Contemporary Mozambique: ‘Miracle’ or ‘Failed State’? From a Political Economy Perspective, Neither!

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Manchester, 17th of June, 2015

Structure of Presentation

- ‘Miracle’ or ‘Failed State’? Economic arguments and critique
- Demystifying the ‘miracle’ and the ‘failed State’: primitive capital accumulation under specific historical conditions
- Conclusions
- Useful data

‘Miracle’ or ‘Failed State’? Economic arguments and critique

- Miracle:
  - Move away from the dynamics of crisis of the 1980, that saw real GDP fall by almost 45% in 6 years, and inflation reach 160%.
  - Sustained economic boom, measured by GDP growth, inflation and investment, since the late 1980s
  - In the 2000, foreign capital inflows became determinant of investment and GDP growth
- Failed State:
  - Failure to perform with respect to certain socio-economic functions (example: poverty reduction, equality, diversification of the economy, inclusiveness)
  - Ineffectiveness/inefficiency: for example, substantial collapse of the elasticity of poverty reduction with respect to economic growth
  - Legitimacy: social failure of economic boom

'Miracle' or 'Failed State'? Economic arguments and critique

'Miracle'

- Rate of growth of real GDP is high and sustained over two decades (7.2% pa.), accelerating in the last decade (7,8% pa.), after half of a decade of very sharp collapse (1982-1986).
- Relatively low inflation (one digit for more than a decade).
- One of the top three Sub-Saharan African countries with respect to inflows of international, commercial finance (private investment) (US$ 18 billion in the last decade, two thirds of which in the last three years).

'Failed State'

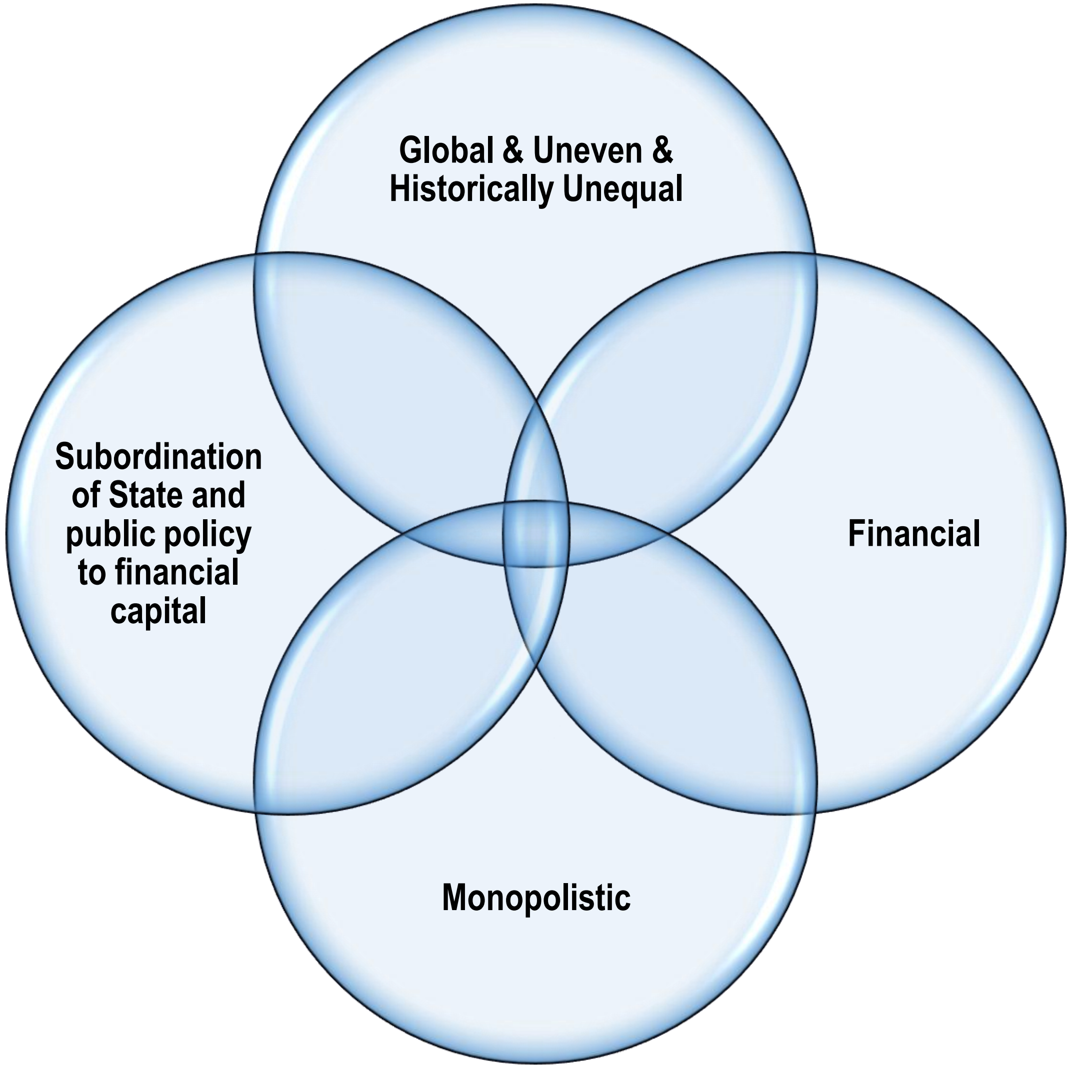
- Poverty head count index:
  - 1996/2002: from 69% to 54% (pa GDP growth rate at 6.9%, Gini = 0.41)
  - 2003/2010: stagnated at 54% (pa GDP growth rate at 7.8%, Gini = 0.42)
- Food for domestic market (2003/10):
  - Production fell by 9%,
  - Yields per hectare fell by 37% (increase in labour quantity and decline of labour productivity)
  - Prices increased at an pa. average of 11.3%, almost 50% higher than average CPI
- Deterioration of quality of public services (infrastructure coverage increased but services provided deteriorated; increased commoditization)
- Narrowness of production/trade/investment basis and tendency for speculative expansion (economic bubble)
- Acceleration of public debt, commercial and domestic

‘Miracle’ or ‘Failed State’? Economic arguments and critique

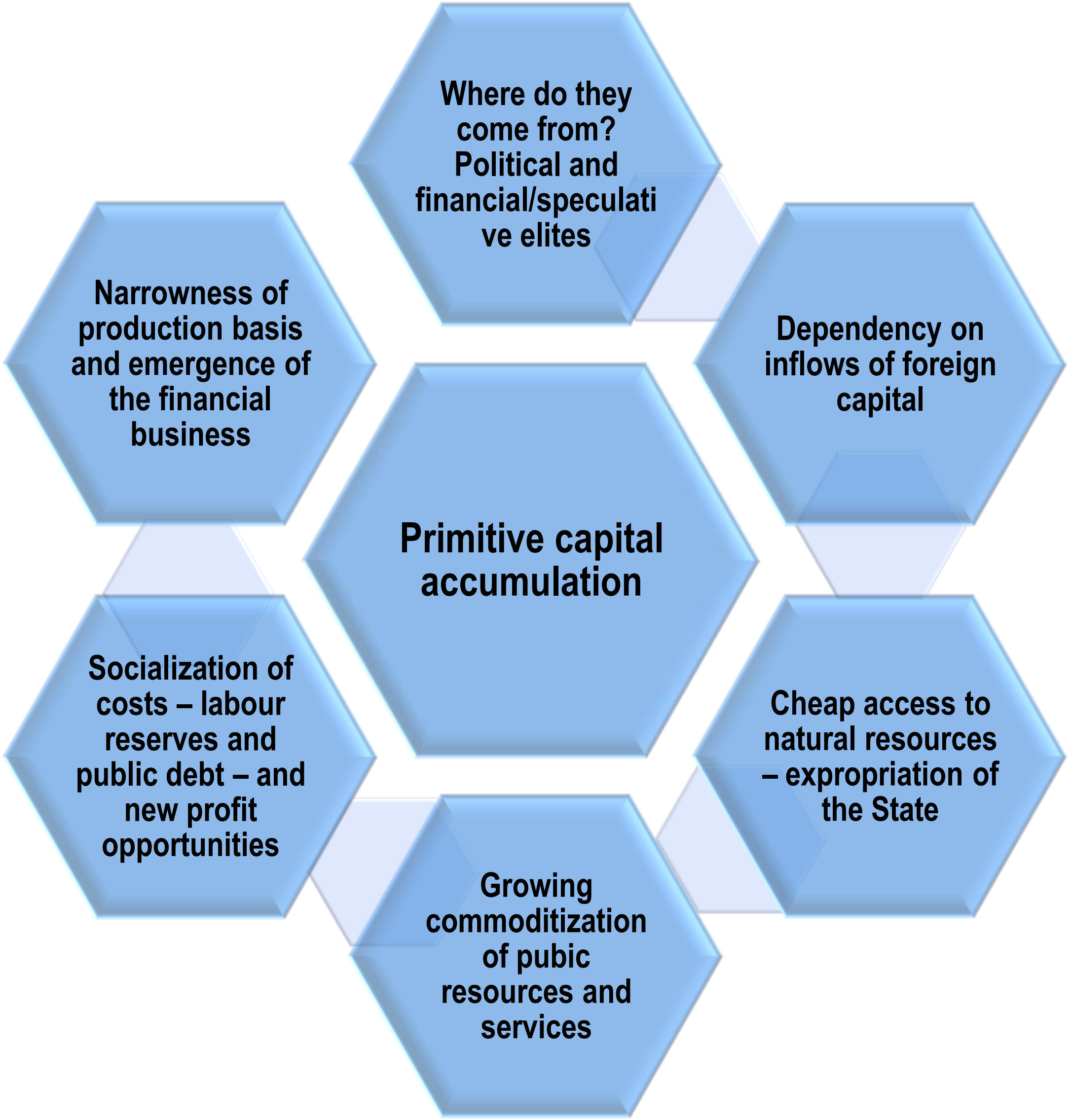
- Critique of the ‘miracle’ and ‘state failure’ characterization of Mozambique:
  - There are no such things as ‘miracles’, and this is particularly true with respect to socio-economic development and transformation. Anything that can be explained logically and consistently with a single, coherent narrative, that is historically sound and contextualised, and identifies the social and economic forces and conflicts that make things happen, is not a ‘miracle’. Obvioulsy.
  - States cannot be properly analysed without consideration for the social system of accumulation and social struggles about the state, which define what the State is and becomes and how it changes (including the perception of its roles, functions and priorities, its alliances and its forms of organization). States as political entities and political expression of struggles in society, with their own historical dynamics, cannot be defined/analysed/categorized according to fixed, normative institutional configurations, or be studied as individuals with a methodological individualism approach.
  - Linkages (economic pressures and challenges) and agents and their historical context and dynamic relationship, provide a better basis for the discussion of the State in social and economic development.
  - The Mozambican State has become quite successful with respect to certain functions and socio-economic alliances and goals. Which ones and why?

Demystifying the ‘miracle’ and the ‘failed State’ – primitive capital accumulation

Contemporary Capitalism



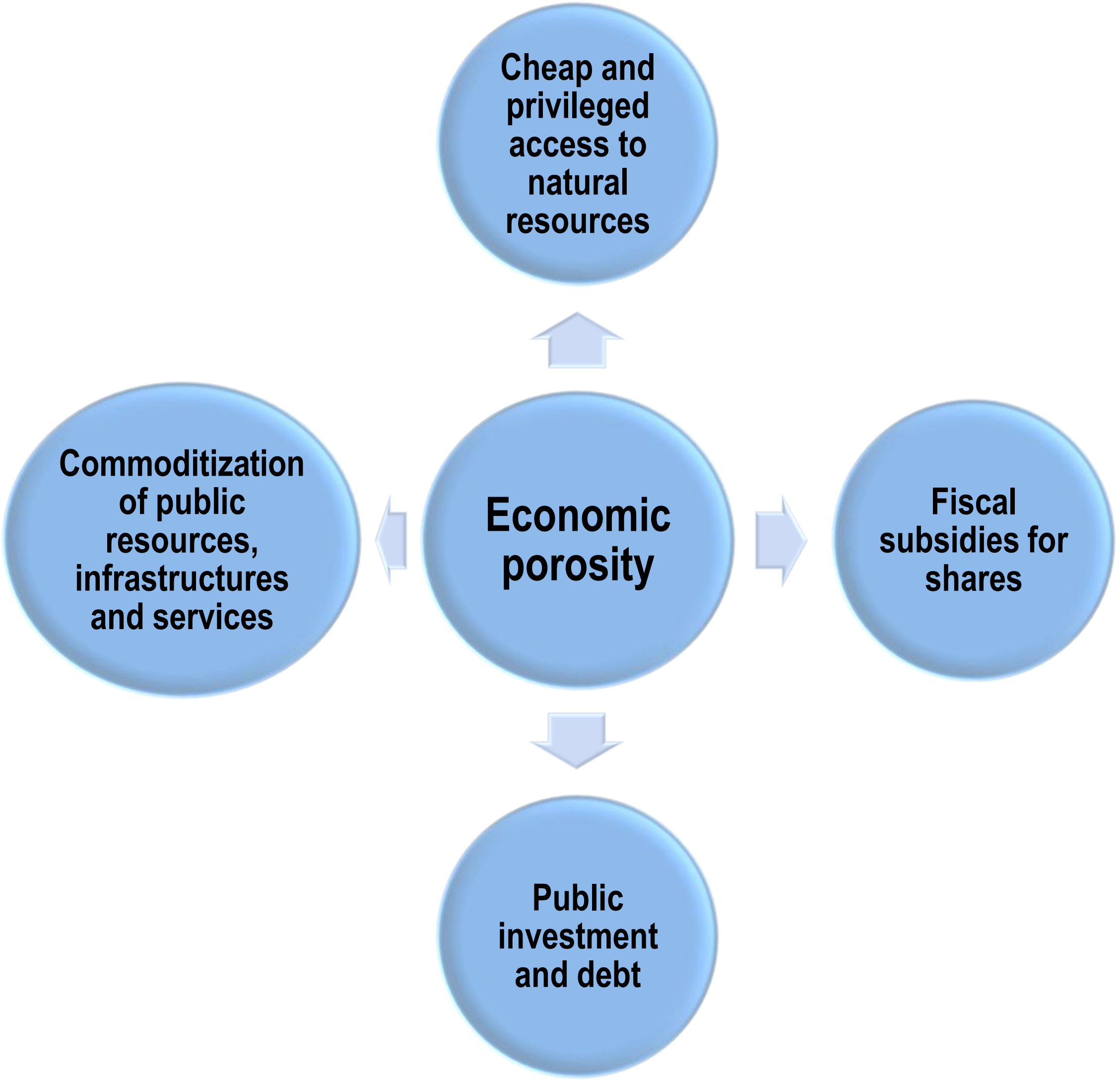
Historical specificity of Mozambique



Demystifying the ‘miracle’ and the ‘failed State’ – primitive capital accumulation

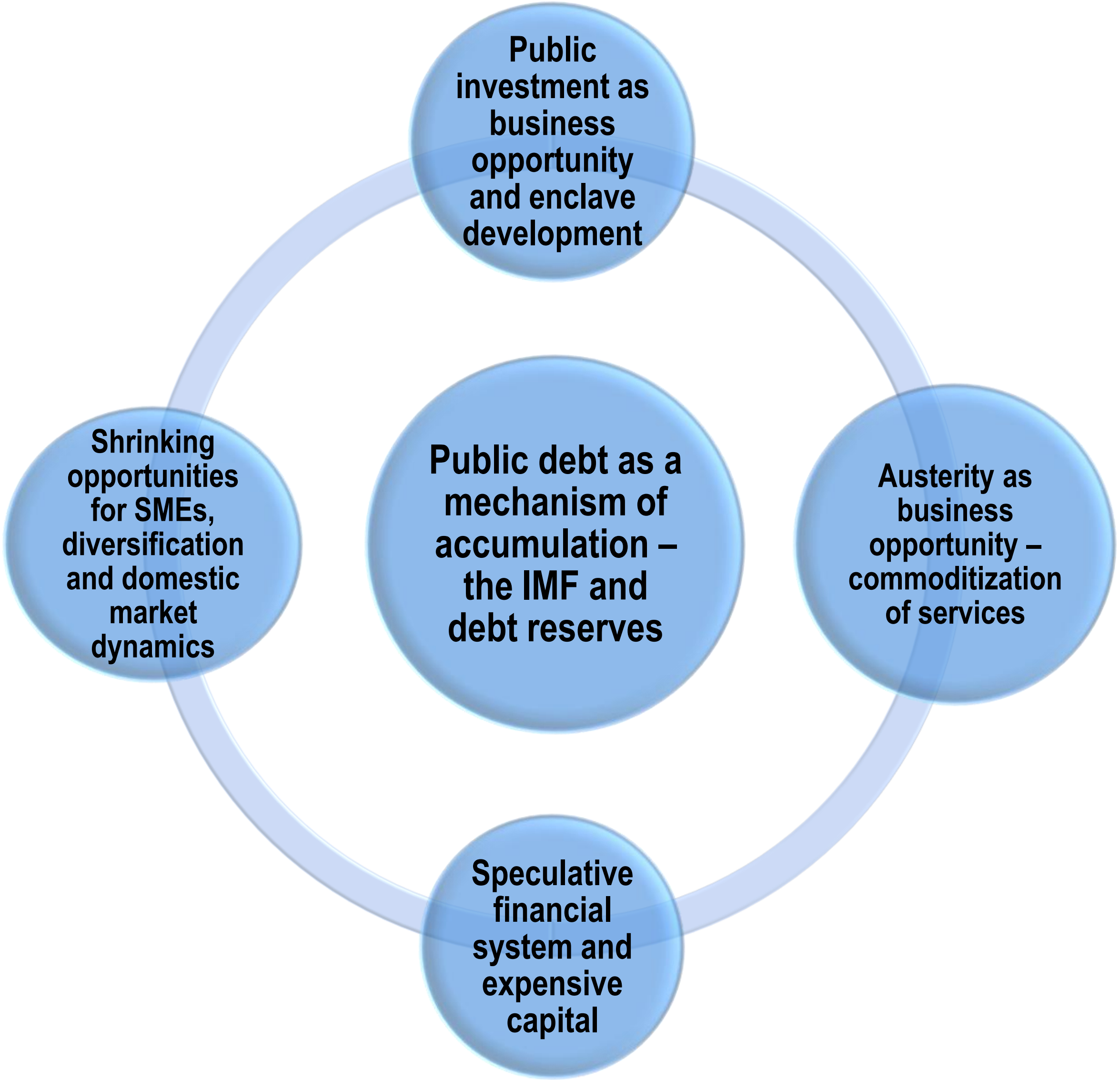
Dependency on foreign private capital

Linkage and leakage to domestic capital

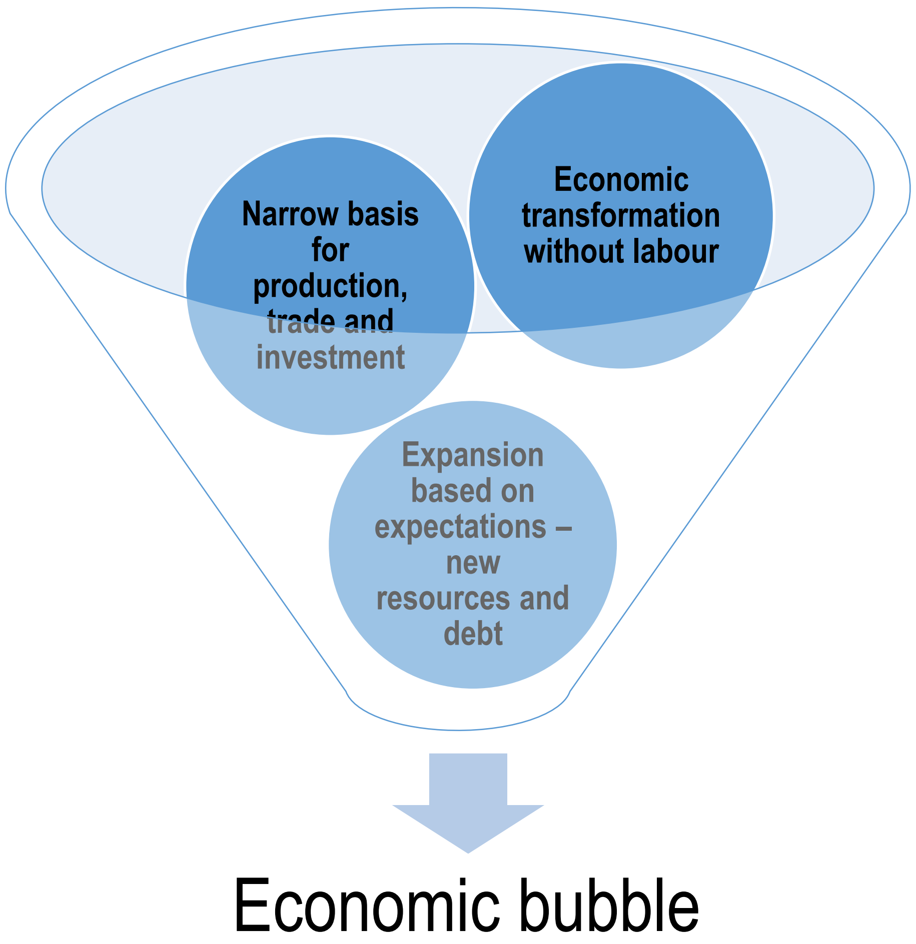


Demystifying the 'miracle' and the 'failed State' – primitive capital accumulation

Debt, finance and public services



Overall economic implications



Conclusions

- ‘Miracle’ or ‘failed State’ are no longer – they can be explained as part of the logic and tensions within a system of accumulation, that has historical specificities.
- Many tensions in this system point to vulnerabilities and crisis of accumulation:
  - Potential for a speculative bubble that might implode, if expectations of capital are not fed, or explode through a debt crisis
  - Exposure and vulnerability to external commodity and financial markets
  - Inconsistencies of fiscal and monetary policy that exacerbate the speculative incentive of financial markets
  - Inability to reproduce the system of absolute surplus value extraction, labour rigidities and the potential for social and political unrest
  - Conflicts between factions of capital – small that cannot grow and large that becomes more speculative
  - Is there any space for further social austerity to adjust and squeeze surplus value out of the working classes?
- Revolution or a state that provides public goods and services to restructure capitalist accumulation?

USEFUL DATA

- Poverty elasticity to real GDP growth
- Extractive model of the economy
- Narrow export and import base
- Export coverage of imports (goods)
- Commercial and current account of mega projects
- External balances
- Public debt: total, external, domestic, concessional and commercial, and debt service
- Structure of lending by commercial banks
- Net sales of foreign currency in the domestic market

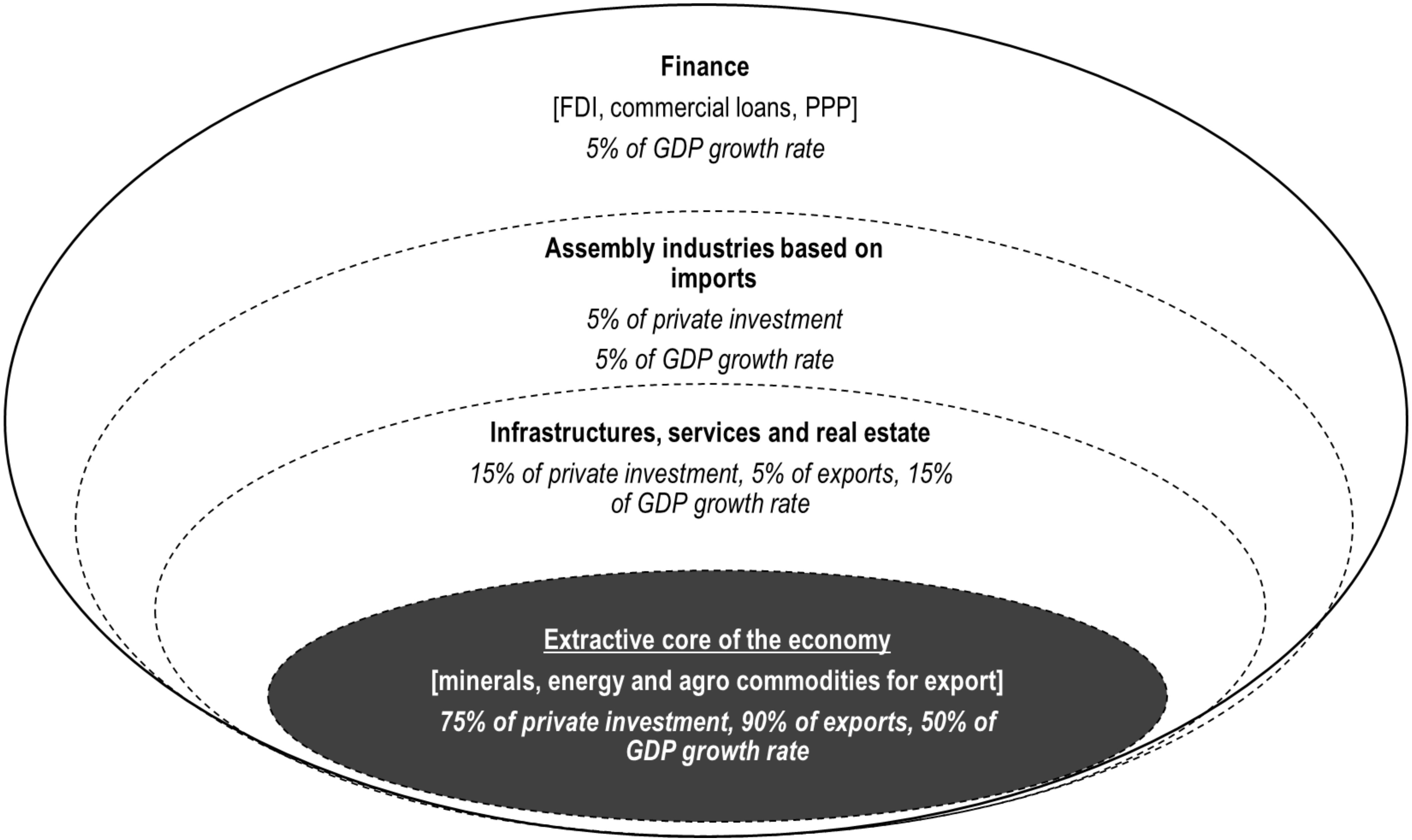
Poverty elasticity to real GDP growth

Poverty elasticity to real GDP growth

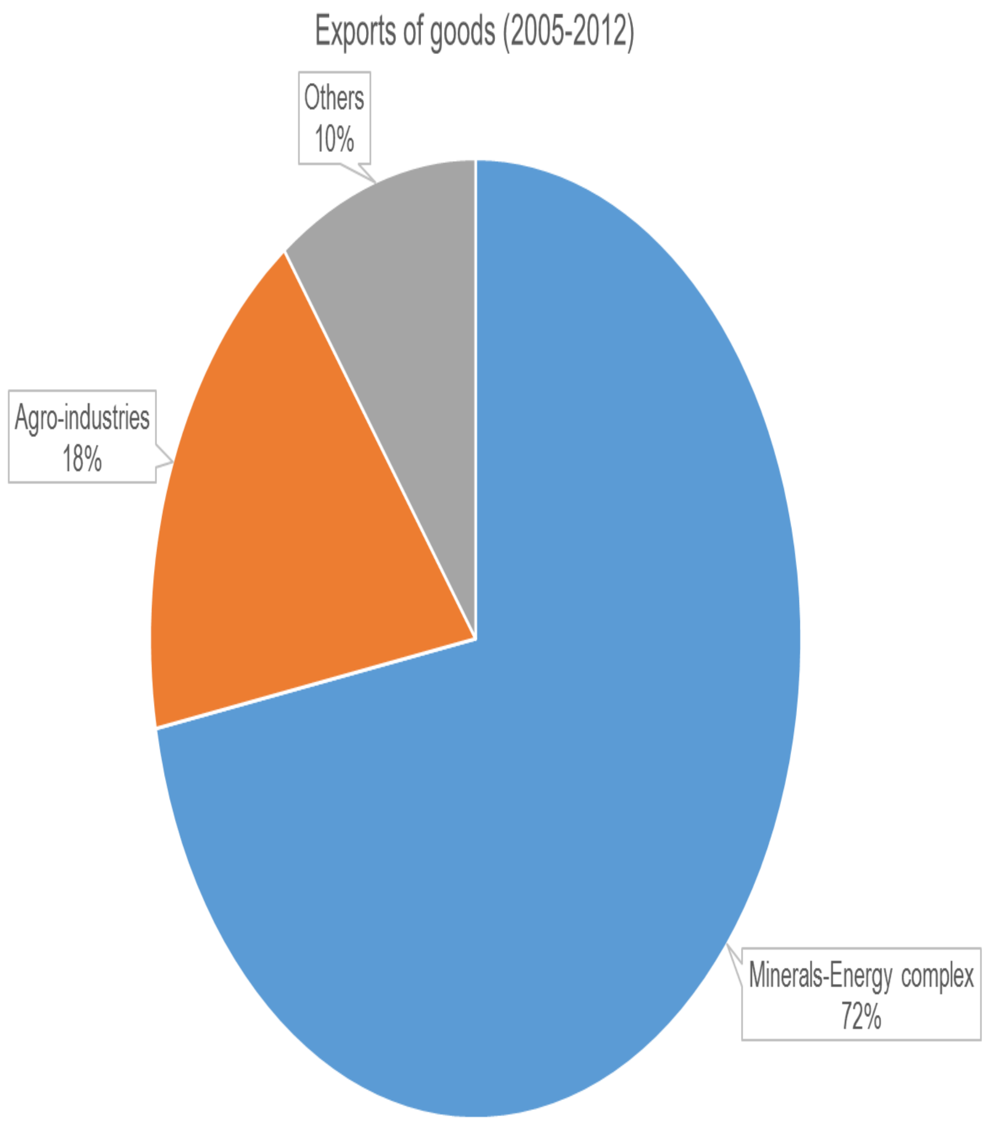
		1996/97-2002/03	2003/04 - 2009/10	1996/97 - 2009/10
Cumulative GDP growth (%)		55	66	156
Cumulative poverty reduction (HC) (%)		-15,3	0,6	-14,7
Average annual real GDP growth (%)		6,5	7,8	7,2
Average annual real per capita real GDP growth (%)		4,2	5,5	4,9
Taxa média anual de redução da pobreza (%) [7]		-2	0.1	-1
People under the poverty line (%)	Beginning of period	69,4	54,1	69,4
	End of period	54,1	54,7	54,7
Gini coefficient		0,41	0,42	0,42
Poverty elasticity to GDP growth		-0,31	0,013	-0,14
CPI(food) – CPI(non-food)		1,6	3,8	2,7

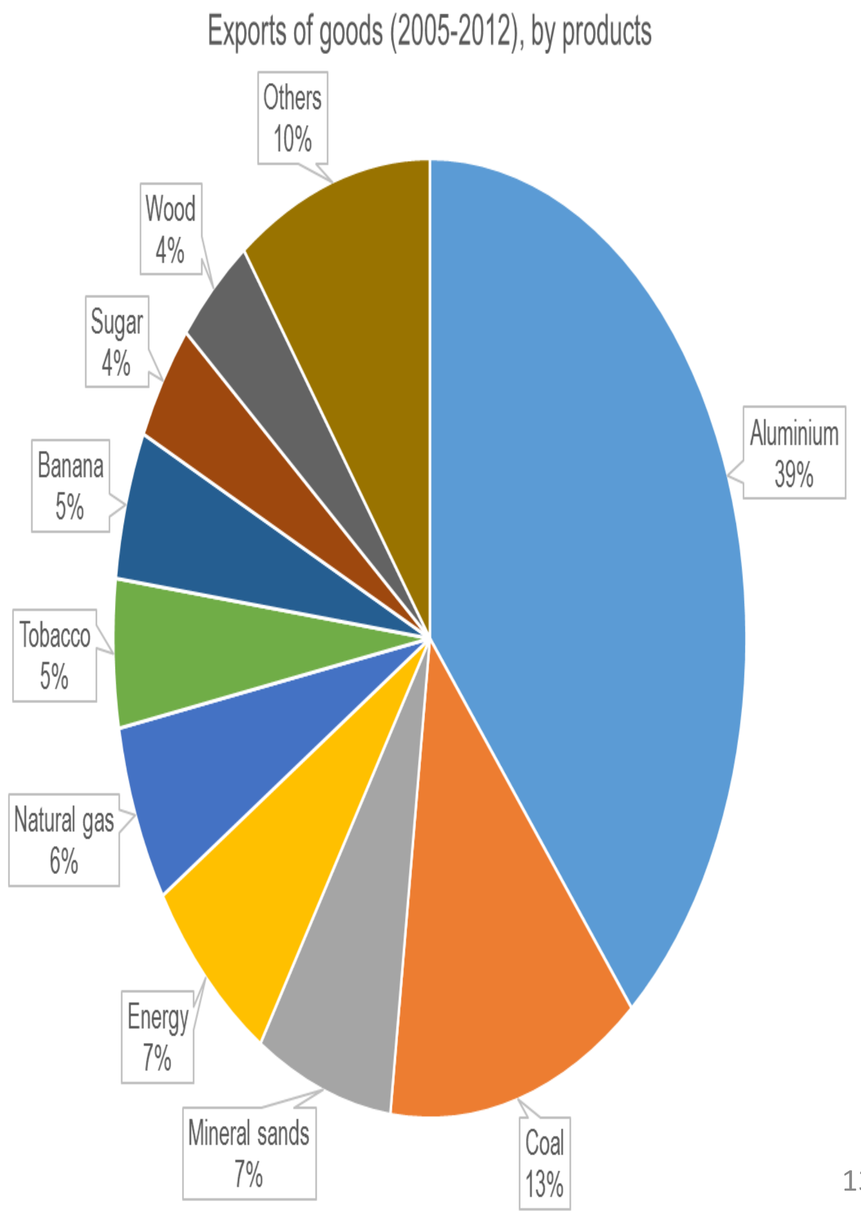
Fonte: DNEAP, 2010; GdM, 2010; INE, 1995-2011; Wuyts, 2011a.

Extractive model of the economy

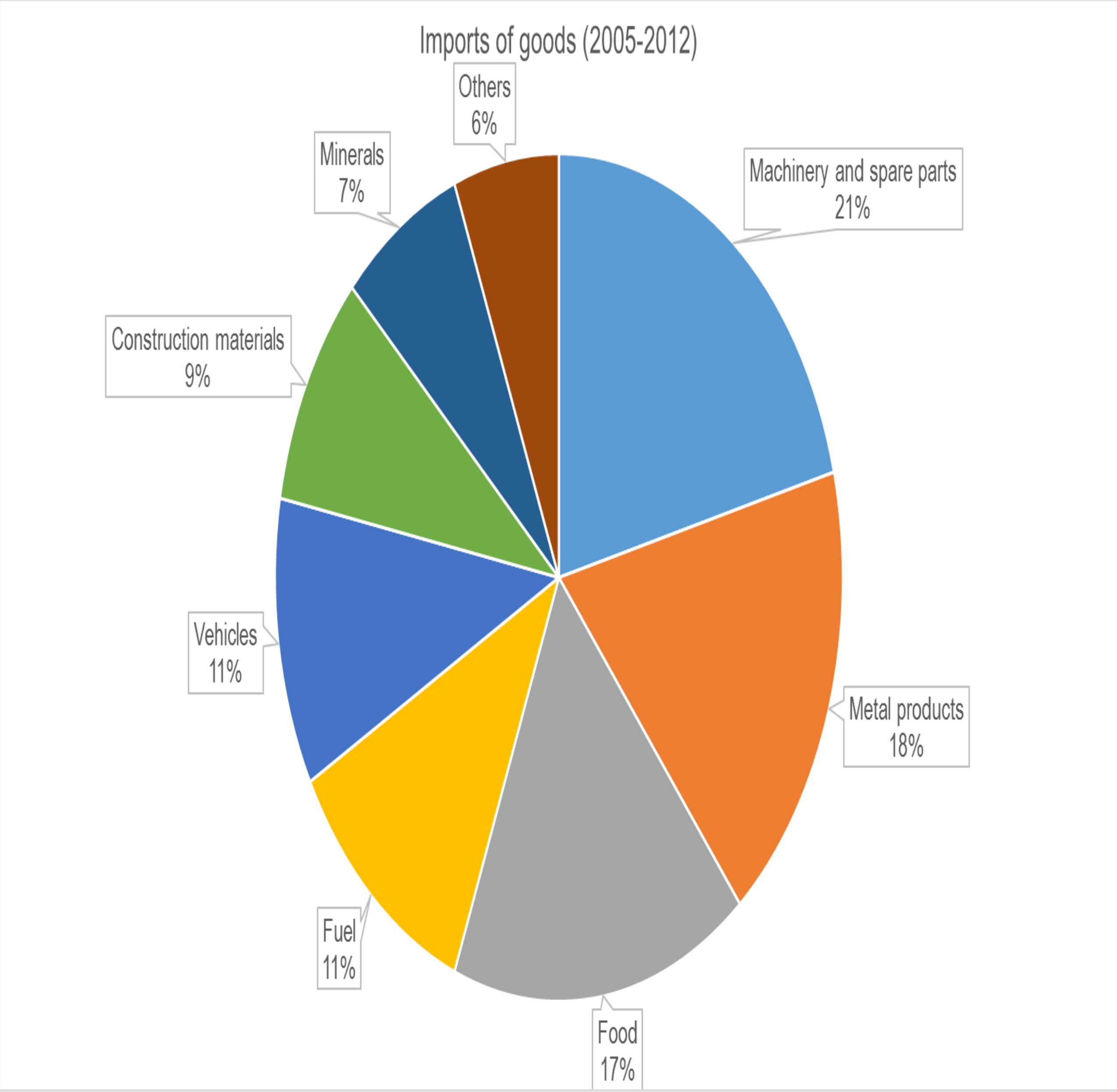


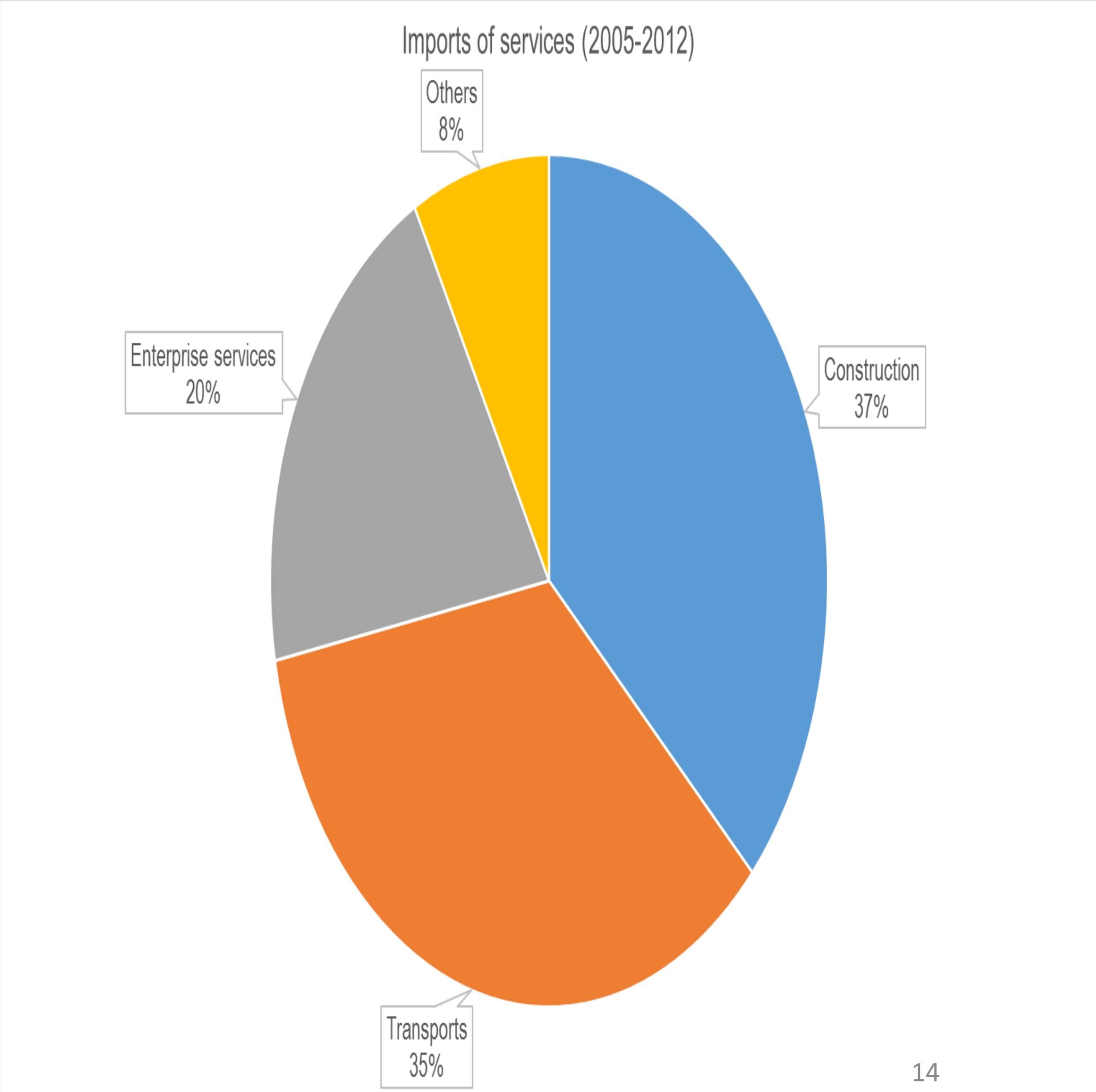
Narrow export base



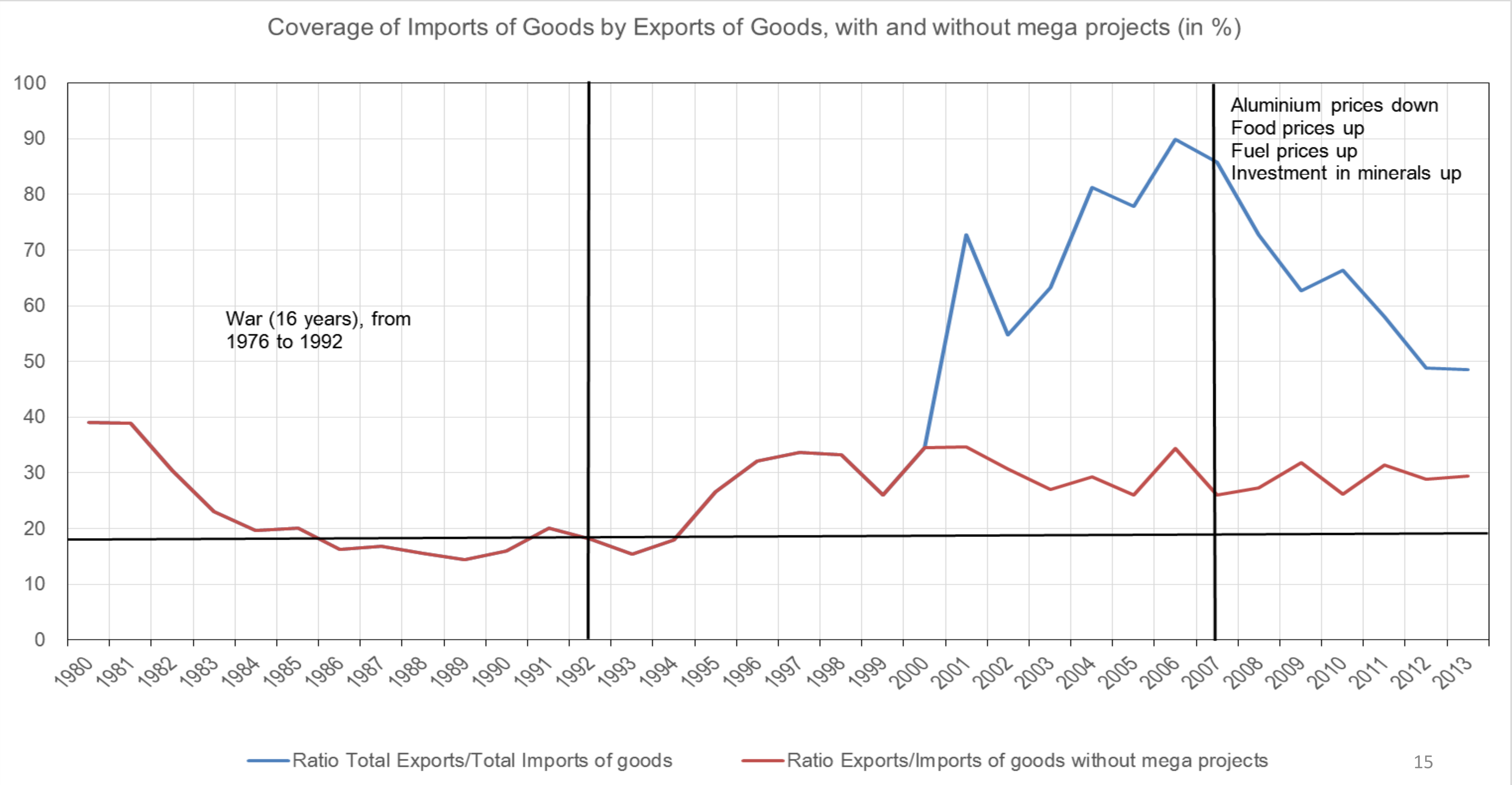


Narrow import base

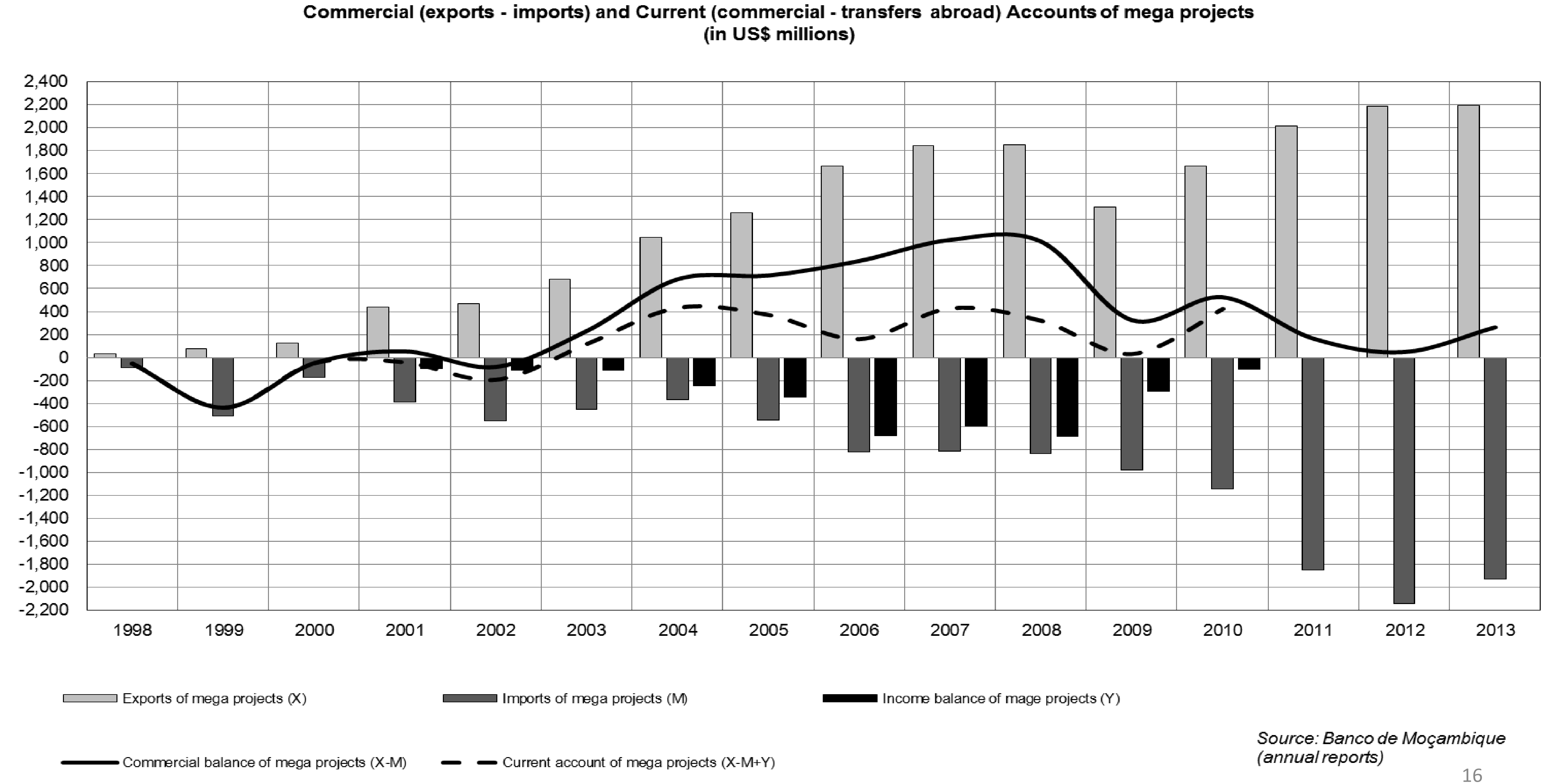




Export coverage of imports (goods)

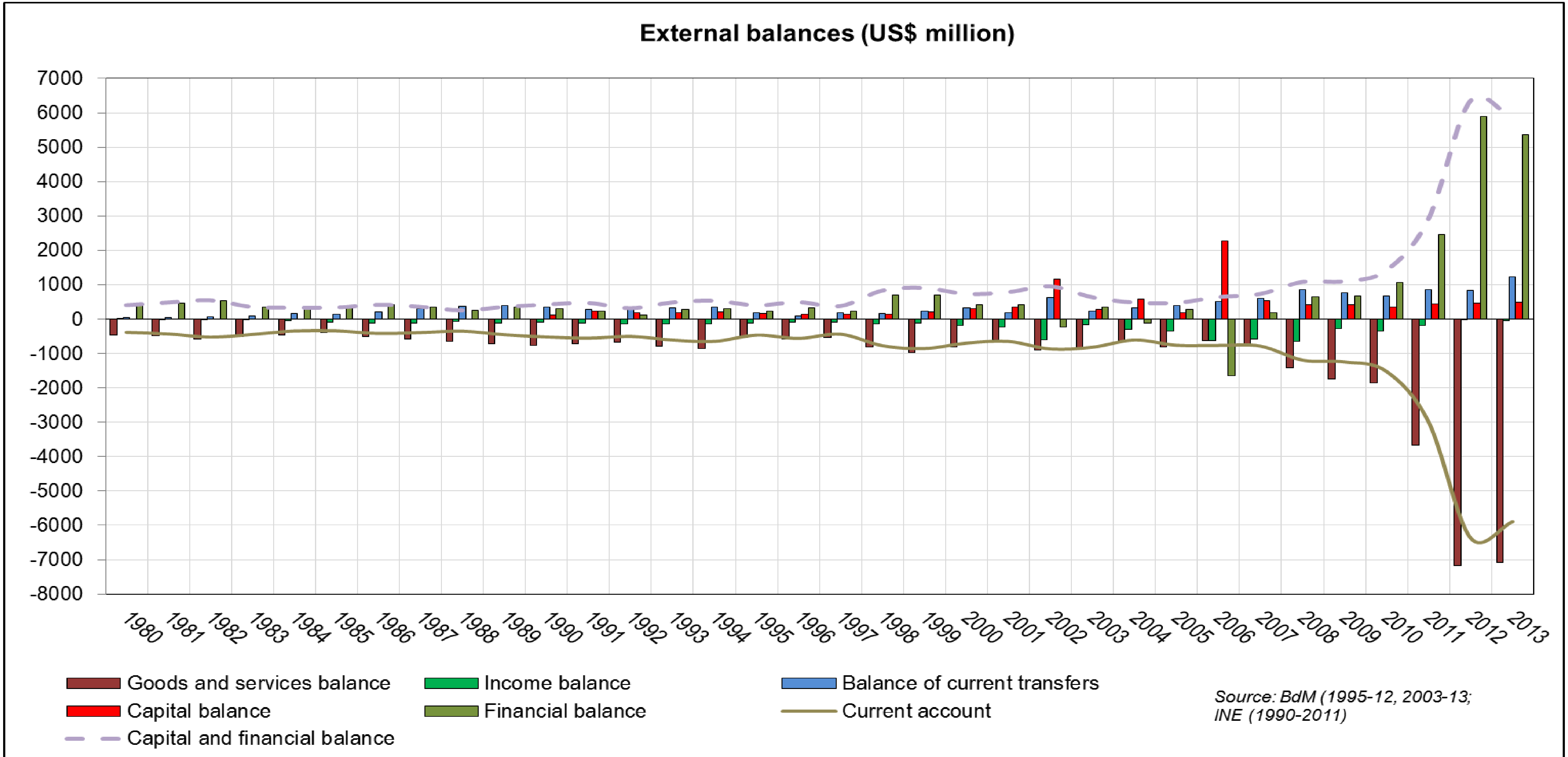


Commercial and current account of mega projects

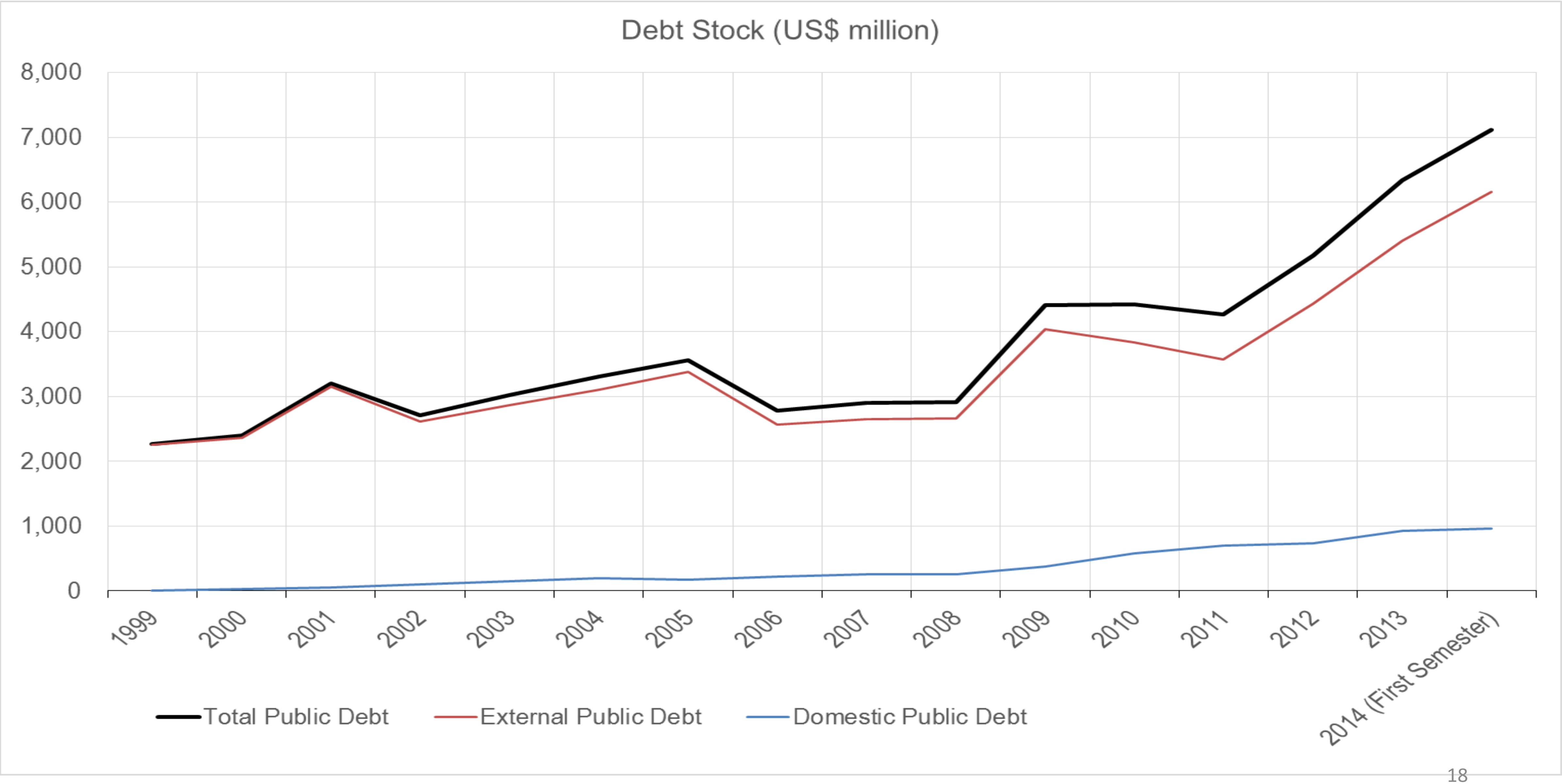


Source: Banco de Moçambique (annual reports)

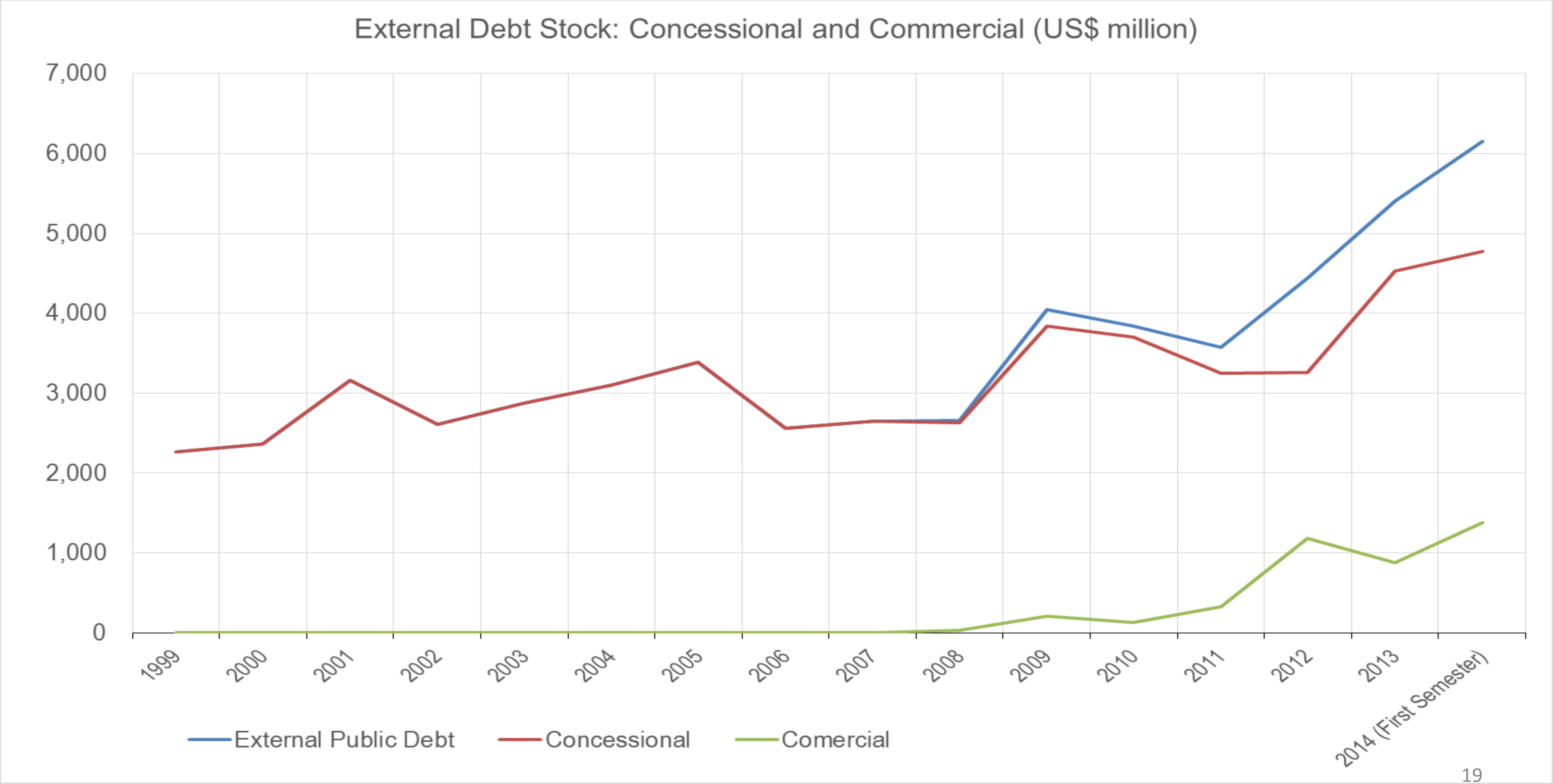
External balances



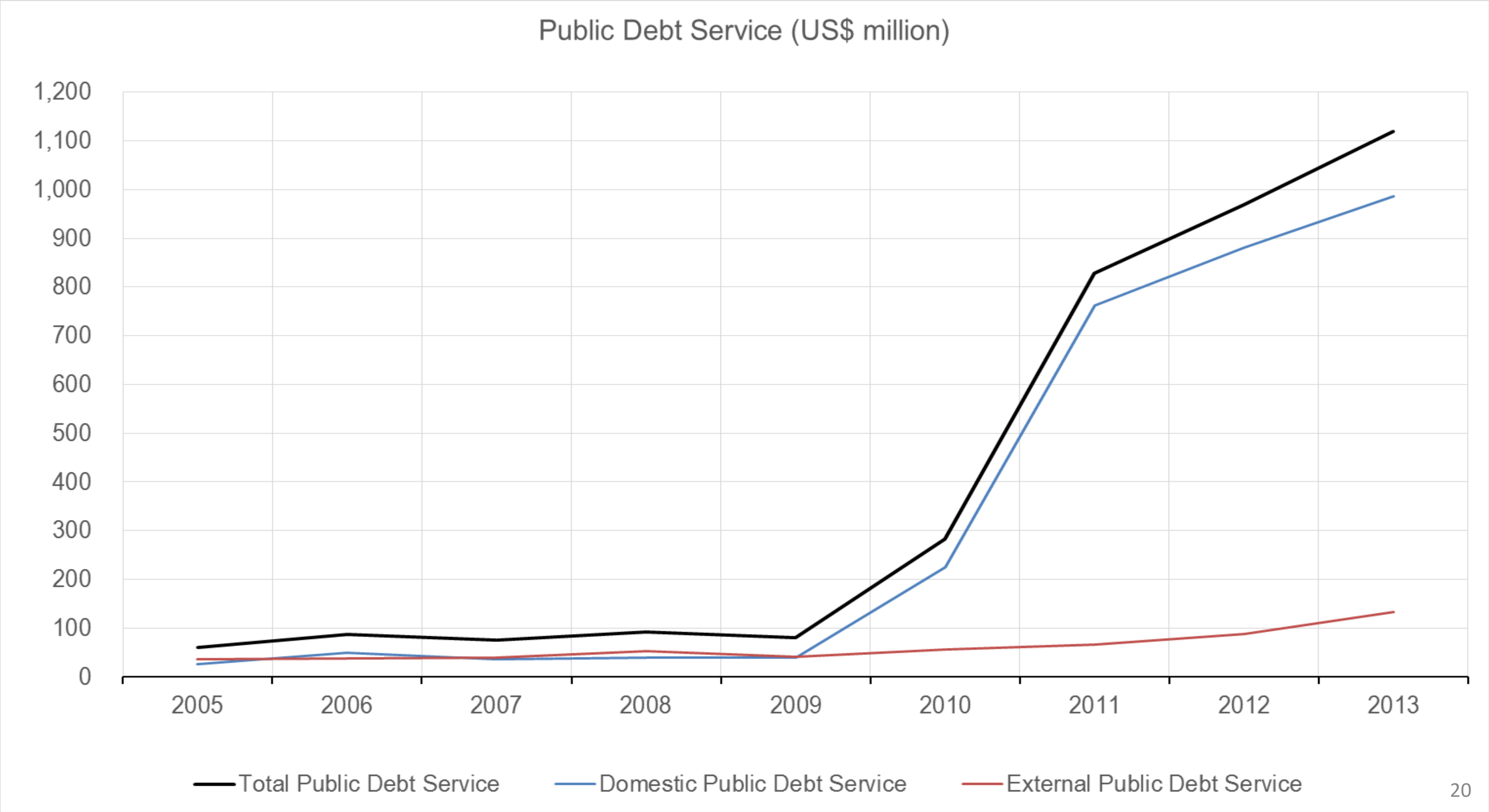
Total public debt stock, external and domestic debt



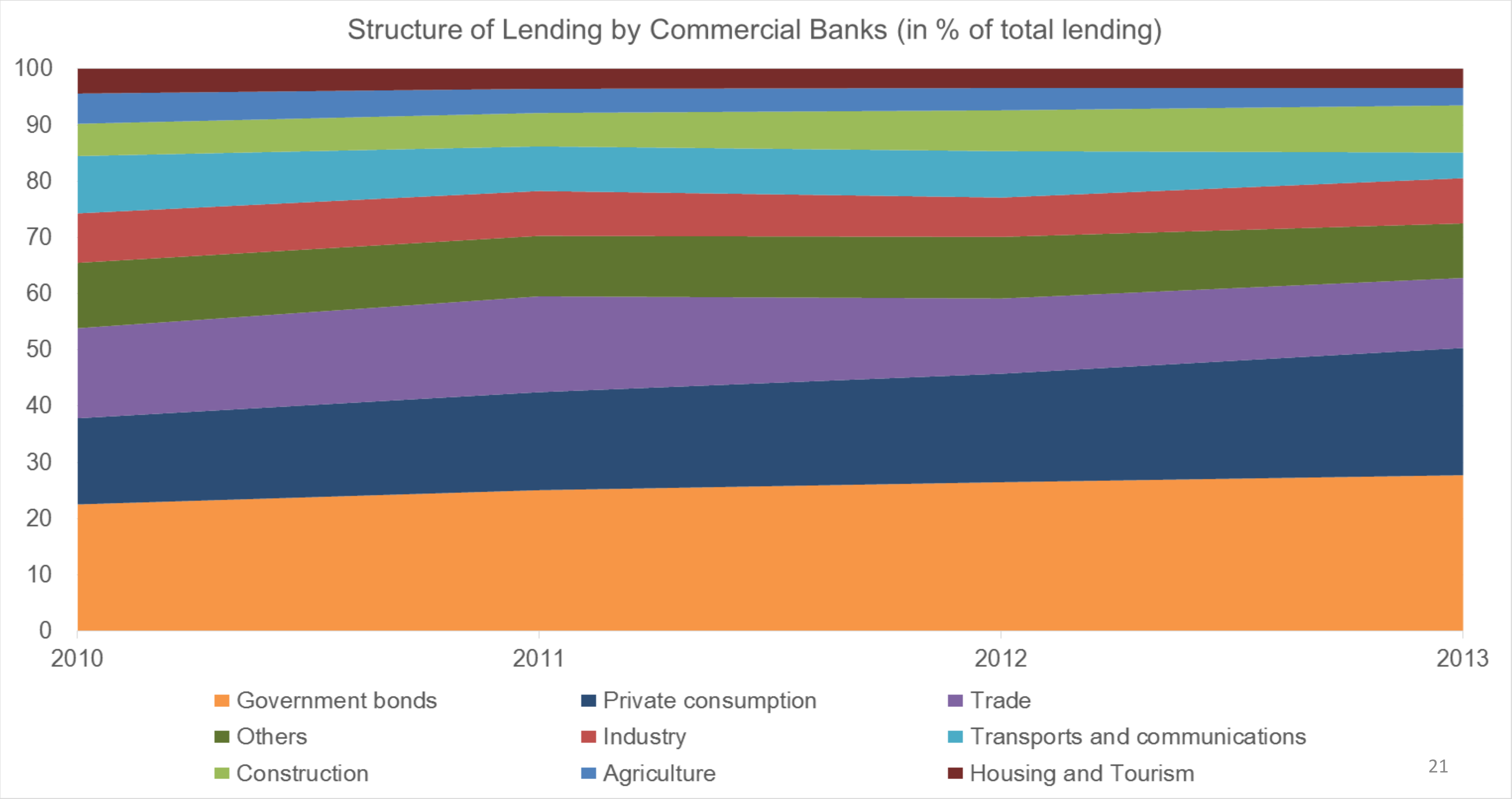
External public debt stock and growing commercial debt



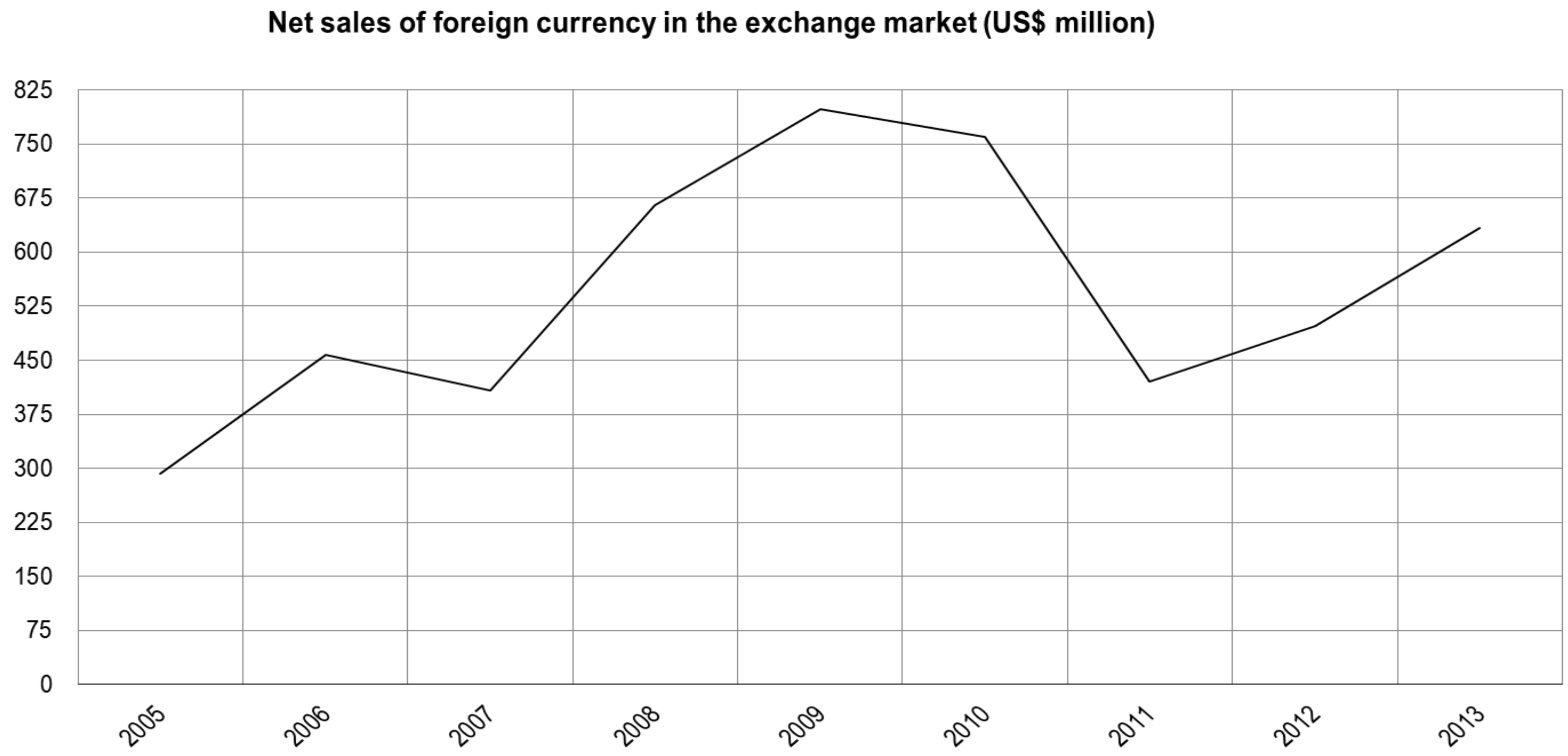
Public debt service



Lending by commercial banks



Net sales of foreign currency in the domestic market



Source: BdM: Série Taxas de Juro (www.bancomoc.mz)