

12. Rent, Globalization, Dependency, and Impediments to Growth in the Maghreb

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12.1 Unsuccessful Globalization in the Maghreb

Globalization has not created dynamic capitalist economies with self-sustaining growth in the Maghreb. There have been no achievements comparable to the East Asian Tigers or to the second tier of export-oriented industrializing economies in South and Southeast Asia (e.g. Vietnam, Thailand, Malaysia, or Bangladesh). Integration into the world economy on the basis of existing comparative advantage and the state's withdrawal from productive activities, especially industry, have not freed the 'animal spirits' from which Keynes expected dynamic capitalist development.¹

In this chapter, I will not attribute this failure to a lack of commitment to liberalization and integration into the world economy, although the failure to develop dynamized market economies does explain why rent-seeking has continued beyond the pure appropriation of differential rents in raw material exports. Furthermore, I will not explain the differences in relative failure by insisting on differences in domestic social and political structures. Obviously, observers can argue that these economies never opened comprehensively enough to allow market forces to transform them.

Instead, I will insist on the limited success of economic liberalization and the attempts of integrating the world market – known as globalization – for the Maghreb countries as compared to East Asian cases, where I choose Vietnam, a country whose size and history (as a former French colony) make it comparable to the Maghreb region. I will then show that the transformations underwent by these economies have been quite limited. I explain these limits by the incapacity of the three countries to follow the East Asian strategy of devaluing their currencies below purchasing power parity. As a result, they cannot become competitive with successful export-oriented industrial-

izers. Therefore, making globalization work in the three Maghreb countries by a massive creation of jobs in export-oriented manufacturing would require solving the problem of their dependency on food imports, as they are otherwise unable to reduce the international costs of their labor power to levels comparable to Asian countries with higher agricultural performance. I conclude that the strategic importance of the Maghreb for Europe justifies concessional supplies of food surpluses that can be produced in Europe.

Because export growth has been limited, labor has not been empowered on the labor market. Given that labor was not empowered, this continued and even strengthened political structures where all lower income classes were bound by clientelist relationships of dependency with the ruling classes, which, at the prevailing exchange rates, had access to rents, even if these rents were limited.

The often-proposed solution of greater liberalization reflects the model of mainstream neoclassical economics, which treats any available surplus as always being invested provided that the economy is sufficiently free of 'market distortions' imposed by labor and the state. When rising demand and ultimately rising mass incomes are a condition for capitalist accumulation, and when the distortions of the underdeveloped economies provide them with low competitiveness in industries where additional employment could be created (for structural heterogeneity, see Amin, *Le développement* 188), the solution to the dilemma does not consist in shrinking the state or enlarging the market, but in a more intelligent state intervention. Such a state intervention must take into account the dependency of capitalist accumulation and profit on expanding markets for products manufactured by means of investment goods: mass consumption products intended either for domestic or international markets (see Elsenhans, "Révolution sociale").

This chapter rests on my theory of capitalism. I have recently presented this theoretical model, showing that in the absence of rising demand and ultimately of rising mass incomes, capitalist accumulation will be impeded and the 'privileged' segments of society will opt for rent-seeking behavior (Elsenhans, "Révolution sociale" and "Rising Mass Incomes"). This model is based on Keynesianism, where market regulations do not automatically lead to full employment levels of effective demand, and specifically on real-economy Keynesianism which doubts the long-term efficiency of monetary instruments at influencing global demand. Capitalism ultimately depends on the empowerment of labor (Elsenhans, *Saving Capitalism* 1-19). I also developed this argument with a view to the historical transition to capitalism, showing that

there was no reduction in labor's living standards, but rather, mass incomes rose as a precondition of the Industrial Revolution in the 'Center' (Elsenhans, *Kapitalismus global* 67-108). The English Poor Laws were a mechanism of redistribution in favor of the poor.²

In the Maghreb countries, neither the import-substituting industrialization models of the immediate post-colonial period nor the strategy of opening up to the world market have had sufficient employment effects to allow the emergence of mass labor movements, as occurred in East Asia (compare Song; Kim) and is currently occurring in mainland China (Lüthje; Chen; Goodman 126). The current situation in all three Maghreb countries shows that there is little probability that the large mass of unemployed and precariously employed workers are able to exert a sustained 'voice' comparable to that of labor in the successful export-oriented industrializing countries. The Arab Spring did not produce a serious reshuffling of national economies or the local income distribution (Hinnebusch 350; Rivetti; Barthe, Beaugé and Rodier 2011: 1). For example, the *ḥirāk* in Algeria lacked an economic program (Ouaissa, "Il faut sortir"; Volpi). After coming to power, the Party for Peace and Development in Morocco was keen on insisting on budgetary discipline (Desrues and Fernández Molina 351), a priority that was initially also held by Ennahda in Tunisia ("L'orientation budgétaire"). This was not replaced by the turn to an "économie sociale et solidaire" ("Élections"; "Législatives"), that is an economy of social welfare and solidarity, which amounts to a return to the moral economy (Sigillò and Facci) of little coherence (Lamari).

If a strategy based on an expanding internal market seems not to be promising, the only available strategy is export-oriented industrialization. This would have to be assisted because all three Maghreb countries are food-dependent. Without foreign assistance, they therefore lack the option of following the example of countries that have successfully pursued export-oriented industrialization countries in rendering local labor competitive on the world market by devaluing their currencies below purchasing parity (Elsenhans, "Macroeconomics" 66-72). They cannot reduce their international labor costs by feeding additional workers in the export industries with locally produced surpluses of mass consumer goods, especially food, given low mass incomes.³

12.2 Limited Success of Export-Oriented Industrialization⁴

Developing economies increased their exports in current US dollars by +449% between 1995 and 2017. Not one of the three Maghreb countries has attained such values. Because of Algeria's dependence on hydrocarbon exports and therefore on international energy prices, the country's export growth rate (+276%) does not indicate productivity increases that would improve the competitiveness of the Algerian economy and thus enhance Algeria's performance in transforming its economy. Morocco and Tunisia have rates significantly below average among developing economies: +272% and +159%, respectively. Their rate is far below impoverished Bangladesh (+931%) or war-torn Vietnam, which is taking the lead among the new tier of export-oriented industrializing countries (+3848%).

This limited success in export-oriented growth is mainly due to the underperformance of manufacturing exports of two types. First, the Maghreb countries cannot compete with cheap-labor Asian economies in low-tech production. Second, they have not been able to upgrade their exports to a sufficient degree by entering medium-tech export production or high-tech export production.

Manufacturing exports of developing economies increased from 1995 to 2017 by +481%, with Algeria (+231%, due to petroleum products in that category), Morocco (+348%) and Tunisia (+165%) reaching just about half this value. The comparable numbers for Bangladesh are +1026% and Vietnam +7349%.

The Maghreb countries are between the hammer and the anvil of the countries with low labor costs that initially specialized in textile exports – the traditional East Asian development trajectory – and medium and high-technology exports. Not only have the more successful import-substituting industrialisers of Latin America oriented their exports to these types of products, but increasingly so have exporters in East Asia, which upgraded from their initial successes in low-tech oriented exports.

From 1995 to 2017, developing economies increased their exports in low-tech products such as textiles, garments, and footwear by +465%. Middle-income developing economies even increased these exports by +976%. This contrasts with the performances of Morocco (+604%) and Tunisia (+211%); Algeria did not experience any increase whatsoever. The corresponding values are +941% for Bangladesh and +10200% for Vietnam, quite in line with their overall export performance.

The Maghreb countries' underperformance in low-tech, labor-intensive products is not compensated by their medium-technology exports, the expansion of which has not kept pace with the expansion of these exports by developing countries at large. Algeria is excluded from this because its participation in exporting medium- and high-tech products is insignificant and erratic.

Morocco performs much better (2000-2017 +1314%) in medium-technology exports, even better than the average of middle-income developing countries (+602%) but still with very low levels overall (2017 exports of medium-technology products at US\$9.6 million). Tunisia falls below the average of middle-income countries in these exports (2000-17 +369%). Both countries, even the better-performing Morocco, are clearly lagging behind the successful export-oriented industrializing country of Vietnam (+3107%).

Between 2010 and 2017, neither Morocco (+144%) nor Tunisia (+14%) reached Vietnam's rate of expansion (+223%). However, both countries expanded in line with the medium-technology exports of developing middle-income countries on average (developing middle income countries +55%) – Tunisia to a somewhat lesser extent.

This average performance by the two Maghreb countries is thanks to their above-average exports of such goods to the European Union. Between 2010 and 2017, developing economies' exports of medium-technology products to the European Union increased by +35%, exports of middle-income countries by +57%, whereas Morocco increased its exports by +182% and Tunisia by +362%. The most important single item comprises automotive exports from Morocco.

The figures show their dependency on the European Union as a market. Whereas, in 2017, 76% of total exports went to the European Union (2010: 65%), in the case of medium-technology products, this share was 72%. That amounts to an increase of 76% to the world, but 98% to the European Union in medium-technology exports since 2010.

As both countries have been diversifying their exports through technological upgrades, the sector in which skills are best acquired on the job has become increasingly dependent on European Union.

Compared to the world market, however, this market has seen below-average growth since 2000. Exports of medium-tech products from middle-income developing countries to the European Union increased by +529% in the 2000-17 period, whereas their exports of these products to the world market increased by +602%.

Morocco and Tunisia achieved average increases of their manufactured exports including some upgrading, whereas Algeria has not been utilizing the world market for additional exports and thus for jobs in manufacturing.

Morocco and Tunisia's share in the developing world's manufacturing exports have been minimal and trending downwards (of the two, Morocco has performed better with 0.67% in 2000, 0.58% in 2010, and 0.54% in 2017). This share of the two countries is particularly low in low-skilled products (0.16% in 2000, 0.19% in 2017), while shares in medium-technology products remain low (0.45% in 2000, 0.62% in 2010, and 0.8% in 2017). Their shares in exports of medium-technology products from middle-income developing countries are still between 4% and 8% (7.21% in 2000, 4.61% in 2010, 8.64% in 2017) and have not been keeping pace with the exports of middle-income developing countries, despite an increase as a result of Morocco's exports in medium-technology automotive and engineering products, reflecting the country's attractiveness as a production site for multinational companies.

12.3 The Limited Transformative Capacity of Globalization and the New International Division of Labor⁵

National statistics for all three countries do not show a major impact from additional exports and manufacturing value-added.

The relatively open Tunisian economy has opened further, and imports there have risen from 42% of GDP in 2000 to 56% in 2017; the share of exports also rose from 40% to 44%. The economy opened to a somewhat lesser degree in Morocco, where exports rose from 24% to 37% and imports grew from 36% to 42% (Annex, lines 15 and 16). Because of petroleum rents, Algeria – which was already much more open to begin with – has not opened further than before. All three countries have seen a worsening of their balance of trade (Annex, lines 17).

None of the three countries is experiencing a dynamization of their manufacturing industries (Annex, lines 5). World Bank data on manufacturing industries include petroleum products and liquified gas. Algerian values therefore reflect movements in international prices for petroleum products. They do not indicate the extent of an industrialization process.

Between 2010 and 2017, nominal value-added in manufacturing decreased by 20% in Tunisia, increased by 12% in Morocco, and decreased by 35% in Algeria. The year 2017 itself represented an improvement from 2016 (Annex, lines

4). Manufacturing growth rates in constant prices lie at about 2% for Morocco and Tunisia, slightly greater than the population growth rate. These figures are only about two-thirds of the corresponding growth rate of a successfully industrializing export-oriented country like Vietnam.

The share of manufacturing has not been increasing in any of these countries, and in Algeria it has undergone a massive decrease since 2010 (Annex, lines 8).

The share of employment in relation to the population over the age of 15 has stagnated in both Tunisia (40.1% in 2000, 39.4% in 2017) and Morocco (43.2% in 2000, 2017 41.3% in 2017) with constant shares of industrial employment in the employed labor force, and it increased in Algeria from 30.6% in 2000 to 36.4% in 2017, with an increasing share of industrial employment in the employed labor force from 24.8% in 2000 to 31% in 2017 (Annex, lines 18 and 19). As manufactured value-added declined through this period, we have reason to doubt this employment's contribution to additional production.

The lack of a dynamic impact of manufacturers' exports is due to a trade deficit in manufacturing. Tunisia was able to reduce the trade deficit to less than 10% in 2010, but since then it has increased once again (Annex, lines 6). Values for Morocco are similar. By contrast, Vietnam has been exporting more manufactured products than it imports since 2016 (Annex, lines 7), although given the shares of exports and imports in Vietnam's GDP, it is clear that most of the manufacturing is export-oriented upgrading of imported manufactured products. Net imports of manufactured products have gone negative. The country manufactures more for export than the imports it uses for its export-oriented industrialization. Since 2000, the share of imports in manufacturing available in Vietnam has been nearly as high as total manufacturing products availability (imports in relation to locally available manufactured products as the sum of local manufacturing plus balance of trade in manufactured products; Annex, lines 3).

The corresponding values for the Maghreb countries are much lower and demonstrate that the lower degree of openness to the global market reflects essentially lower imports of manufactured products for the treatment for on-ward export products.

Despite a surge of trade from 2000 onwards, the growth of per capita income has slowed since 2010. Between 2000 and 2010, increases in per capita income were already lower than in Vietnam. After 2010, growth rates of per capita income fell to 0.8% to 1% (Algeria, Tunisia) and not significantly accelerated in the case of Morocco (2.9%, Annex, lines 3), but this decrease was not

attributable to the Arab Spring. Rates remained low in 2016-17. We identified the trade expansion for Morocco and Tunisia to have started around 2010, whereas GDP values since then have been stagnant not only for the oil exporter Algeria but also for the two other countries, which, according to trade statistics, have been benefiting from intensified globalization. We may safely conclude that the anticipated impact of globalization on these economies as predicted by neoliberal theory remains unfulfilled.

The trade statistics have shown an average performance in relation to all the rest of the developing countries, with a clear underperformance in relation to the countries of the new tier of export-oriented industrialization, such as Vietnam, which does not enjoy any privileges in the international economic system from the major capitalist powers.

Maghreb countries have not been able to exploit their proximity to one of the largest markets of the industrialized world and have not been able to benefit from their previously achieved comparably high levels of industrialization. Globalization has passed the Maghreb countries by, rather than triggering a self-sustaining development process. The three countries were even unable to pool their efforts by increasing their regional trade relations. Trade between Algeria, Tunisia, and Morocco is practically nonexistent.

12.4 Some Explanatory Factors for the Maghreb Countries' Limited Integration into the World Market

The globalization process that brought high growth rates to East Asia was essentially based on the capacity to devalue their currencies below purchasing power parity (Guillaumat-Jeanneney and Hua; Lafay). The decisive variable was not low real wages but low labor costs as denominated in international currency. Wage suppression is a possible tool for achieving low international labor costs but has proven inferior to the strategy of subsidizing local labor with cheap food. An economy that produced a surplus of food locally without high shares of imported inputs could reduce the international price of the additional labor mobilized in export industries to practically zero. Food self-sufficiency was the basis of these countries' successful shift to export-oriented industrialization.

If this shift is successful, technical upgrading is a step-by-step process, even if new technologies have to be learned, something that spending on training and technology acquisition greatly encourages. However, unquali-

fied workers in world market factories are more easily familiarized with most modern technologies than rural people and people who are marginalized and living precariously. Even if there is no visible technical similarity between the labor-intensive technologies of textile and garment production and medium and high technologies, these labor-intensive factories contribute to an attitude oriented towards learning about new technologies (Alcorta, Urem and Tongliang; Chaponnière and Lautier).

The data on the trade performance in manufactured products of the three Maghreb countries show that in comparison to Vietnam and probably most other Asian countries, the Maghreb countries have been unable to carry out this shift. There may be many socio-cultural reasons for this reticence on the part of the Maghreb countries. At any rate, it is undeniable that the Maghreb countries are unable to apply the basic mechanism of export-oriented industrialization: devaluating their currencies below purchasing power parity.

All three countries are food-dependent. Algeria spends around 20% of its export earnings on food imports. After deducting exports from imports, imports have constituted about one-third of food availability since 2010 (Annex, lines 14).

Cereal production in Algeria has increased from a low of one million metric ton, about half of the level before independence (Elsenhans, *Materialien zum Algerienkrieg* 101), to 3.5 million metric tons in 2016 and 2017 – but without increasing yields (Annex, lines 12). Yields have held stagnant at around 1 to 1.8 tons per hectare in all three countries, which is about one-half to one-third of the yields in Turkey, with a comparable ecological environment (Annex, lines 13). Data on any increases in agricultural land sown with cereals are not available for the three countries. As agricultural land did not increase, it has to be assumed that the share of cereals sown land in agricultural land has increased, so that the achievements with respect to maintaining yields are even more remarkable.

Algeria shares problems of insufficient agricultural production with many oil-producing countries (Sid Ahmed 480; Yates 146; Olusi and Olagunju). Compared to other oil-producing countries, Algeria is not an underperformer: agriculture is not deteriorating there, but neither is it growing to keep pace with population growth.

Given the agricultural crisis in many oil-exporting countries, the oil rent is blamed for the deficiencies of Algerian agriculture.

The data on Morocco and Tunisia do not confirm this hypothesis. Yields are equally low in comparison to Turkey, production has increased similarly;

also, no clear trends are discernible, and food dependency as a share of imports minus exports in relation to this amount plus agricultural production lie at around one-quarter in Morocco and one-sixth in Tunisia (Annex, lines 14). Although the oil rent may make it possible to finance food imports more easily, it cannot be blamed for Algeria's food dependency, even if Algeria's food dependency is higher, at about one-third (Annex, lines 14). This food dependency is present for all North African economies.

The agricultural situation of the Maghreb clearly differs from what we see in Vietnam, which continues to be a net exporter of food to a very substantial degree (Annex, lines 20 and 21). Its food situation corroborates the argument that successfully initiating an export-oriented industrialization strategy depends on the capacity to devalue the currency below purchasing parity on the basis of a local surplus of food production.

Unless it is possible to replicate the yields of Turkish agriculture in the Maghreb, or unless there are new discoveries of rent generating raw material exports, feeding an expanding population in North Africa will depend on the region shifting to manufactured exports. There are two requirements for such a shift: the capacity to compete with other economies that are capable of devaluing their currency and therefore reducing the international price of their labor, or transfers from outside which compensate the lack of food self-sufficiency. The first condition requires greatly increasing total factor productivity, especially labor productivity in manufacturing, so as to make labor costs competitive with other developing countries, mainly the newly industrializing world of East Asia.

Although the success of the newly industrializing world in raising labor productivity is highly debated, various factors such as learning by doing, the educational system, and national innovation systems seem to indicate that this success is basically path-dependent. The trade data have shown weak performance of the Maghreb countries in typically labor-intensive production areas, a mediocre performance in medium technology products, and insignificant performance in high-technology products. One can hope, as Djeflat does, that this can be compensated by efficient, national systems of innovation (74). However, the emergence of such systems seems also to be path-dependent. Greater government spending can perhaps help to accelerate this path, but an industrial structure must first be in place.

The performance of manufacturing growth in all three countries has proved to be limited despite modest successes in exporting medium-technology manufactured products. It seems quite improbable that these industries

will be dynamically transformed by incentives originating from the internal markets, given the markets' small size and the middle classes' likely universal rejection of income redistribution measures in favor of the poor and marginalized. The export market seems to be the only avenue for providing a dynamic market for potential emerging industries.

The export market, however, is obstructed by the high costs of local labor as denominated in foreign currencies. The strategy of reducing the international cost of labor by further decreasing real wages in order to achieve international costs of labor comparable to Asia does not seem promising. The only way for these three countries to use export-oriented manufacturing as a growth machine would be to subsidize local food availability.

This would be a political act to be supported and managed by those outside the Maghreb countries that feel particularly threatened by their lack of development.

Indeed, political problems in the countries of the southern coast of the Mediterranean, especially its western part, the Maghreb, always have been of great concern to the European Union (Cardwell; Emerson). There are therefore many programs aiming at stabilizing these countries' economies and by extension their societies. The European Union has considered the region 'a periphery of special interest'.

The projects pursued by the European Union to date have not had great results. These have consisted of influencing political values through promotion of civil society organizations and opening European markets (Lacroix). Given the analysis presented here, opening the European market, even on preferential terms, is not sufficient because of the incapacity of devaluing Maghrebi currencies below purchasing power parity, whereas civil society promotion has benefited the middle classes but rarely the mass of the marginalized people. Their integration into manufacturing production processes will turn them into a political force capable of exercising considerable influence against the often very diffused mechanisms of rent appropriation by the blocked middle classes (Ouaissa, "Blocked Middle Classes" and "Le bouteflikisme"), which also exist in the non-oil-exporting countries (Cavatorta and Merone; Cavatorta; Hill).

12.5 A European Project for the Maghreb

Europe has always considered the Maghreb important because of its proximity, and has viewed security as dependent on containing Islamists and migration (Lacroix para. 6). Large waves of migration are normally associated with internal conflicts, as in Afghanistan or in Syria. Yet, Maghreb outmigration is motivated to a much greater degree by economic impoverishment. In the event that the economic situation in North African countries further deteriorates, blocking such migration may become very costly to the EU, not only because of the cost of maritime surveillance but especially because of the costs of internal tensions in Europe. It will be difficult to strike a balance between largely shared values of human rights and the fear, not only from neo-populists, among large parts of European electorates that Europe would 'lose its European identity' if there were to be further massive immigration from the Maghreb. There are no majorities in any European country supporting massive immigration to the extent practiced in 2015. In the region on the southern shore of the Mediterranean, Europe has an overarching interest in political stability and some economic progress which keeps the populations in their countries.

The argument that Europe cannot solve the global problem of poverty is therefore not pertinent because the Maghreb has a special geographical relationship with Europe, as demonstrated by the difference in intensity of migratory movements in comparison with non-civil-war ridden countries in Asia.

Domestic market-based development strategies are unlikely to be effective in any of the three Maghreb countries. The same is true of regional economic cooperation, which, at the trade level, is now practically inexistent. The only solution would be to upgrade the countries' industrial competences by giving them access to markets in the European Union in which they can sell products where they hold a comparative advantage. Given the trade data quoted in this chapter, comparative advantage in these countries does not equate to competitive advantage in light of the devaluation-based competitiveness of other newly industrializing countries, especially in Asia and increasingly in Latin America.

This lack of competitiveness vis-a-vis other newly industrializing countries blocks North African countries from entering a process of learning by doing in manufacturing production. The issue is therefore how to help these countries turn comparative advantage into competitive advantage. It has been argued that the competitive advantage of Asian and Latin American countries

relies on the capacity to devalue below purchasing power parity because these countries are capable of generating an agricultural surplus, so that much of the consumption of additional labor in export-oriented manufacturing industries can come from domestic agriculture.

The experiences of newly industrializing countries – both the populous ‘Tiger’ nations in East Asia, South Korea, and Taiwan and the new generation of such countries like Vietnam, Thailand, Malaysia, and Bangladesh – show that export-oriented manufacturing can provide a significant contribution to employment, especially if associated with high multiplier effects. Such high multiplier effects were based on what were, at least initially, rather egalitarian distributions of incomes in the East Asian case as a consequence of relatively egalitarian land distribution following land reforms. Encouraging egalitarian structures in the Maghreb countries would therefore be a useful complement to an export-oriented strategy.

The data on local agriculture in the Maghreb demonstrates that a technical improvement, such as could be promoted by the European Union’s development assistance in these countries, would be unlikely to be feasible in a short timeframe, and such efforts would be at a high risk of failure. It is therefore improbable that local agriculture can provide the food surpluses that would enable reducing the international cost of local labor by devaluing the currencies below purchasing power parity.

This conditions for transforming comparative advantage into competitive advantage can be met if European agrarian surpluses are supplied at concessional rates. Despite European measures for limiting agricultural production in the wake of the 1990s reform of the Common Agricultural Policy, Europe remains a net exporter of cereals, the category in which the Maghreb countries still have their most significant deficits.⁶ European exports in agricultural products are mostly already subject to subsidies that the European Community pays to agricultural producers. Using the oil rent to purchase these agricultural products would prompt such vocal resistance in Algeria as to cause the project’s failure. A better solution would be to use the oil rent for ‘integration’ industries: manufacturing industries with high learning effects. Establishing such industries would require pan-Maghrebi markets; these could serve upstream industries for new and emerging export sectors in all three countries.

Surpluses at concessional prices could be supplied for free at European ports and loaded on ships belonging to the Maghreb countries. They would be sold to traders at prices fixed by the governments and the European Union.

Traders would organize the final distribution to households and enterprises for further processing. Re-exports of these subsidized cereals are unlikely, as products manufactured from cereals are bulky in relation to their price or difficult to trade internationally.

As additional export workers will no longer depend on expensive food imports, their international price can be low. This does not rule out the persistence of the current wage levels in local currency provided that the exchange rates are fixed at levels where these local wages lead to internationally competitive wages (in international prices).

The European Union would circumvent the accusation of exploiting cheap labor as the international price of this labor is low due to subsidized inputs from Europe.

The neoliberal argument about market distorting subsidies can be countered by the argument that if North Africa increased its development, Europe would have comparative advantage in food production because of natural conditions for agriculture, and probably in high-technology products because of its developmental trajectory. For the Arab countries, such an initially unequal specialization offers the prospect of upgrading its technological competencies as in East Asia.⁷

Devaluation would negatively affect social strata that currently have access to foreign exchange rent. Such rents are generated not only from raw material exports but also from specialization in medium technology exports because of market imperfections related to these exports under the existing political structures (Elsenhans, "Révolution sociale" 47-50). As the top stratum of society will probably be able to further extract incomes from exports and from the local societies, the middle class will be most impacted by devaluation. In this scenario, I do not anticipate unified middle-class resistance for two reasons:

- Devaluation-based new exports would create new opportunities for increasing assets and incomes for the segments of the middle classes that are prepared to turn to industrial investment and to avail themselves of additional economic prospects.
- Devaluation allows internal market-oriented businesses to grow because the prices of imported goods that can be replicated locally will decline and a greater number of households will be able to afford products that are now locally manufactured. The ratios between household incomes and prices of locally produced goods will not deteriorate in the wake of devalu-

ation and the ratio between the total amount of locally paid wages to poor households and the total amount of local manufacturing production will increase.

The difficult problem, however, will be that the three countries do not have large 'bourgeoisies' with interests in economic growth, as demonstrated by the absence of a pressure for currency devaluation. The more powerful segment of the local bourgeoisie appears to derive their income from trade; until now, this segment has favored a strong local currency in order to have access to foreign products.

The increasing shares of imported goods in local manufacturing, especially the increase in the share of import surpluses in local manufacturing can be interpreted as the economic basis for this preference for a strong local currency.

Reorienting the economies of the Maghreb countries along these lines would therefore be difficult. Beyond the position of the middle classes, the intellectual climate compounds these difficulties. On one side, we observe positions inspired to varying degrees by the Marxist critique of capitalism; on the other, we see neoliberal positions that defend markets' efficiency, sometimes uncritically, regardless of domestic income distributions.⁸ Both perspectives believe that development is essentially dependent on the financial resources available for investment.

This also holds for Islamist groups who cannot derive an alternative economic strategy from their Islamic sources.⁹ The same holds for the secular opposition movements. The *ḥirāk* did not put forward an identifiable economic strategy.¹⁰ and the opposition movements in Tunisia and Morocco did not connect the possibility of economic growth with redistribution for the sake of developing domestic mass markets. Proposals centered on this mechanism have elicited very guarded reactions in Algeria (Elsenhans and Ouaisa). I have not perceived any reactions in the two other countries.

These absences are not surprising. In the nineteenth-century capitalist countries, neither business nor labor drew a link between local mass consumption and accumulation. To the difference of today's underdeveloped countries, however, the moral claim of labor to higher incomes produced increases of effective demand for local business that, despite increasing wages, was competitive in its internal markets. Given the dependency of the Maghreb countries, such increases in the nominal wage rates have not been

met by dynamic growth of local industries, as shown by the manufacturing industries' lack of growth despite demographic growth.

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Notes

- 1 The principal dissent between classical/neoclassical economics and Keynesian economics is the interpretation of the investment process. Provided that costs are sufficiently low, available surplus is always invested in classical/neoclassical economics. Keynesians insist on the uncertain character of financial resources being transformed into demand creat-

ing purchases of goods for investment. Real economy-oriented Keynesians insist on demand triggering investment, and ultimately on rising mass incomes. Profits depends on the income creating effect of spending on investment goods (Kalecki), but investment contributes to rising demand only if real incomes increase, as profitable investment reduces per se overall demand (Bortkiewicz). Demand led growth can also occur via external markets and one central argument of this contribution consists in the developed capitalist countries having to accept balance of trade surpluses of underdeveloped economies where the launching of dynamic internal markets is blocked as long as there is (structural) unemployment I call marginality (Elsenhans, "Rent, State and the Market", Elsenhans, "Die Überwindung von Marginalität").

- 2 See Elsenhans, "Englisches Poor Law". I presented the argument already in 1976 (Elsenhans, *Geschichte und Ökonomie* 187-193, "Overcoming Underdevelopment", "Grundlagen der Entwicklung" 118-121). It is obvious that this is in opposition to most of mainstream and Marxist work on the industrial revolution, although Frank (1998), introduces rising wages in Europe, without explaining why this, according to his views, did not limit accumulation. Both he and Wallerstein (1974) have a pre-Keynesian relatively orthodox Marxist position on accumulation, where available surplus is accumulated as shown by Marx's schemes of reproduction and his analysis of the so-called tendency of the profit rate to fall (Marx, *Capital* 2 298-318, *Capital* 3 153-187). I differ from Amin (*Le développement* 61, *Modern Imperialism* 48), as I consider that rising mass incomes are a condition of capitalist growth and not an accompanying result on which his 1973 contribution is relatively cautious on. The title of Elsenhans ("Rising Mass Incomes") reflects this dissent.
- 3 No contribution in Handoussa (1997) mentions the importance of devaluation below purchasing parity, although already at this time the dumping of Chinese exports had been widely criticized in the West. The importance of agricultural production was however mentioned by Gangness and Naya in this book without linking it to the capabilities to sell at wages below purchasing power parity (51). Chkoundali mentions the relation but does not conclude to the solution of devaluation below purchasing parity (21).
- 4 All trade data own calculations based on UNCTADSTAT: Trade Structure by Partner, Product or Service Category, Merchandise Trade Matrix, Product Groups, Exports in Thousands of United States Dollars, Annual,

- 2019-10-30, <https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx>.
- 5 All data from World Bank: World Development Indicators, downloaded on 4th July 2020, and presented in the Annexe. Source : <https://databank.worldbank.org/reports.aspx?source=world-development-indicators>.
 - 6 The European Union is still a net exporter of cereals. For more information see: UNCTAD, fn 4.
 - 7 Porcile, Spinola and Yajima (2020) present a theoretical model which explains that initial specialization on cheap and simple manufactured products facilitates upgrading of exports and the shift to more complex industrial exports.
 - 8 Having extensively published in economic and social science journals in Algeria, and to a lesser degree in Tunisia, my appreciation is based on extensive reviewing processes. When I presented the argument in the conference convened by the president of the Algerian Popular Assembly on 17th of January 2009 in Algiers (Rôle des Etats et leur intervention dans les économies nationales) the resistance was so fierce that I had difficulties to block a complete falsification of my argument in the minutes (my text was later published as Elsenhans, “La crise financière”). There was less but strong opposition when I presented the argument at the international colloquium of CREAD (Algérie: Cinquante ans d’expériences de développement) on 8th December 2012 in Sidi Fredj, published as Elsenhans, “Le développement autocentré”.
 - 9 In addition to the criticisms of Sigillò and Facci (2018) as well as Lamari (2019) I add for about 4 years I pursued with Rachid Ouaisa the project of a conference with economists close to the Islamist parties, to be held in Marburg, but we could not succeed because the interest in operationalization of the Islamist principles in the light of Keynesian economics did not appear interesting. I was however invited by the MSP, where I exposed my arguments which can be seen in a YouTube video realized by the MSP and for long having been on their website, see <https://www.youtube.com/watch?v=HaUS8ZluE9o>.
 - 10 The *ḥirāk* is a large popular movement in Algeria which originated from protest demonstrations against a fifth election of Abdelaziz Bouteflika, who was ill, as president of Algeria. It rapidly grew into a multiclass popular movement against the entire rent-based authoritarian political system, appealing for its complete replacement by a truly democratic regime. It started in February 2019 and gained ever larger momentum

until the coronavirus pandemic forced it to scale down street protests in early 2020. During my last visit to Algeria for the presentation of Elsenhans, *Guerre de liberation nationale et voie algérienne de développement*, there was a well-attended conference on my central arguments, documented in this book, on 14 November 2019. Major Algerian economists were present. Nobody could give even a rough description of the economic policy positions of the *ḥirāk*.

