

“Political Economy, Economic Policy and Accumulation of Capital: Ideas, Tensions & Options in Mozambique”

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Seminars for the PhD Program

Development Studies/School of Economics and Management (ISEG)/Univ. of Lisbon

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Program for the three seminars

- What do we want to achieve with these three seminars? An understanding of the political economy dimension of any particular aspect of economic policy. Hence, the need for a combination of general and case study based discussion.
- Why the case study of Mozambique? Three reasons: my area of research, the “miracle versus mirage” debate and its apparent paradoxes, and historical connections with this school.
- The three seminar topics and the relationship between them
 - First seminar: Introduction to the whole program. What is economic policy and what questions is it trying to answer?
 - Second seminar: Economic policy and political economy. Linkages and agents. Social systems of accumulation – general characteristics and historical specificities of capitalism. National and global capitalism and uneven development
 - Third seminar: “Paradoxes” of the Mozambican economy and implications for economic policy
- Literature and the seminars: need to read but in advance, opportunity to debate and ask questions, but...
- How the seminars are supposed to develop? Exposition and debate. How much of each?
- What happens after the seminars? Depends on what your interests are.

First seminar:

“What is economic policy and what questions is it trying to answer?”

4th of May, 2015

Structure/Themes of the seminar

- Introduction to economic policy
 - Why do we need economic policy and what are we trying to address? Different schools of thought
 - Economic policy/strategy as political, public process and competition for articulation of conflicts, tensions and options
 - Objectives, tasks, targets, resources, implementation and evaluation
 - Notes on modelling, sustainability, reform, ownership, sovereignty and elites.
- What are economies and economic policies about?
 - The starting point – resources or problems? What are economies rich in and good at?
 - So, let us start: where are we? What do we want to do? Where do we want to go? Who are “we” that we are talking about?
 - This takes us to political economy and its relationship with economic policy

Introduction to economic policy

- Why do we need it? The answer depends on three issues, that are summarised in a sort of model for some sort of equilibrium:
 - Analytical framework of functional economic policy (pursuing of some sort of efficiency, defined in terms of equilibrium and some sort of modelling of relationships):
 - Neo-liberal/monetarist: so called monetary or macroeconomic variables, that keep balance and allow comparative advantages to work, given free trade. Focus of monetarist macroeconomics, transaction costs reduction and free trade. Short term equilibrium. Demand and supply (and so, consumers and producers) are clearly separated. No relationship between nominal and real sides of the economy. Prices are fundamental, and so how they are generated is fundamental. Structures and patterns do not matter insofar as optimal returns are guaranteed and transaction costs closer to zero. Reformists think in terms of imperfect competition (bigger role for the state), particularly in periods of crisis.
 - Structuralist approaches: Linkages, structures and institutions, and how macroeconomic variables may serve them. Long term, structural equilibrium. Closer relationship between demand and supply (and so, between consumers and producers). Income is fundamental, and so how it is generated and appropriated is fundamental. Hence, structures and patterns do matter. Tendency of capitalism towards crisis and the nature of private finance require the state (different theories: developmental state, sovereign state, and so on, that will be opposed by the neo/classical new political economy of the state)
 - Problems to be solved that may reach or generate some sort of crisis point: usually, problems that disturb major monetarist macroeconomic balances (example, debt or inflation), interests of dominant economic groups (for example, yields of financial assets, which puts focus on inflation), or political stability (for example, unemployment, fall in real wages)
 - Context: both domestic and international, and class structured context, which involves a discussion of possibilities and conflicts and incoherence in policy (for example, inflation versus employment, financial yields versus productive investment, etc.)

Introduction to economic policy

- Economic policy/strategy as political, public process and competition for articulation of conflicts, tensions and options
 - What you see is not necessarily what it is.
 - The case of agricultural policy in Mozambique: conflicting interests without a dominant interest and the vagueness and irrelevance of policy documents – when what matters is what is not addressed
- Objectives, tasks, targets, resources, implementation and evaluation
 - Conflicts and coherence (can we really deal with this?)
 - Implementation as a conflict resolution mechanism
 - What do we evaluate? Process (how)? Implementation (what and how much of it)? Reason (have our actions and policy choices really led to achieving what we expected and what we utilised to build the argument for the actions in the first place? Are our “linkages” vindicated?)
 - The purpose of evaluation and the political economy of evaluation.

Introduction to economic policy

- Notes on modelling, sustainability, reform, ownership and sovereignty:
 - What is modelling? Understanding connections and channels of communication. Major tensions about long and short term (never forget that short term only makes sense as part of a long term path (otherwise we get short-termism); and long term cannot be achieved without short term steps (otherwise, we will all be dead in the long term); and about the connections, channels and linkages, as well as their causal relationships and relative importance. Modelling is primarily about how we think about how things work, and maths only come later.
 - What is sustainability and does it matter? In what way does it matter? Sustainability of the chain reaction that induces change, transformation and growth (related to critical mass and the conditions under which the reaction is developed) as opposed to sustainability defined as stable equilibrium or lack of tendency to change. Chain reaction means change that produces the energy to fuel even bigger change – this means sustainable disequilibrium and crisis. Stable equilibrium means death.
 - Economic reform is a buzz concept in not so sexy and relevant economic policy. What does it mean? When one says “reforming the social security system”, what does one mean? Cutting pensions, increasing the age of reform, reducing unemployment benefits, means targeting social protection? Do we mean “social austerity”? Do we mean something else? Be aware of the word “reform” – it means nothing before it is specified, so look for the exact specifications. And remember, always, that social austerity is nothing more than expropriation and reallocation of power and income. I would call it “class struggle”, but you don’t have to, if you don’t want to.
 - Ownership, sovereignty, developmental elites? Class struggle is about ownership...in this case defined as the power of influence over the policy process and the substance (priorities, focuses, and so on on) of the policies. Insofar as it is a “struggle”, there is no absolute ownership or sovereignty. And insofar as it is “class” struggle, the concept of “elite” goes down the drain, together with its twin idea of “developmental elites”. What are we struggling for and how to get it as a force, preferably a dominant force, in policy processes and politics?

What are economies and economic policies about?

- The starting point – resources or problems? What are economies rich in and good at?
 - Resources or factor endowments versus problems
 - What's a problem? The struggle about the problems? How do we think about problems (our prejudices and analytical frameworks, interests and pressures we are under)? What to do with them – is there a direct link between problems and solutions? When?
- So, let us start: where are we? What do we want to do? Where do we want to go? Who are “we” that we are talking about? This brings us to political economy (and to tomorrow's first seminar, in the morning).

Second seminar:

“Economic policy and political economy. Linkages and agents. Social systems of accumulation. National and global capitalism and uneven development”

5th of May, 2015

Structure/Themes of the seminar

- Starting points of economic policy are entry points for political economy – linkages and agents and their dynamic relationship
 - Questions to be solved and why?
 - Where are we and who are we? Where are we going?
- Radical political economy – social systems of accumulation
- Uneven development and historical specificity
- So, what do we look for?

Starting points of economic policy are entry points for political economy

- Economies are rich in and good at asking questions and creating problems to be addressed. Which questions do we ask, which problems do we solve?
- Economic policy looks for linkages and channels of communication between linkages, and tries to act upon them. For example:
 - Balance between accumulation and consumption
 - Import substitution as export promotion
 - Food production and expansion of proletarianization of labour and labour intensive capitalism
 - Mobilization of finance capital and the formation of a national bourgeoisie.

Starting points of economic policy are entry points for political economy

- Why would a particular set/package of questions/problems/priorities/policies be chosen over another one? Apart from “ideas” (the analytical framework), there are two key factors: (i) pressures (economic forces/linkages/events that act upon or result on or lead to other economic forces/linkages/events) and (ii) agents (social forces/interests/groups that pursue specific objectives/interests/actions). More importantly, linkages and agents are related and the dynamic relationship between them is more relevant than linkages or agents on their own. This is the key point, the political economy that evolves around the dynamic relationship and tensions between linkages and agents.
- So, the analysis starts with the question “where are we?”, the definition of “we” (the agents) is crucial, as is the understanding of the pressures/challenges/opportunities (linkages) that act upon and with such agents, and, therefore, the “where are we?” question can be best approached with a linkage-agent analysis.
- The “where are we?” question provides the context (socially, economically and politically structured context), that is historically specific, but it is useful insofar as it provides a platform for the next question, “where are we going?”, which can only be adequately answered, again, if approached from a linkage-agent point of view (individual opinions are irrelevant for answering these questions in any meaningful manner).

Radical political economy – social systems of accumulation

- Social systems of accumulation as the way to understand the political economy developed around the dynamic relationship between linkages and agents:
 - Capitalist accumulation:
 - Debates about the meaning of “capitalist accumulation” and their implications for analysis and for economic policy: from Marx’s formation of wage labour, to Lenin’s expansion and modernization of productive forces and Luxemburg’s expansion of the capitalist mode of production into more and more areas.
 - How does this relate to economic policy? Understanding of what is going on (where we are), from whose point of view (we), why, what are the questions and problems and what the possibilities are.
 - Issues of structural transformation. For example:
 - The relationship between change in productive structures and dynamics and labour structures and dynamics
 - The relationship between sectors within systems of accumulation
 - The structural relationships between production and distribution, and the impact of such relationship on patterns of growth and accumulation
 - A single narrative for the unanswered questions, rather than many narratives that may come into conflict

Radical political economy – social systems of accumulation

- So, what is the social system of accumulation? Theoretical framework that brings together the political and economic dynamics of production, appropriation, distribution and utilization of surplus, enables the understanding of the relationship between those (production, distribution, appropriation and utilization of surplus) and the dynamics of social differentiation, and between the productive and the financial sides of the economy.
- Why is this important? Making sense of what exists and seems paradoxical, contradictory and unconnected, within a single narrative that is historically specific, that provides a framework for action, avoiding falling in the trap of focusing of what is missing. In other words, enables the analysis of how political, social and economic forces play together along the lines of the linkage-agent framework within the broader context of structures of accumulation.

Radical political economy – social systems of accumulation

- An example: why would certain policies or ideas be adopted as opposed to others, in specific historical conditions, and how the adoption of such ideas react with dominant structures of accumulation to result in specific outcomes? Cashew; cashew versus sugar; privatization; financial liberalization in Mozambique.
- Another example: understanding crisis as restructuring of capitalism and reenergizing its rate of profits, and how austerity plays a role in such a process and becomes so ideologically and politically dominant.

Uneven development and historical specificity

- Capitalist development is uneven, global, oligopolistic/monopolistic (scale and scope) and for the last 35 years or so it has become dominantly financial.
- This has implications for the study of economics and for economic policy:
 - Stages of accumulation
 - Dominant, historically specific characteristics of accumulation
 - Possibilities and challenges
- Problems with mainstream/orthodox economic policy frameworks of neo-classical/monetarist or structuralist nature: how to deal with any one of the dominant characteristics of modern capitalism: unevenness, monopoly, global and financial.

So, what do we look for in order to design economic policy?

- A single narrative, built around the linkage/agent framework and a good understanding of the structural conditions of accumulation and economic change, that explains the “paradoxes” and crisis and, in so doing, identifies the interaction between economic activities, real and financial, within a system of accumulation that, despite its own internal contradictions, makes sense in specific historical conditions (MAKING SENSE IS NOT THE SAME AS AGREEING WITH).
- This leads us into the third seminar – the case study of Mozambique.

Third seminar:
***“«Paradoxes» of the Mozambican economy and
implications for economic policy”***

5th of May, 2015

Structure/Themes of the seminar

- “Paradoxes” and why we are concerned with them. Moving away from the “glass half full/half empty” debate. What are the “paradoxes” that we need to explain together, with a single narrative?
- Looking for a single narrative – a social system of accumulation.
- The building of a national financial capitalist class of oligarchic nature:
 - Attracting capital
 - Linking with domestic accumulation
 - The roles of the state: lowering risks and costs, coordinating the bond, mobilizing resources through debt, waves of expropriation of the state (the concept of porosity)
 - Narrowness of production structures and the financial system
- Great threats: bubble economics (speculation, debt and volatility), poverty and labour, exclusion and political (in)stability
- Challenges for economic policy: fiscal and expenditure policy, industrial strategy and continuities of production linkages, labour intensity and the role of agriculture.

“Paradoxes” of the Mozambican economy and why we are concerned with them

Inducing factor

- Growth rate of GDP has averaged 7.2% per year for two decades, accelerating to 7.8% annual average for the last decade.
- Inflation, measured by the CPI, averaged 7% per year for a decade and a half
- The coefficient of GINI, which measures inequality of distribution of nominal income, has remained relatively stable, although it is high (0.42, high inequality).
- Mozambique has become one the three top Sub-Saharan countries in terms of inflow of private, financial capital

“Paradox”

- Productive and trade base has narrowed and specialized around simpler and more primary activities
- Poverty has not reduced in the last decade, despite the fact that 54% of the population continue to live on a third of a USD per day or less.
- Sectors that induce growth and centralize investment are not labour intensive, and labour has been rigidly maintained in areas of low productivity (including with negative changes in productivity)
- Deterioration of public services – expansion of infrastructures but not of the actual services provided (increased space for commoditization of services)
- Acceleration of public debt
- Emergence of an increadingly speculative financial sector

“Paradoxes” of the Mozambican economy and why we are concerned with them

- What do “paradoxes” show and why we should be concerned in studying them?
 - That something critical needs an explanation
 - That if we can’t explain them we have the wrong theory or model
 - The location of the problem with the theory and model
 - A single narrative for explaining the “paradoxes” would probably be useful to explain the economy
- Running away from the half- full/empty glass approach: different narratives, focus on what is missing, wrong conclusions (if the problem is half solved or half unsolved, we need more of the same, which may be the wrong answer)

Looking for a single narrative – the social system of accumulation

- Looking for a single narrative, historically specific, that captures such specificity, and that makes sense for the whole economy – a social system of accumulation. How can we explain what we do see even if it looks nonsense or contradictory? But how can we do it with a single, logical narrative? How?
 - Take into consideration the following general issues: capitalist economy, capitalist accumulation, property of means of production, expansion of wage labour creation, commoditization the balance between accumulation and consumption. What do we find when we think in these terms?
 - Historical specificity: capitalism already exists, but national capitalism is a late comer and develops under dynamics of global and monopolist capitalism dominated by finance. Can it explain the focus on land expropriation and other natural resources? Can it explain the role of the state?

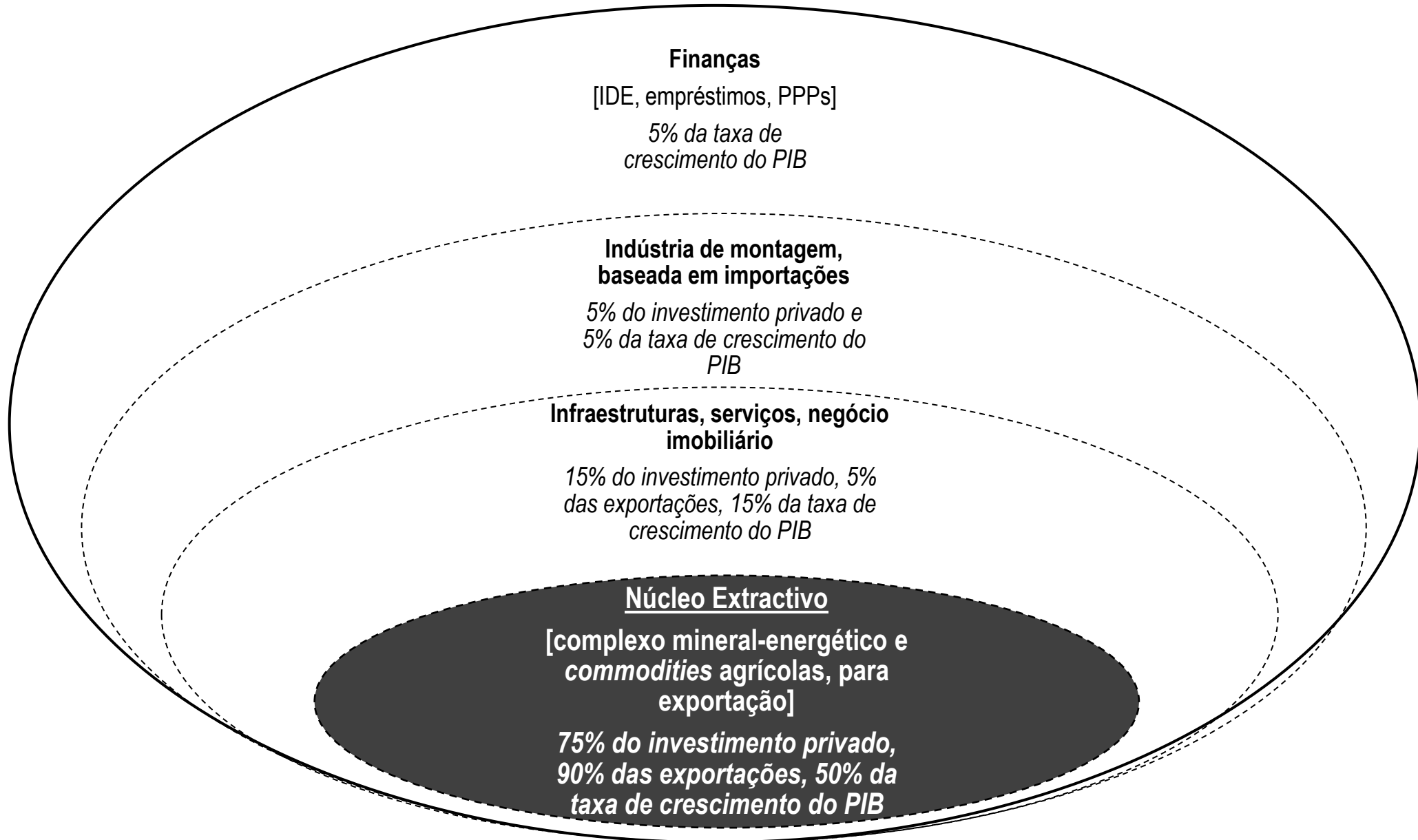
The building of a national financial capitalist class of oligarchic nature

- Attracting capital (lowering costs and risks and allowing for dominance) – resulting narrowness of production structures and the financial system, delinked from employment and requiring meteoric increase in public debt.
- Linking with domestic accumulation (porosity and state expropriation) – restricting ability of the state to pursue broader economic and social policies
- Commoditization of public services – adjustment to fiscal crisis (austerity) and generation of market opportunities for profit creation
- The roles of the state: lowering risks and costs, coordinating the bond, mobilizing resources through debt, waves of expropriation of the state (the concept of porosity)
- An economy built on the management of expectations and debt

The building of a national financial capitalist class of oligarchic nature

- The four problems of the financial system and the emergence of speculative finance
 - Incoherence within monetary policies and between fiscal and monetary policies
 - The weight of public debt
 - Highly concentrated financial system
 - Narrow base of production – limited options, costs, discontinuities in linkages
- How the system is reproduced and consolidated?
 - Expectations LEAD TO attraction of foreign private capital (FPC)
 - FPC LEAD TO narrow base of production AND pressures on the state (socialization of costs and risks and privatization of speculative gains)
 - Debt puts specific pressures on the public budget and domestic financial system not allowing for broad base development
 - Financial domestic capital emerges out of speculation with resources, cheap expropriation and expropriation of the state

A map of the economy



Great threats

- Bubble economics
- Deepening of poverty – the labour question
- Political instability that can be exploited by all sorts of political forces

Economic policy challenges

- Public debt and fiscal and public expenditure challenges
- Productive strategies – continuities, feeding labour, generating domestic market dynamics and import substitution
- Labour intensity and standards of living – the role of agriculture, public services (including social security), investment dynamics, productivity gains