 (b)
Produto Interno Bruto (PIB)	9%	-12%	-9%	-13%
Investimento Bruto	270%	-64%	-25%	0
Exportações de bens e serviços	7%	-27%	-32%	-46%
Importações de bens e serviços	47%	-25%	-30%	-23%
Taxa de cobertura da Importações (a)	-44%	-20%	-10%	-60%

DYNAMICS OF INSTABILITY AND CRISIS

Data on Mozambique's economic evolution 2000/2015

	PIB		Importações	Exportações	Investimento Externo (a)	Pobreza	
	Biliões de Meticais	Biliões de USD	Biliões de USD	Biliões de USD	Biliões de USD	Índice (% da população) (c)	Elasticidade da Pobreza Relativa ao Crescimento do PIB (f)
Valor no final do período	425	15,5	5,2	3,4	28 (b)	46,1% (d)	-
Variação acumulada ao longo do período (%)	213% (o PIB cresceu 3,13 vezes)		658%	513%	-	-12,7% (e)	-0,07 (g)
Variação média anual (%)	7,4%		13%	12%	-	-0.8% (h)	-0,11 (h)

DYNAMICS OF INSTABILITY AND CRISIS

Poverty and economic growth

	IAF02	IOF08	IOF14
População com rendimento abaixo da linha da pobreza (em milhares de pessoas)	9.545	10.965	11.645
% da população total com rendimento abaixo da linha da pobreza (em %)	52,8	51,7	46,1
Variação acumulada do índice da pobreza entre dois censos (em %)	-16.9	-1.1	-6.6
Taxa de variação acumulada do índice de pobreza entre dois censos (em %)	-24,2	-2,1	-10,8
Taxa de crescimento económico acumulada entre dois censos (em %)	62	50	50
Elasticidade da pobreza relativamente à taxa de crescimento económico	-0.39	-0.04	-0.22
Taxa de crescimento do PIB requerida para a pobreza reduzir 1% (em %)	2.6	23.8	4.6

DYNAMICS OF INSTABILITY AND CRISIS

Growth rates of GDP and main sectors (2005/2015)

	PIB	Indústria Extractiva	Transportes e Comunicações	Construção	Serviços Financeiros	Agricultura e Florestas	Energia	Água	Indústria	
									Incluindo alumínio e gás natural	Excluindo alumínio e gás natural
Taxa de crescimento real média anual no período 2005-2015 (em percentagem)	7,4%	21%	12%	11%	10%	8%	6%	6%	4,3%	2,8%
Diferença em relação à taxa de crescimento real média anual do PIB (em pontos percentuais) (a)	-	13,6	4,6	3,6	2,6	0,6	-1,4	-1,4	-3,1	-4,6

DYNAMICS OF INSTABILITY AND CRISIS

Concentration and specialization of industrial production (concentration on 4 products or less)

	Graus de concentração por Indústria e Principais Produtos		
	Entre 70% e 79% (a)	Entre 80% e 89% (a)	90% ou mais (a)
Indústrias por grau de concentração em quatro ou menos produtos	Alimentar, bebidas e tabaco (farinhas, açúcar, cerveja e folha de tabaco) Têxteis, vestuário e produtos de pele (algodão descaroçado, fio de algodão, sacaria) Minerais não metálicos (cimento)	Metalo-mecânica (produtos metálicos simples para consumo doméstico) Química e derivados de petróleo (gás natural)	Metalurgia (alumínio)
Peso destas indústrias na produção industrial total (b)	17%	5%	68%

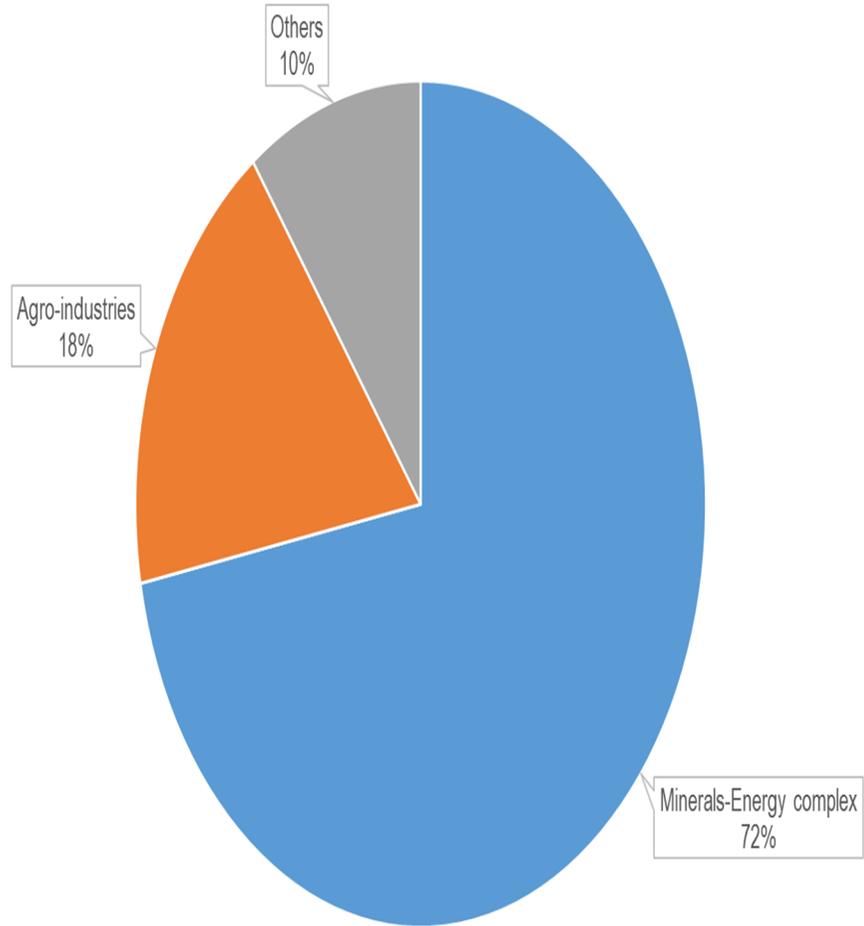
DYNAMICS OF INSTABILITY AND CRISIS

Minimum wage (nominal and real) and growth rates

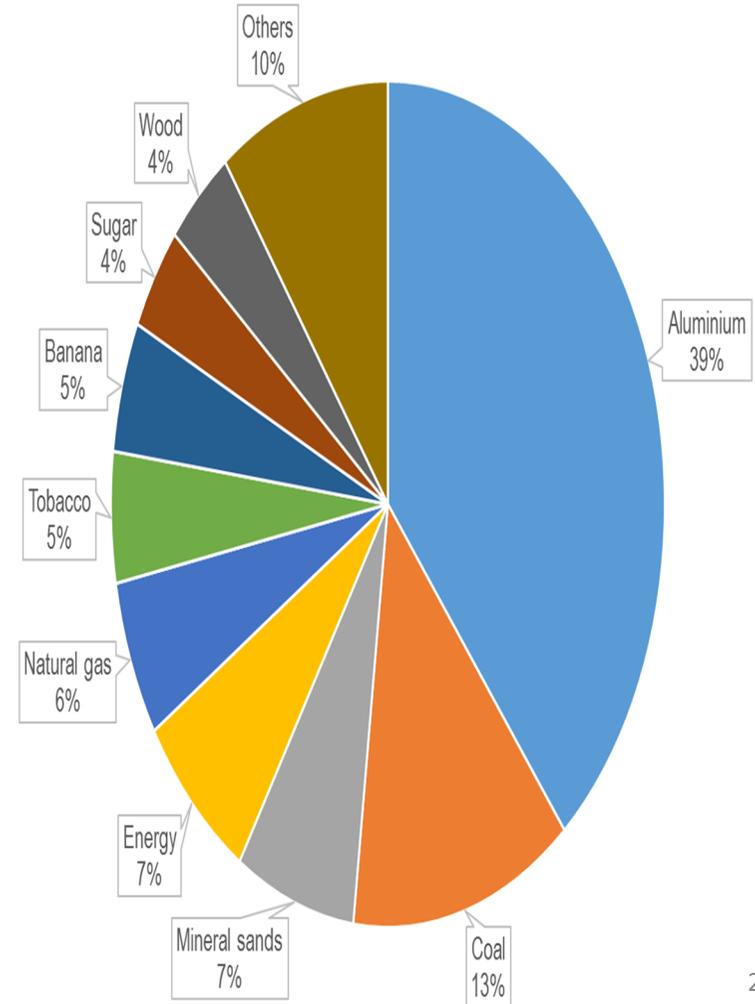
	Salário mínimo nominal em meticais mensais		Taxa de crescimento nominal acumulada (a)	Taxa de crescimento nominal média anual	Ordenamento pelo salário mínimo nominal (b)	Ordenamento pela taxa de crescimento (b)	Diferença entre os dois ordenamentos (c)	Salário mínimo real (2010 ano de base) em meticais mensais		Diferença entre o salário mínimo real e o nominal, em meticais mensais (2017)	Taxa de crescimento do salário mínimo real média anual
	2010	2017						2010	2017		
Serviços Financeiros	3.483	10.400	199%	15%	1	1	0	3.483	8.011	-2.389	11%
Electricidade, gás e água	2.662	7.386	178%	14%	2	2	0	2.662	5.697	-1.689	10%
Mineração	2.780	6.963	151%	12%	3	3	0	2.780	5.143	-1.820	8%
Indústria	2.497	5.965	139%	11%	4	4	0	2.497	4.245	-1.720	7%
Serviços não-financeiros	2.996	5.525	84%	8%	5	7	2	2.996	4.099	-1.426	4%
Construção	2.780	5.436	96%	9%	6	6	0	2.780	4.106	-1.330	5%
Pescas	2.200	4.615	110%	10%	7	5	-2	2.200	3.498	-1.117	6%
Serviços e administração públicos	2.890	3.996	38%	4%	8	9	1	2.890	3.006	-990	1%
Agricultura	2.005	3.642	82%	8%	9	8	-1	2.005	2.639	-1.003	4%

DYNAMICS OF INSTABILITY AND CRISIS

Exports of goods (2005-2012)

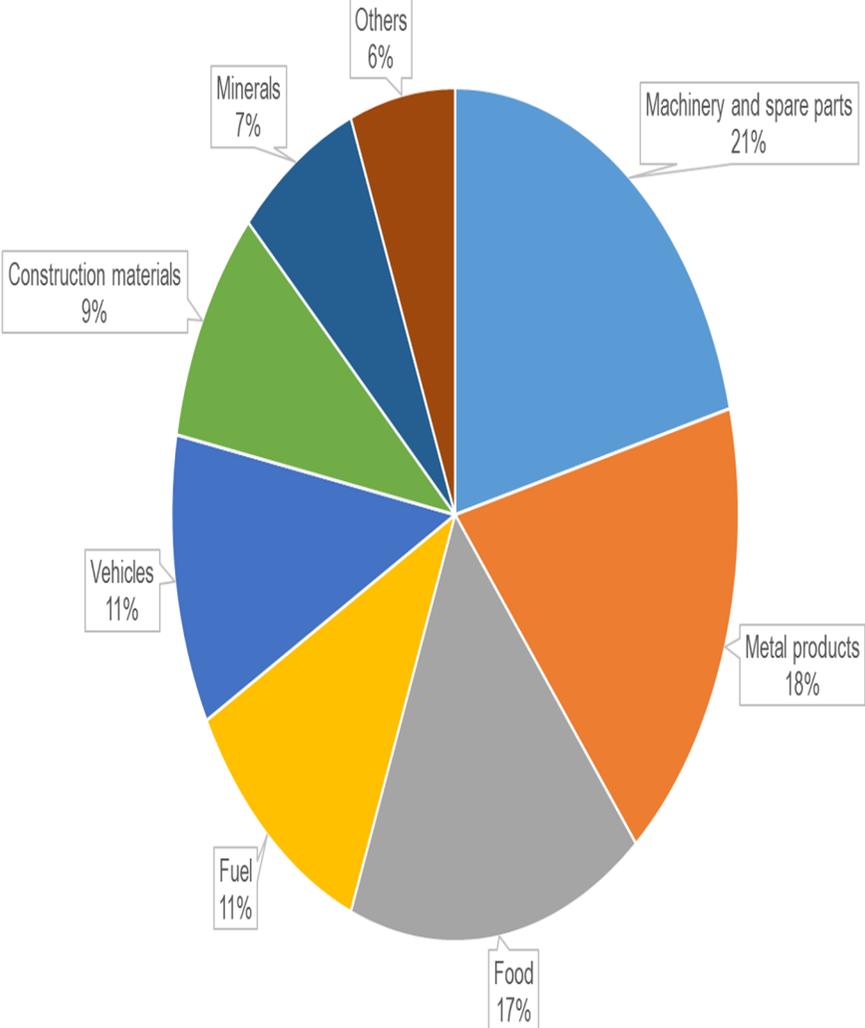


Exports of goods (2005-2012), by products

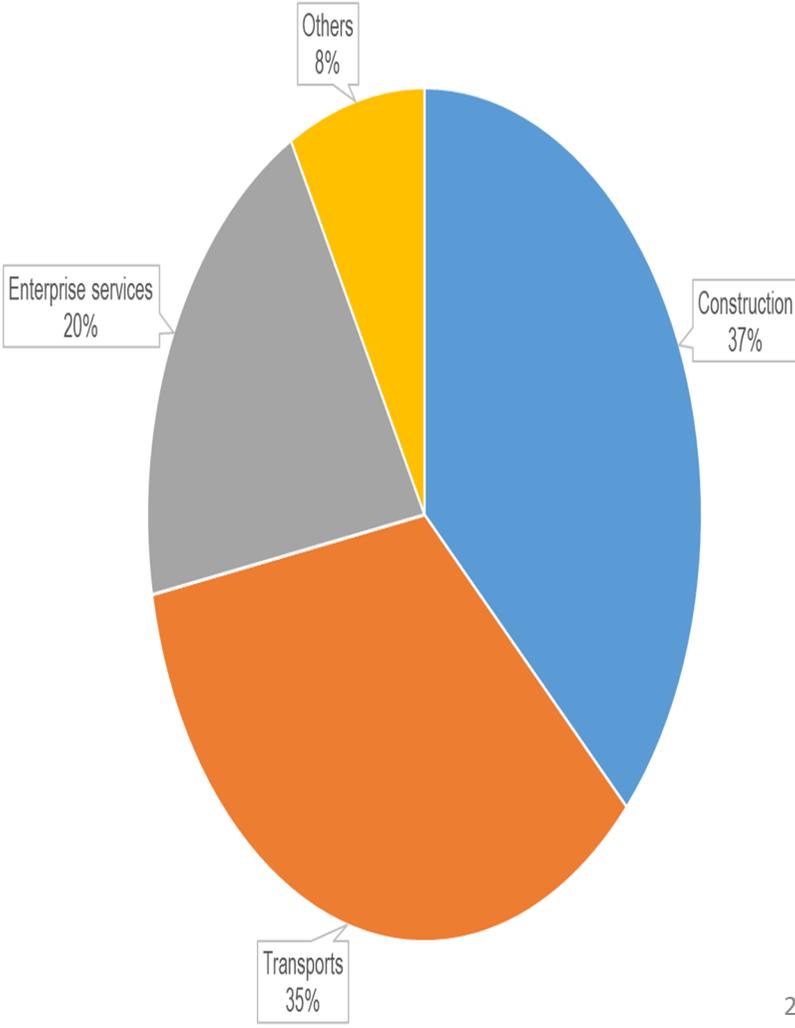


DYNAMICS OF INSTABILITY AND CRISIS

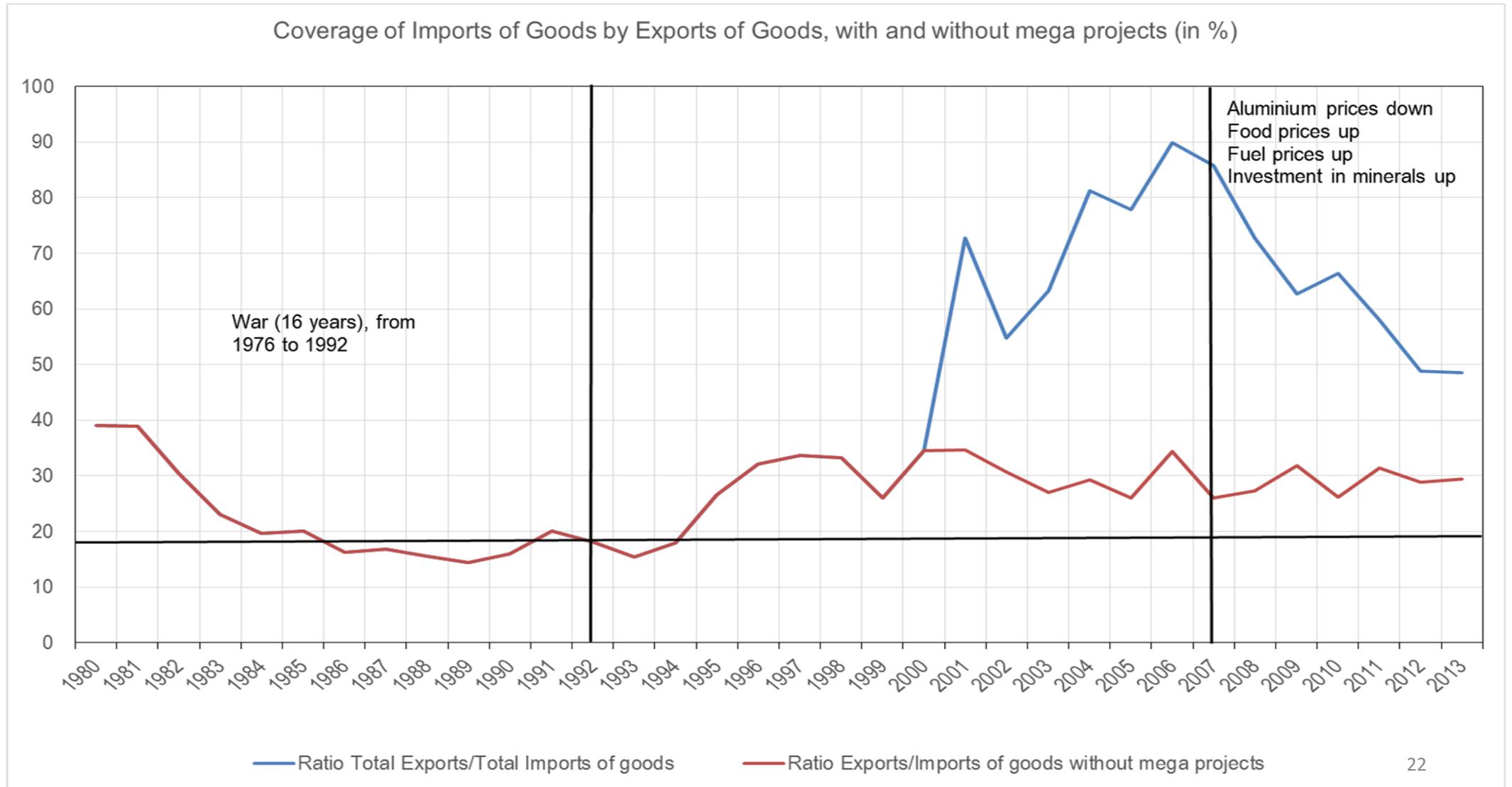
Imports of goods (2005-2012)



Imports of services (2005-2012)

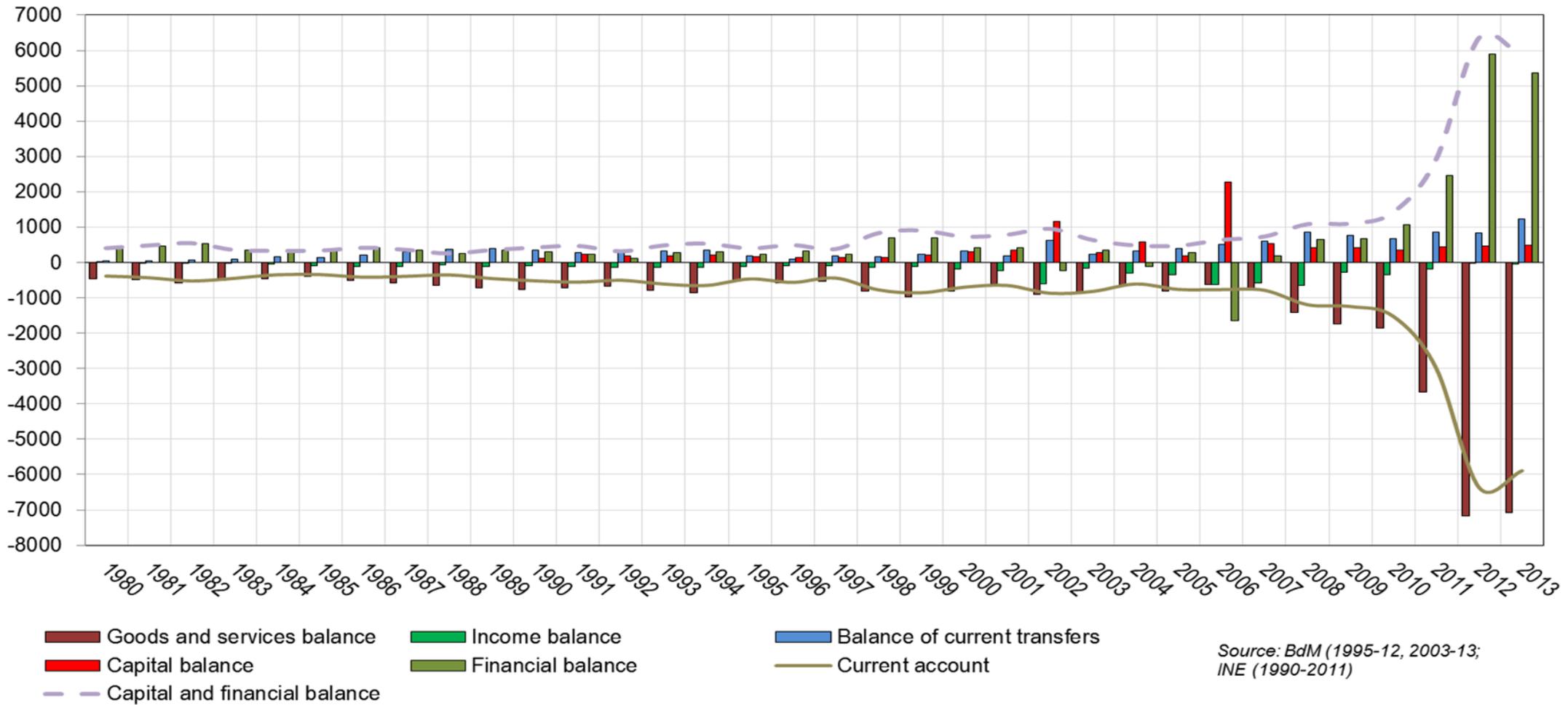


DYNAMICS OF INSTABILITY AND CRISIS



DYNAMICS OF INSTABILITY AND CRISIS

External balances (US\$ million)



DYNAMICS OF INSTABILITY AND CRISIS

External private investment (million of USD)

	2000-04	2005-09	2010-14	2015	2000-15
Influxos reais de investimento privado externo	1.324	2.188	20.566	3.868	27.946
Média anual	265	438	4.131	3.868	1.747

DYNAMICS OF INSTABILITY AND CRISIS

Total private investment per source (1996/2015)

	Nacional	Estrangeiro	<i>Total</i>
Investimento Directo	6%	37%	43%
Empréstimos Bancários	18%	39%	57%
<i>Total</i>	24%	76%	100%

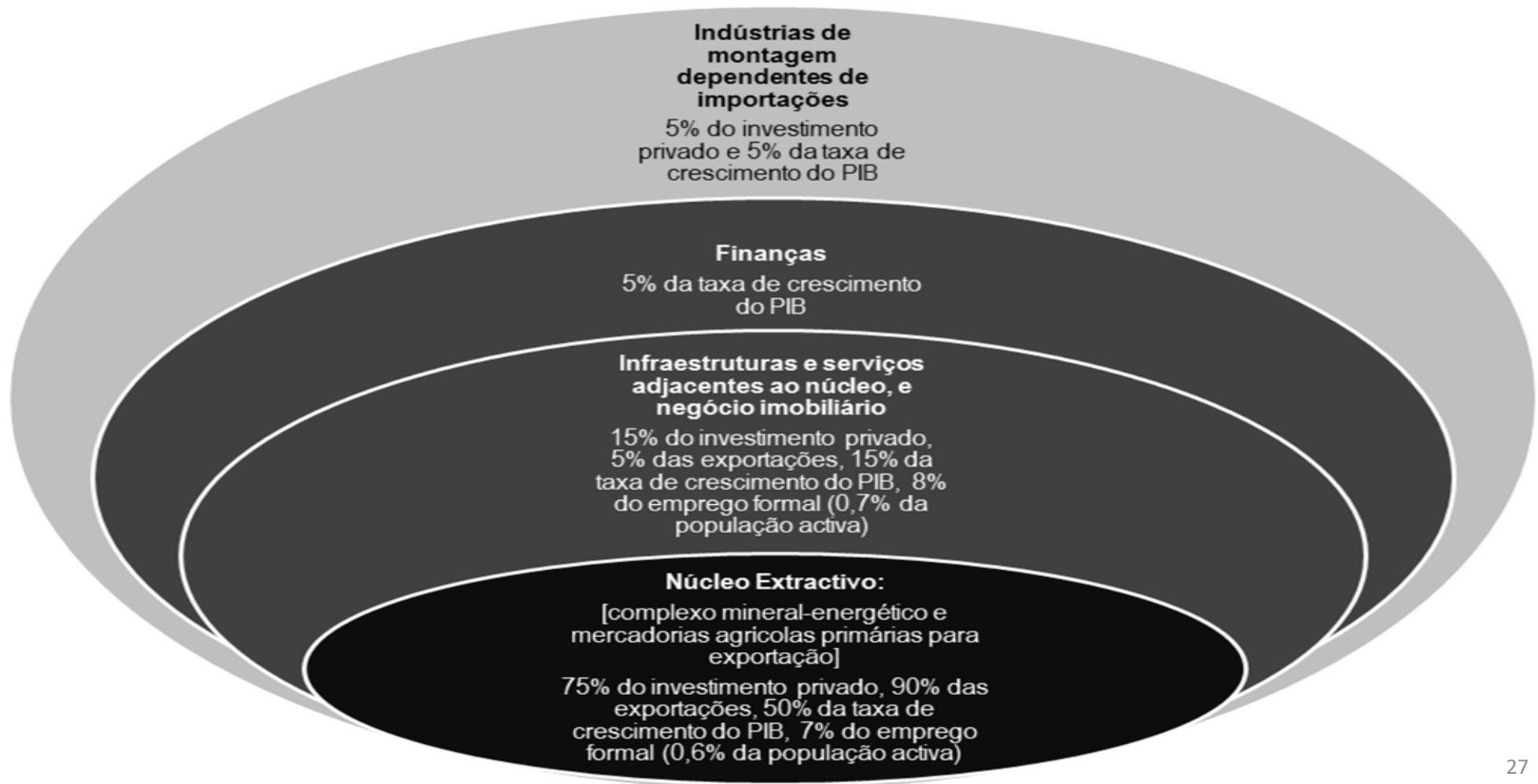
DYNAMICS OF INSTABILITY AND CRISIS

Allocation of private investment within the economy

	Economia Extractiva					Outros sectores: (*) (a)
	Núcleo Extractivo da Economia (*) (a)	% do financiamento da fonte que vai para o Núcleo Extractivo (b)	Serviços e infraestruturas Adjacentes ou Associados ao Núcleo Extractivo (*) (a)	% do financiamento da fonte que vai para os serviços e infraestruturas adjacentes (b)	% do financiamento da fonte que vai para a economia extractiva (b)	
IDE	31%	83%	5%	13%	96%	1%
Empréstimos Externos	29%	73%	9%	23%	96%	2%
IDN	3%	58%	2%	27%	85%	1%
Empréstimos Internos	12%	66%	4%	22%	88%	2%
Total (c)	75%	-	20%	-	95%	6%

DYNAMICS OF INSTABILITY AND CRISIS

Summary of the structures of production and accumulation



FINANCE

Public debt

	Variação do Stock da Dívida Pública			Variação do PIB	Variação da Dívida Comercial			Peso de Tipos Específicos de Despesa na Dívida Comercial Total		
	Interna	Externa	Total		Variação	Peso 2006 (a)	Peso 2015 (a)	Infraestruturas (b)	Garantias à dívida privada (c)	Serviço da Dívida (d)
Variação acumulada no período 2006-2015	900%	223%	264%	97%	1.300%	8%	49%	31%	39%	30%
Média anual de variação	26%	13%	15%	7%	37%	-	-	-	-	-

FINANCE

Concentration of the financial system

	Commercial Banks	4 Major Banks	Territorial Distribution
Counters		80%	47% in Maputo (a); 40% of the districts have no banks
Deposits	90%	79%	
Credits	90%	77%	
Foreign Ownership	-	70%	

(a) Maputo is 5% of the territory, 12% of the population, per capita income 3 x higher than national average, rate of poverty reduction 2 x higher than national average, % of the population living under the poverty rate is 1/3 of the national average, and inequality is 40% higher than national average.

FINANCE

Size of the financial system (2017)

	Em moeda nacional (em bilhões de meticais) (4)	<i>Conversão em USD (em bilhões de USD)</i> (5)	Em moeda externa (em bilhões de meticais) (6)	<i>Conversão em USD (em bilhões de USD)</i> (7)	Total (8) = (4)+(6) (em bilhões de meticais)	<i>Conversão em USD (em bilhões de USD)</i> (9)
Depósitos à ordem (1)	116	1,7	87	1,3	203	3
Depósitos a prazo (2)	100	1,5	26	0,4	126	1,9
Total (3) = (1) + (2)	216	3,2	113	1,7	329	4,9
(1) como % de (3)	54%	-	77%	-	62%	-
(2) como % de (3)	46%	-	23%	-	38%	-

FINANCE

Firms and bank credit

	Porcentagem do total de empresas na amostra	Uso do crédito bancário (em percentagem do total de empresas com crédito bancário)		Razões de não ter crédito bancário (em percentagem do total de empresas sem crédito bancário)		Razões de ter sido rejeitado (em percentagem das empresas com pedido de crédito rejeitado)		Razões de não ter pedido crédito bancário (em percentagem das empresas que nunca pediu crédito bancário)		
		Expansão ou Reabilitação ou Inovação	Operações comerciais correntes	Pediu mas foi rejeitado	Nunca pediu	Falta de colateral	Outros diversos	Não precisa	Pensa que vai ser rejeitado por falta de colateral	Altas taxas de juro
Empresas com crédito bancário, das quais	35% (a)	18%	82%	-	-	-	-	-	-	-
5-50 <i>Trabalhadores</i>	21%	6%	94%	-	-	-	-	-	-	-
51-100 <i>Trabalhadores</i>	38%	20%	80%	-	-	-	-	-	-	-
> 100 <i>Trabalhadores</i>	50%	22%	78%	-	-	-	-	-	-	-
Empresas sem crédito bancário	65%	-	-	12%	88%	78%	22%	14% (b)	12% (c)	74% (c)

FINANCE

Allocation of credit per sector

	Sector Produtivo (a)		Comércio		Consumo Particular de Bens Duráveis		Títulos do Governo	
	Peso no portfólio total (em %)	Taxa de variação do peso no portfólio total (%)	Peso no portfólio total (em %)	Taxa de variação do peso no portfólio total (%)	Peso no portfólio total (em %)	Taxa de variação do peso no portfólio total (%)	Peso no portfólio total (em %)	Taxa de variação do peso no portfólio total (%)
2010	41	-	16	-	17	-	26	-
2011	38	-7	16	0	20	18	26	0
2012	37	-3	13	-19	22	10	28	8
2013	36	-3	12	-8	23	5	29	4
2014	36	0	11	-8	21	9	32	10
Média do período	38	-	14	-	21	-	28	-
Acumulado no período	-	-12	-	-31	-	24	-	23

HISTORICAL LOGIC OF THE REPRODUCTION OF THE CONDITIONS OF INSTABILITY AND CRISIS

- Three questions:
 - If the structures of production and accumulation of capital, just described, are so problematic, and have been so for most of the last 6 decades, where do they come from and why are they reproduced? Why aren't they changed, even when political conditions, history and ideology change?
 - Is it that differences in analysis and interpretation of the different crisis are sufficient to explain why the internal conditions of instability and crisis are reproduced? Is the problem primarily at the conceptual level (level of ideas) or are there material conditions (economic and social) which are more important explanations?
 - In any case, is it a matter of “wrong” choice of linkages and, therefore, “wrong” agency? What are the historical conditions and, in relation to that, the historical transitions shaped by, and shaping the transformation of the structures of accumulation?
- Which framework is more adequate for the analysis?

HISTORICAL LOGIC OF THE REPRODUCTION OF THE CONDITIONS OF INSTABILITY AND CRISIS

- Primitive capital accumulation under specific historical conditions:
 - Structures of accumulation previously defined – the historical imperative, from the capitalist classes point of view, consists in the indigenization of the process of capitalist accumulation. The role of the State was to create a class of national private owners of means of production by expropriating the State from its control over such means (state owned firms and state shares in private firms)
 - Alliance and dependency on foreign capital – the national imperative, from the capitalist classes point of view, consists in the attraction foreign, multinational capital and linking it with domestic private owners of means of production in order to a class of owners of assets into a class of capitalists. The role of the State was to further its own expropriation, first by privatizing large concessions of public, strategic resources (minerals and energy, land, forestry, and infrastructures) in order to attract multinational capital; and, then to promote the linkages with domestic capital through further mechanisms of economic porosity (such as abdication of tax revenue, large subsidies and support for multinationals, public debt as a tool to guaranteeing and financing private debt, increasing expectations, and keep foreign, private finance flowing in).

HISTORICAL LOGIC OF THE REPRODUCTION OF THE CONDITIONS OF INSTABILITY AND CRISIS

- Primitive capital accumulation under specific historical conditions (continuation):
 - This leads to an extractive economy, which is also porous, which works in the direction and at the pace of large, multinational capital, which, in turn, reproduces the conditions of instability and crisis.
 - Contrary to the “classical” process of primitive capital accumulation, that is associated with some sort of agrarian and land reform or revolution, the process of indigenization of primitive accumulation in Mozambique has not changed agrarian structures and dynamics. Hence: no productive linkages, no liberation of labour from agriculture, no significant increase in productivity through the economy, besides the economic enclaves of the extractive core, and no massive promotion of employment and labour intensive, economic transformation (as this model of capital accumulation neglects the conditions for social reproduction and the costs of subsistence of the working classes). Two outcomes: GDP growth with poverty, and failure to develop mass, domestic market stimulus for economic development (reinforcing two unstable patterns, associated with the stimulus that comes from multinational capital and from domestic consumption of luxuries and durable goods – like luxury cars and housing, and associated financial services, from credit to insurance – by a small group of capitalists and elite managers).

HISTORICAL LOGIC OF THE REPRODUCTION OF THE CONDITIONS OF INSTABILITY AND CRISIS

- Primitive capital accumulation under specific historical conditions (continuation):
 - Under the conditions of financialization, not only the Mozambican economy becomes more volatile and unstable, due to the role of speculative financial markets, but the State plays a key role as guarantor and protector of large capital. In doing so, it exhausts its capacity to pursue broader economic and social policies and paths of development.
 - The financial system reinforces the extractive dynamics of accumulation / focus on the extractive core, luxury and durable private consumption and public debt. The Mozambican capitalism becomes financialized before it becomes productive.

HISTORICAL LOGIC OF THE REPRODUCTION OF THE CONDITIONS OF INSTABILITY AND CRISIS

- What are the arguments regarding the historical relevance for the development of the national bourgeoisie, and why are such arguments important?
 - Failure of the collective project for social, economic and political transformation. “If you can’t better them, join them”
 - Historical affirmative action as part of a rhetoric of radical nationalism, in response to barriers to development of capitalism from colonialism and early post-independence; social structures of capitalism, under colonial rule, developed along racial lines.
 - Categorical, patriotic right to become a capitalist creates ideology and practice of private, class based, ownership of the State and its strategic resources and means of policy. In a way, the State is the only strategic, national asset that the emerging bourgeoisie controls and, through the State, control is then extended to public, strategic assets (corporations, infrastructures, “natural”, strategic resources such as mining, energy, land, forestry, and, even, public services that are privatized or outsourced, such as security, health, education, transports, etc.).
 - Threat of “imperialism” – in Southern Africa, it assumes the character of “white, monopoly capital”. As long as this threat is evoked, anything can be done on behalf of national sovereignty. Hence, national sovereignty is also outsourced or privatized to the highest representatives of the nation, then emerging bourgeoisie.

HISTORICAL LOGIC OF THE REPRODUCTION OF THE CONDITIONS OF INSTABILITY AND CRISIS

- International context:
 - Post-apartheid, the end of sanctions and the restructuring and globalization of the South African capital. A threat to a domestic, emerging bourgeoisie, and a possible ally to a stronger one.
 - Financialization: (i) expansion and dominance of finance; (ii) expansion of emerging economies and concentration of production; (iii) finance for primary products and more difficulties for industrialization and investment in industry, with exception of those linked directly with international value chains dominated by multinationals, and even so, only if there are advantages related to resources or cheap labour for the last stages of assembly; (iv) monetarist and neoliberal adjustment and stabilisation agenda that conspires against diversification away from narrow and dependent specialisation; (v) debt space that can be utilised to increase financial yields; (vi) four questions that result from the international dynamics of financialization: (a) how to expand the basis of accumulation of an emerging bourgeoisie when the macroeconomic priority is to protect the business of finance? (b) if you can't avoid the dominance of the financial capital, how to associate with it? (c) what are the assets that can be used to attract financial capital, and what are the conditions of negotiation when such capital is focused on financial transformation and speculation of high value assets – put another way, what is the role of strategic real assets in then financialization strategies of the corporations that acquire control over them? (d) what are the approaches of a bourgeoisie starved of capital in the financial markets, when faced with greedy financial capital trying to expand risky lending?

CONCLUSIONS

- Industrialization in Mozambique develops within such a political economy context, which, in turn raises specific questions for industrial policy related to domestic class dynamics and tensions associated with the production, appropriation and utilization of surplus, labour reproduction, the nature, origin and direction of the economic stimulus, the possibilities of industrialization under current global conditions, the problem of finance, and the lessons from the crisis.
- In other words, what we have discussed is then primordial soup within which industrial policies that make any sense at all will develop.

Lecture 2:

Political economy of industrial Policy in Mozambique

INDUSTRIAL POLICY STUDIES – WHICH PATH SHOULD WE TAKE?

	Structuralist inspired studies (UNIDO, etc.)	Neoliberal inspired studies (World Bank, etc.)
Goal	Development of manufacturing and change of economic structures	Economic efficiency
Definition of the problem	Dependent specialization and its impact on the <i>nexus</i> macroeconomic-structures of production (stability, employment, real wages, sectoral linkages); missing institutions and capacities	Fundamentals (macroeconomic stability, infrastructures, human capital, market barriers)
Policy focus	Role of the State: govern development, operating through and with markets Institutions, capacities, macro/meso linkages (coordination, or static, learning, or dynamic, linkages, sectoral linkages)	Role of the State: help the markets to become more efficient Control of inflation, provision of infrastructures and human capital, removal of market barriers
Assumptions	Macroeconomic conditions are a <i>nexus</i> Structures do matter/path dependency Question: institutions, capacities, rules	Macroeconomic stability is a precondition, not <i>nexus</i> . Structures don't matter, insofar as comparative advantages are allowed to be revealed
How to achieve it	Both are focused on “concrete manifestations” of the problem, not on the its essence, and aim to achieve a blueprint for economic and social efficiency or effectiveness. Both rely of the State to correct something (structures, capacities, institutions or fundamentals) but can't explain why or how any of these would happen.	

INDUSTRIAL POLICIES – RHETORIC AND PRACTICE

	1990s	2005	2010	2015
Goal	Rehabilitation, modernization and expansion	Attract private, foreign investment for comparative advantages by region + linkages with Mozal	Multinational capital	Industrialization as “a solution” (employment, diversification of exports, substitution of imports)
Focus	Small and medium enterprises, domestic capital, linkages and diversification	None – anything goes	Minerals-energy complex and derived linkages, free trade zones	Employment, exports of primary products, market liberalization, protectionism,, you mention it
Practice	Foreign investment, oligopolistic industries (sugar, cement, beverages) and first mega project (Mozal); narrow specialization	Hesitation and failure of biofuels and agro-industry linkages; more mega projects; narrower specialization	Minerals-energy complex without linkages and economic crash	We will see in the future

INDUSTRIAL POLICIES – RHETORIC AND PRACTICE

- Industrial policies – what does the difference between rhetoric and practice tell us?
 - Is the economy what happens while we are trying to elaborate policies about it? Or is there a difference between formal and informal policies and actions, and what drives those and the differences between them? Is everything the result of policy (agents) or do structures of accumulation (linkages) define what happens?
 - Institutional capacity? Certainly. But... (i) what is/are the challenge(s)? (ii) what capacities? (iii) to do what? (iv) why does the problem exist or persist? (v) at what point of the process does capacity fail? (vi) whose capacity?
 - Please, remember dialectic materialism: (i) human beings make history, but not as it pleases them; (ii) history is not made as it pleases human beings, but human beings make it. Dialectics linkage-agents.
- Back to the three questions: (i) why is the pattern reproduced even when it is so problematic? (ii) is it a matter of different interpretations? (iii) are there historical conditions (discussed) and what are the lessons?

POLITICAL ECONOMY OF INDUSTRIAL POLICY IN MOZAMBIQUE

- Can an extractive economy change?
 - Arguments against: imprinted/dependency path, both structural and social
 - Arguments in favour: of course it can, that's not the relevant question. The relevant questions are how (reform? Social revolution?) and into what (a new version of capitalism? Socialism? What does the universe expand into? Into itself, isn't it? So,.....?)
 - Caveats: crisis are opportunities for change and create transformative energy, but are not sufficient and do not necessary result or direct restructuring towards transformation.
- Notes on challenges: where does industrial policy come from? From political economy, both the challenges and the questions (linkages) and the ideas and actions (agents). Political economy is a “real” thing, even if it is not objective and is expressed through abstract concepts and articulation of concepts. Political economy is independent of our perception of it, although we may be able to understand it in different ways.

POLITICAL ECONOMY OF INDUSTRIAL POLICY IN MOZAMBIQUE

