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Industrial Policy and Monopoly Capitalism in Nigeria: Lessons from the Dangote Business Conglomerate

Abstract

At the example of the Dangote conglomerate, this article investigates why pockets of efficiency formed in the Nigerian manufacturing sector and why, at the same time, structural transformation remained limited across the economy as a whole. We argue that expansion of, in this case domestic, markets can discipline learning. Yet emerging monopoly capitalism carries in it the fruit of fragile accumulation to the extent that price setting power, tax evasion and control over wages undermines the growth of purchasing power. Under expanding markets, Dangote's monopoly position and growing profits followed from productive investment, but these were not passed down at the same rate into wages. What is more, the difficulties in taxing the conglomerate has undercut the state's resources available for pro-poor redistribution.

Key words: Industrial Policy, Africa, Nigeria, Dangote, Kalecki, Distribution

INTRODUCTION

Dangote Industries Limited (DIL) is the biggest group listed on the Nigerian Stock Exchange (NSE), with market capitalisation of its four listed subsidiaries accounting for 43 per cent of total stock. The Group has expanded rapidly over the period 2007 to 2017 from its core business in cement, becoming a key player in the African cement business, but also within the Nigerian manufacturing sector. The conglomerate's activities now comprise a web of cement businesses in seven African countries as well as a range of agriprocessing activities in Nigeria. Initially set up as an import business for cement, sugar, rice and other consumer goods, DIL operated in Nigeria since the late 1970s going through most major shifts in the government's efforts to promote diversification. Only since the mid-2000s has the group substantially expanded its activities to domestically-oriented manufacturing and responded to government incentives for backward linkage formation.

Recent research has identified DIL as an example for successful expansion of domestic lead firms outside of subordinate positions in GVCs (Odijie, 2019). DILs expansion was linked to its close ties to government but equally to entrepreneurial skill against the context of rising demand (Ankinyoade and Uche, 2018) and Odijie and Onofua (2020) have highlighted Dangote's ability to co-opt opposing groups in favour of continuation of industrial policy when ruling coalitions changed.

Building on this literature, this article asks which insights can be gained from the Dangote conglomerate both in terms of why pockets of efficiency formed in the Nigerian manufacturing sector and why, at the same time, structural transformation remained limited across the economy as a whole. Teasing out domestic market formation as underpinning Dangote's expansion into manufacturing, we draw on a theoretical framework, which integrates political settlements (PS) with the work of Schumpeter and Kalecki to unravel reasons for the fragility of structural transformation in Nigeria. DIL has benefitted from the political structuring of markets through Nigeria's backward integration policies (BIP), of which DIL alongside a few other large-scale conglomerates were the main beneficiaries. A key factor in the successful implementation of such industrial policies (IP) is whether they succeed in disciplining learning for productivity increases within a specific political settlement (PS).

DIL gives cause for debate because it has achieved (quasi)-monopolistic positions in various markets. From a neoclassical perspective, monopolies are understood as a form of imperfect competition contributing to high prices and low product quality. However, scrutinizing DIL's cost- and revenue-structures, we show that monopoly formation was the outcome of competitive processes triggered by growth in demand. Potentially large prospective profits set strong incentives to expand market leadership against competitors by achieving economies of scale and scope. The conjuncture of learning rents from BIP with prospective Schumpeterian monopoly rents in domestic markets that were anticipated to grow disciplined Dangote to grow its businesses along productive lines, rent-seeking and corruption notwithstanding. Against the context of growing markets then, IP was successful in the sense of achieving learning for productivity growth.

Ironically, though monopolies can be the outcome of positive responses to growth in demand, they also favour disproportionate growth in profits relative to the purchasing power of wage-earners and subsistence collectivities thus undermining the growth of

demand over time. Hence, monopolistic market structures carry in them the fruits of fragile accumulation to the extent that price setting power, tax evasion and control over wage growth undermine the growth of purchasing power.

These emerging contradictions of monopolistic market structures – incentivising productive investment without sustaining the growth of purchasing power of workers or low-income households – are particularly relevant in the Nigerian context, where a common feature of manufacturing firms is their size measured by capital. Our research highlights that in addition to learning for productivity increases, IP needs to achieve pro-poor and pro-labour distributional outcomes to maintain economic viability of accumulation through commodity production, especially if and when support for manufacturing production is oriented at the domestic market. With a population of just under 200 million, the potential size of the Nigerian market is obviously unique in SSA but historically the growth of domestic markets has been important (Frankema and van Waijenburg, 2018) including in small and export-oriented economies like South Korea (Chenery et al, 1986) and African capitalists commanding diversified business groups are an increasingly widespread phenomenon (Behuria, 2019).

The article is structured as follows. Section 1 reviews factors relating to the successful implementation of IP within specific constellations of power in society and extends those to account for demand, distribution and market structures. Section 2 traces the evolution of the Nigerian manufacturing sector in relation to the main government initiatives deployed towards its promotion. Section 3 traces the emergence of the Dangote business conglomerate, in particular its motivations to expand beyond its various import businesses. Section 4 documents the groups' efforts to achieve reductions in their costs of sales through economies of scale and scope and draws out some of the contradictions of the emerging monopoly capitalism.

1. INDUSTRIAL POLICY, DEMAND AND DISTRIBUTION

Khan's political settlements (PS) approach (Khan, 2013; Khan, 2018; Khan, 2019) advanced the debate around IP away from whether it is economically justified to the question under which conditions it can be successfully implemented. Because

productivity increases rely on tacit knowledge about how to operate machines and organise production, which can only be acquired through the production process itself, costs of production in developing economies will exceed world market prices. Therefore, learning rents, such as subsidies on inputs, credit direction, or tariff protection, are needed to ensure production can take place *before* competitiveness is reached (Khan, 2013). However, the success of learning ultimately depends on the active effort of firms, which can be difficult to enforce. The state's ability to discipline non-performing capitalists, who just cash-in rents, in turn, depends on the match between the institutional set-up and the distribution of power in society. Analysing the relative power of different groups or organisations and the interests they pursue helps to explain why similar sets of IP have produced very different outcomes across different countries and also which institutional arrangements have worked in similar types of political settlements (Khan, 2013).

Its further development by Whitfield et al. (2015) identified 'mutual interest' and 'pockets of efficiency' as conducive to learning for productivity. The PS approach has been widely used to locate the reasons for limited success of IP in sub-Saharan Africa (SSA) (e.g. Buur, Mondlane Tembe, and Baloi, 2012; Gray, 2013; Gray, 2018; Kjøller, 2015; Behuria, Buur, and Gray, 2017). In the Nigerian economy, oil obtains a central role because it serves as the main source of foreign exchange, provides government revenue out of which diversification programmes can be financed and drives fluctuations of the exchange rate, which filter through into domestic prices. Given the high degree of volatility of oil prices, Usman (2020) maintains that ruling elites are subject to changing external constraints resulting in episodic but not transformative attempts at promoting diversification while access to oil rents shape distributional demands of elites, middle classes and the poor.

Based on case studies of the Dangote conglomerate, a recent body of literature has advanced the political discussion on IP. Odijie (2019), for instance, uses Dangote Cement as a point in case to argue that developing economies should build domestic lead firms first before trying to enter sub-ordinate positions in GVCs. Akinyoade and Uche (2018) showed that mutual interest between Dangote and the Obasanjo government alone cannot fully explain Dangote's success, which was equally supported by unique entrepreneurial skill and rapidly rising demand for cement. Odijie and Onofua (2020) investigate the factors contributing to the persistence (rather than the emergence) of IP when ruling elites change and show that Dangote has successfully co-opted opposition groups and rivalling

civil society groups to guarantee the continuation of the BIP, of which DIL was the main beneficiary.

Our research builds on this literature but focusses on the economic aspects of accumulation through manufacturing, investigating the conditions under which successful implementation of IP can lead to sustained structural change beyond islands of efficiency (Khan, 2019: 46). To do so, we integrate the literature on PS and IP with theoretical contributions from Schumpeter and Kalecki to account for the growth of demand through distributional processes and market structures. We argue that supporting the growth of demand for manufacturing output through redistribution can constitute an important dimension in sustaining structural transformation.

In particular, in line with the key points of departure of Keynesian and Post-Keynesian economics, we argue that demand conditions drive firms' investment behaviour and are therefore a factor underpinning successful implementation of IP. Expectations of expanding markets can act as a force disciplining learning and therefore as an incentive to achieve productivity increases within a specific PS, because searching out effective ways of organising production, of achieving cost-effective use of inputs, or of innovating new kinds of output allows firms to increase profit margins relative to their competitors over and above the learning rents to be acquired from IP. While these principles hold regardless of market conditions, the likelihood of successfully realising high profit margins increases with expanding markets.

Demand-side conditions for successful implementation of IP have long been absent from the IP debates both on a theoretical level under the assumption of Say's law (Nelson and Winter, 1982: 209; Amsden, 1990: 11; Monga, 2013: 154) as well as in policy terms, with the growth of export demand being largely beyond policy control, the possible exception being policies influencing the (real) exchange rate (Astorga, Cimoli, and Porcile, 2014; Cimoli and Porcile, 2013). Even the latter type of interventions, however, is not straightforward, because depreciations pull in two different directions, making exports less expensive and imports more expensive, which is problematic for highly import dependent industries in late-industrialisers (Heintz, 2013).

Only recently, Chang and Andreoni (2020) and Nissanke (2019) located the role of macroeconomic demand-side management as a pre-condition for successful

implementation of IP. We add to their contribution the Kaleckian proposition that the mechanisms, which sustain the growth of demand are closely linked if not reducible to the distribution of income and wealth. Relatedly, we emphasise the expansion of domestic markets (Frankema and van Waijenburg, 2018; Wolf, 2017; Ovadia and Wolf, 2017) and domestic lead firms (Odijie, 2019) as an important driver of growth in demand, alongside and as a basis for export diversification.

With regard to the role of lead firms, it is important to note that DIL's expansion in Nigeria caused controversy because its subsidiaries obtain (quasi-)monopolistic positions in their respective markets. In neoclassical economics, such market structures are seen as signs of imperfect competition, competitive forces being deemed to increase the greater the number of participants, whether producers, consumers or workers, and the greater the exposure to exchange relations in markets (i.e. the 'quantity theory of competition', Weeks, 2012; Tsoulfidis, 2011).

In line with Schumpeter, we maintain that monopolies can be the outcome of competitive processes and are not necessarily a sign of failed competition or the absence of learning and hence failed IP. Schumpeter (1943) argues that from a dynamic perspective, monopolies are at the heart of the process of creative destruction, the prospect of monopoly profits driving innovation. He understands innovation widely as anything affecting either a firm's cost- or revenue-function and therefore attaches particular importance to large-scale organisation (Schumpeter, 1943: 74). Monopolies then are the outcome of successful innovation widely defined, while the scale of an individual firm also positively feeds into the likelihood of achieving new innovations (Schumpeter, 1943).

However, their economic and political power can reinforce inequality of income and wealth, thereby undermining the growth of purchasing power over time. Here, we build on Kalecki's core proposition that demand growth is a function of distribution. Redistribution of income towards workers or subsistence collectivities implies higher effective demand, given that their propensity to consume is higher than that of capitalists. Focussing on developing economies, Kalecki (1954) proposes a model with three social classes (capitalists, workers and small proprietors, the latter understood as those

sustaining their livelihood by subsistence activities) and two sectors of production, where Department I produces investment goods and Department II produces consumption goods (agricultural and non-agricultural). This can be a self-sustaining system because the expansion of investment goods production leads to an increase in demand for consumer goods. While, in principle, there is no reason to assume that domestic markets in developing economies are too small as such, in practice Kalecki argues that the growth of domestic demand is constrained by several factors skewing the distribution of income and wealth including monopolistic market structures and the structural power of rentiers.

First, if productivity increases are not passed on to consumers through price reductions or higher wages, for any given level of capitalist consumption and investment, effective demand and output will fall. This follows from Kalecki's 'paradox of costs': while an increase in wages increases an individual firm's costs of production and cuts out of profit margins (i.e. profits per item sold), the aggregate level of output that can be profitably sold increases and with it overall sales and the profit rate (i.e. aggregate profits relative to the stock of capital). In developing economies, income and wealth tend to be very concentrated and monopolisation further favours redistribution towards profits and hence undermines the growth of purchasing power. Thus, while the prospect of monopoly profits can be at the heart of productivity increases (Schumpeter, 1943), monopolisation can also undermine the bases for the realisation of surplus value. Therefore, the same market structures that incentivise productive activity can, in fact, act to inhibit the growth of purchasing power.

Second, class and power relationships influence formation of prices and purchasing power. In particular, Kalecki emphasises that the benefits of price increases often do not accrue to small proprietors but are, instead, captured by rentiers like moneylenders, landlords and merchants. Given supply inelasticities in food production, increases in demand for agricultural consumption goods typically drive up food price but this may not trickle through to peasants, leaving a situation in which real wages are reduced (due to higher food prices) without a countervailing increase in demand for mass-consumption goods among small-proprietors (Kalecki, 1954).

Kalecki's 1954 model is unique in that it accounts for contexts with large subsistence/informal sectors. In policy terms, he therefore emphasised that supporting demand is not only a matter of rising wages in line with productivity but also of redistributive public

spending favouring the most deprived classes. He argued that this should be complemented by capital controls (in open economy settings) and by state-led investment programmes to lead private sector investment. Financing them through taxation of profits and the rich would simultaneously reduce demand for imported luxuries and avoid speculative hoarding. Furthermore, he emphasised the need to support agricultural supply by way of providing cheap credit, capital goods and inputs like fertilizers or seeds (see also Storm, 2015).

In short, while responses to demand can drive competition and productivity increases, the outcome of such responses to demand can be monopolies, which paradoxically, can undermine demand by undercutting purchasing power of workers and subsistence communities. It is through the tension of monopolistic market structures - which have driven productive efforts to sustain DIL's monopoly position and pricing power in a range of domestic markets that were expected to grow but which also undermined the growth of purchasing power of workers and low-income households – that we aim to investigate the operations of the Dangote Group. We aim to show that the company's growing profits under expanding markets followed from productive investment, but were not passed down at the same rate into wages and hence into the growth of purchasing power. What is more, the difficulties in taxing the conglomerate due to its political influence has undercut the state's resources available for redistribution towards 'small proprietors', understood to be subsistence and informal workers in urban and rural settings.

2. THE POLITICAL ECONOMY OF INDUSTRIAL POLICY IN NIGERIA

Nigerian manufacturing output¹ scaled by population and GDP reveals three distinct phases: a period of rapid growth from independence to the early 1980s, two decades of stagnation over the course of the 1980s and 1990s, followed by some, if limited, recovery since the early 2000s (Figure 1). Yet, MVA pc of \$225 in 2017 is hardly evidence of a large manufacturing base and the Nigerian economy remains heavily dependent on oil

¹ For comparability of different data sets, this paper follows the definition of manufacturing deployed in the International Standard Industrial Classification (ISIC).

revenues accounting for around 60% of government revenue and 92% of exports in 2017 (Usman, 2020). So why did pockets of efficiency emerge in manufacturing after 2000 and what explains overall limited structural transformation despite or because of their existence? The following section reviews the emergence of capitalist classes in Nigeria since independence and shows that historically IP has favoured large-scale capital, while failing to address both slow productivity growth in vertically-linked sectors and sluggish increases in domestic demand.

[Figure 1 about here]

Post-independence, the Nigerian manufacturing sector realised strong growth rates, reflected in increasing shares of MVA relative to GDP (from 4 per cent of GDP in 1971 to 12 per cent of GDP in 1981) and in MVA pc, the latter trebling in the period 1971 to 1982 (Figure 1). IP post-independence to about 1985 was characterised by state-led import substitution (Ikpe, 2014). Centralised oil revenues, which were increasingly abundant after 1970, funded substantial government spending, especially in construction. Coupled with trade policy, credit direction, indigenisation legislation and generally expanding domestic markets, manufacturing became a profitable route to private capital accumulation.² IP measures favoured specifically large-scale, merchant capitalist interests (Forrest, 1987; Biersteker, 1987), which formed in the colonial era (Watts, 1987). A popular route taken by old merchant families, such as Dantata, Ganash, Danbappa, Rabi, Ibeto Group or the Modanola Group, was to move from monopoly distribution of a particular product to production of the same item in Nigeria targeting the lower end of the consumer market (Biersteker, 1987: 272; Forrest, 1992). As such, IP in the post-colonial period, laid the seeds for the transition from commercial to production-related accumulation (Biersteker, 1987: 273ff; Forrest, 1992; Forrest, 1987; Collins, 1983: 421; Beckman, 1982).³ However, Biersteker (1987: 275) argued that this trend

² Forrest (1987: 336) deems the demand stimulus more important than other policies designed to support local capital including indigenisation.

³ Biersteker (1987) notes that indigenisation legislation had initially strengthened unproductive (“comprador”) accumulation based on passive shareholding and fronting in foreign companies and trading related activities. This only changed after the 1977 indigenisation decree.

would be ephemeral (Biersteker, 1987: 275). Two dysfunctionalities are worth highlighting.

First, policies that induced local merchant capital to move into manufacturing were not combined with complementary policies to produce inputs even though 75% and more of inputs used in manufacturing were imported (Biersteker, 1987: 281). The petty bourgeoisie, SMEs and the agricultural sector played a subordinate role in government policy (Forrest, 1987). While the state supported some agricultural schemes and capitalist farming was initiated as part-time activity of traders, civil servants and army officers benefitting from subsidised loans, these farms made little contribution to agricultural output, which remained dominated by smallholder farmers (Forrest, 1987; Williams, 1988). Given slow productivity increases in agriculture, production in agriprocessing manufacturing industries was strongly dependent on imports and the economy, as a whole, relied on food imports.

Second, reflecting the dominance of merchant capitalist interests as its main beneficiaries, IP measures contributed to a concentration of wealth (Biersteker, 1987: 281) and entrenched rentier interest of merchants over small proprietors, thereby undermining rural purchasing power. For example, the state's marketing boards appropriated in between 20% (groundnuts) and 42% (cocoa) of the value of export crops and, more significantly, appointed Licenced Buying Agents (LBAs), who had the right to buy, grade and ship produce. LBAs, which were often the same as the merchant trading families benefitting from IP more generally (Forrest, 1992), were able to extract substantial profits (Williams, 1985; Williams, 1988). Hence the marketing system generated private profits in commerce at the expense of public revenue that could help to finance IP while also undermining the growth of rural purchasing power. This is consistent with Kalecki's framework around class and power relationships between rentiers and small proprietors: the former inhibiting the growth of purchasing power, the growth of the tax-/ revenue-base and the emergence of sectors vertically linked to the manufacturing sector. Furthermore, military governments in the 1970s in a triangular relationship with foreign and domestic capitalists appropriated funds in a way which shielded such disbursements from pressures for redistribution to subsistence communities within ethnic constituencies (Joseph, 1983: 33).

The Nigerian economy became increasingly dependent on oil as its main export, oil rising from 58 per cent of total exports in 1970 to 83 per cent in 1973 (National Bureau of Statistics, various years). Resource transfers from the oil sector had a limited effect in supporting agricultural output growth, even though such transfers would have been necessary to ensure both appropriate domestic supply of inputs and to increase purchasing power for manufactured outputs in rural areas. The contribution of revenues from agriculture in the government budget declined from the early 1970s onwards. Consequently, support for the manufacturing sector had to be funded solely out of increasingly volatile proceeds from oil (Ikpe, 2014).

While the Nigerian state has long been an arena through which capitalist elites accumulated wealth, the nature of profitable activities or rents that could be captured changed fundamentally after structural adjustment imposed the liberalisation and deregulation of the economy. This period has seen the erosion of production-related activities in manufacturing and agriculture, while banking and finance and various illicit activities bloomed (Lewis, 1996; Figure 1). Inequality increased considerably with a circle of military leaders and their civilian allies growing their wealth, while real wages and rural livelihoods stagnated and urban dwellers were pushed to subsistence levels (Lewis, 1996).

Since the early 2000s and especially since the rebasing of GDP in 2010, when more modern manufacturing industries were captured and prices correctly deflated, Nigerian manufacturing has shown some degree of recovery. MVA pc increased from USD 84 in 2000 to USD 252 in 2014, while manufacturing's share in output increased to 10 per cent in 2014 (Figure 1). Food and beverages are the most important sub-sectors, contributing 53 per cent of manufacturing output in 2012 (National Bureau of Statistics, 2014).

One important change in the institutional setting in support of manufacturing came about with the backward integration policy (BIP) (National Bureau of Statistics, 2014). Initially designed in 2002 for cement and beverages, it was later extended to sugar, rice, tomato paste, automotive, oil and gas and textiles and is operated through tariffs, levies and tax breaks rather than direct subsidies. Benefiting from import quotas or concessions on tariffs or levies was made contingent on demonstrating a commitment to building domestic supply capacity and new investments in cement manufacturing also qualified for tax exemption for up to seven years (Akinyoade and Uche, 2018). Trade policy

measures were repeatedly supported by monetary policy measures, such as restrictions on the use of exchange and more recently, the Central Bank of Nigeria (CBN) has directed banks to increase their loan to deposit ratio to 60% as a way to encourage lending to the real economy and imposed a multiple exchange rate regime (Smith, 2019).

As a result of the backward integration model, Nigeria has emerged as the largest cement producers in SSA with a domestic production capacity of 47.8 Mta as of 2019, though success in other sectors varies when measuring processing activities and production of inputs (McCulloch et al., 2017). In many ways – and we will take up this point at greater detail at the example of DIL - more recent attempts at supporting diversification have replicated past problems. Ovadia (2013), for instance shows that local content policies to encourage backward integration in the oil sector have favoured a shift from rent-seeking to capitalist elite accumulation strategies but not in who benefits from oil wealth therefore entrenching inequality. Crucially, Nigeria's PS centred around sharing power and economic privileges among elites from different regions while leaving vertical distributional demands largely unaddressed (Usman, 2020). At the same time, government support fails to reach MSMEs and smallholder farmers. For instance, CBN credit schemes for smallholders, who account for 88% of farmers and 72% of whom live in extreme poverty, are largely ineffective due to limited registration of eligible farmers (Nwuneli, 2019).

3. THE DANGOTE GROUP IN NIGERIA

At the example of DIL, we seek to gain insights both into factors explaining pockets of dynamic capital accumulation and the persistence of limited structural change across the economy as a whole. We do so by drawing on the annual reports and financial statements from Dangote subsidiaries listed on the NSE. Our empirical materials cover three different sources. First, we scrutinise the financial accounts data from the four listed Dangote subsidiaries from 2008 to 2017 to analyse investment activity, cost- and revenue-structures to substantiate Schumpeterian dynamics as well as profit- and wage-trajectories to substantiate Kaleckian dynamics. Second, the article combines this quantitative evidence with qualitative statements of the group's management (CEO, CFO etc.) on the main drivers of investment, business hindrances and business strategies as communicated

to the shareholders in their written statements preceding the financial accounts in the annual reports of the listed subsidiaries from 2008 to 2017. Third, we triangulated this information with newspaper and interview sources for wider contextualisation.

We document that profits were not merely sustained by rents stemming from the BIP but also by active efforts to achieve economies of scale and scope, thereby building forward and backward linkages as intended by government policy incentives. What drove output growth and compelled Dangote businesses to put in high levels of effort was the combination of learning rents stemming from the BIP coupled with the prospect of Schumpeterian monopoly rents in growing domestic markets. Yet, the demand base remained too small to sustain more than a handful of monopolists and was highly vulnerable to the shock in commodity prices that occurred in 2014. We conclude that the state's ability to shape and discipline (re)distribution towards workers and subsistence communities are crucial to ensure a widespread and sustained take-off of the manufacturing sector beyond a handful of monopolists.

Overview of the Dangote Group

Dangote Industries Limited (DIL) benefitted from the BIP in several of their business lines. DIL's activities comprise a large range of subsidiaries, ranging from IT, Transport and Port Operation Services to the manufacturing of packaging, fertilizer, sugar, flour, salt and cement. Four of DIL's subsidiaries are listed on the NSE and have themselves further subsidiaries: Dangote Sugar Refinery (DSR), Dangote Flour Mills (DFM), NASCON and Dangote Cement. To this add a number of affiliates and related companies such as Dansa Food producing bottled water and fruit juices, West African Popular Foods (a joint venture involving Nascon) and MHF Properties Ltd specializing in the management and development of luxury properties (Figure 2).

[Figure 2 about here]

Noteworthy in their expansion are three different aspects. *First*, Dangote's rapid expansion from import into manufacturing business lines, mainly in cement and food processing, over the past ten to 20 years. In its expansion the conglomerate benefitted from different government initiatives, whether their orientation was market-oriented or interventionist. A descendant of the prominent Dantata merchant family, Dangote established DIL in 1978 starting out as an import business for bagged cement and other

commodities including rice, sugar, flour, salt and fish. When import licensing for cement was put in place in the early 1980s to preserve foreign exchange, Dangote was able to secure appropriate licenses through his family's political connections and became the dominant player in the cement import business. Dangote moved into cement manufacturing when the government privatised the Benue Cement Company in 2000, though initially Lafarge SA emerged as dominant player from privatisation (Akinyoade and Uche, 2018).

While Daongote's entry into various food import businesses dates back to the 1970s, domestic manufacturing started much more recently. As early as 1992, DIL purchased majority shares of the formerly state-owned NASCON salt refinery. But only since 2014, NASCON expanded its business, starting manufacturing of Seasoning, Tomato Paste and Vegetable Oil. Sugar refining commenced in 2001 when DIL commissioned the Apapa refinery facility. Backward integration in the sugar sector began in 2012 when DSR entered domestic sugar cane production by acquiring the Savannah Sugar Company Ltd. DFM commenced its operations in the milling of wheat and production of wheat products in 1999 as a division of DIL. After recording losses in 2012, DFM was taken over in 2013 by Tiger Brands Ltd, a South African based manufacturing and retail group. Continuing to amass losses, Tiger Brands sold its shareholding in DFM back to DIL in 2015. By 2016, the group recorded profits again for the first time since 2012.

Second, the rapid expansion of the main business line in cement across sub-Saharan Africa over the past ten years. By far DIL's biggest business line, Dangote Cement was listed on the NSE in 2010 and in 2013, the company commenced its pan-African production lines, starting with South Africa and Senegal, followed by Cameroun, Ethiopia, Zambia and Tanzania, with further import and distribution businesses across the continent.

Third, the high market shares of the various Dangote business lines in their respective markets. As of 2019, Dangote Cement has an installed capacity of 29.25 Mta obtaining 61 per cent market share spread over three plants (Obajana, Ibese and Gboko). It competes against Lafarge Africa and BUA Cement with an installed capacity of 10.5 Mta and 8 Mta respectively (i.e. 22% and 17% market share as of 2019), as well as a smaller player Purechem. DSR has a market share of 70 per cent (Dangote Sugar, 2016), Nascon of 60 per cent (Nascon, 2015), while DFM's share stands at about 30 per cent against their main

competitor Flour Mills Nigeria (DFM, 2012). Achieving dominant market shares in oligopolistic market structures is, in fact, one of their stated goals:

‘Our strategy is to be the leader or number two in all countries in which we operate and we aim to have more than 30% share.’ (Dangote Cement, 2016: 54)

The company’s motivation to expand: anticipation of growing markets

Exploring Dangote’s investment motivations in greater depth, we find that, in line with our basic theoretical premises, these were driven by expectations of growing domestic consumer and input markets.

Quoted in the Financial Times, Dangote maintains that Nigeria’s growing population and, by extension, “demand for basic supplies” was a driving force behind his decision to invest in Nigeria (Wallis, 2013). Looking at Annual Reports of DIL’s listed subsidiaries, we find ample reference to anticipation of growing domestic or regional markets. DFM, for instance, highlights expectations about rising consumer purchasing power following high oil prices between 2009 and 2014 (and hence higher government revenues and cheaper imports raising consumer purchasing power):

‘Oil prices are inching up and the price of wheat is stabilizing. This should translate to increased purchasing power in the local economy and also facilitate our ability to manage our material cost better.’ (Dangote Flour Mills, 2008: 6)

Nacson and its subsidiaries follow similar ambitions to cater for what are expected to be growing consumer markets.

‘We have recently expanded our product lines to include Tomato Paste, Vegetable Oil and Seasoning in a bid to transform to a FMCG⁴ company, ensuring that our products become staples in the homes of millions of Nigerians.’ (Nacson, 2016: pg. 12)

‘We entered into this product category [Dangote Tomato Paste] in response to an identified supply gap within the Nigerian market where local production plus imports have been unable to effectively meet local demand.’ (Nacson, 2016: pg. 12)

⁴ Fast-moving consumer goods

From Dangote Sugar, we learn that expectations about the growth of consumer demand were, indeed, high but ultimately severely affected by subdued consumer spending during the crisis years starting in 2014:

‘The influx of Nigerians to urban areas is a trend that increased the population’s reliance on purchased food staples and supported the growth in demand of confectionaries, beverages and packaged food products, in which sugar is a major input. Yet, the anticipated effect on businesses did not materialise due to subdued consumer spending.’ (Dangote Sugar, 2015: pg. 22)

Finally, the annual reports of Dangote cement refer to urbanisation infrastructure development and increasing demand for housing as strong drivers of demand for cement, which the company expects to withstand the ongoing economic crisis triggered by the fall in oil prices in 2014.

‘Urbanisation needs housing and infrastructure, workers need factories, offices and shops, and natural resources need to be extracted and transported to markets. Supporting all of these activities will require millions of tonnes of cement in the coming decades. (...) Increasing personal wealth and the ongoing shift towards younger, more affluent and more mobile populations will also increase demand for property as household occupancy falls. (...) The combination of these drivers will see Sub-Saharan Africa’s demand for cement increase significantly in the coming years (...).’ (Dangote Cement, 2016: pg. 26)

‘We choose to build factories in countries with large populations and healthy economies that have plenty of potential for construction and housing to drive per-capita demand for cement from low levels.’ (Dangote Cement, 2016: pg. 28)

In Nigeria as elsewhere in Africa the formation of domestic markets for construction materials is closely linked to the Chinese-triggered construction boom, which has (re)shaped the political economy dynamics in many SSA countries: business interests ranging from the import of construction materials over the manufacturing of construction inputs to real estate trading all formed in relation to the construction boom (Pitcher, 2017).

Chinese contractors play an important role in the Nigerian construction sector and in implementing the Nigerian government’s spending on infrastructure projects, which are in Dangote’s own perception a major driver of demand for cement (Dangote Cement, 2012: 16). Between 2010 to 2016, Chinese firms completed construction projects worth

on average \$3.75 billion each year in Nigeria, the third largest amount in SSA following Ethiopia (\$3.8 billion) and Angola (\$5.9 billion; calculations based on the China Statistical Yearbook, various years) hence laying the foundations for the upsurge in demand for cement, which drove Dangote's expansion. Deals with Chinese contractors like Sinoma and funding on favourable terms from Chinese State-owned Banks (SOBs) have also benefitted Dangote directly allowing DIL to procure machinery at discount and access credit for the construction of his factories (Dangote Cement, 2016; Dangote Cement, 2015: 16). China's expansion as a financier and contractor of infrastructure development also sustains a boom in demand for construction materials not just in one country but all over SSA allowing Dangote to expand in several countries at the time. The pan-African operations hedged the cement business against foreign exchange fluctuations and fluctuations in demand following the 2014 commodity price shock providing cash streams and foreign exchange from countries like Senegal, Cameroon, and Zambia (Dangote Cement, 2016: 9).

Wolf (2017) argued that expectations about rising consumer purchasing power have formed on top of economic boom that lasted until 2015, which, in the case of Angola, explains the expansion of sectors like basic processed food and beverages. In Nigeria, Dangote is, in fact, not an exception. Multinationals like Nestlé Nigeria, Diageo and Heineken and Nigerian firms, such as large bakery producers like Beloxxi Biscuits and Leventis Foods, have expanded their footprint in Nigerian food-processing industries (Games, 2015; Akinyoade, Ekumankama, and Uche, 2016). The Flour Mills Nigeria Group and BUA Group build conglomerates in sectors similar to those of Dangote (McCulloch et al., 2017; KPMG, 2018). The BUA Group, whose CEO Abdul Samad Rabi'u has similar roots in the merchant capitalist class (Forrest, 1992: 396), became the third largest cement producer in Nigeria. Starting in 2005, Rabi'u expanded processing activities including flour milling, sugar processing to meet domestic demand (Norbrook, 2020). A common feature of these firms is their size measured by capital, large enough to respond to incentives from a growing market.

4. THE CONTRADICTIONS OF MONOPOLY CAPITALISM IN NIGERIA

More than political favouritism?

BIP measures offer substantial rent-seeking opportunities. High tariffs on or import bans of final products increases the price of the final goods domestically while the continued importation of raw materials remains generally possible. The policy requirement of undertaking steps towards domestic production can be easily corrupted as evidenced in the case of BIP in rice milling, where the definition of owning a rice mill was in some cases stretched to acquiring land and owning equipment (McCulloch et al., 2017). Hence there can be substantial gains for companies without corresponding gains for consumers or long-term structural transformation. Observing substantial changes to Nigeria's political settlement since 2015, Roy (2017) observes that rent-seeking and corruption in Nigeria were not necessarily predatory, with a number of emerging domestic capitalists like Dangote growing their businesses along productive directions, substantial rents through government involvement notwithstanding (Roy, 2017; see also Akinyoade and Uche, 2018).

Between 2010 and 2016, Dangote cement consistently realised net profit margins of 50 to 80 per cent. Profits in the other Dangote Businesses are substantially smaller both in terms of margins realised and in level. In levels, profit after taxation from Nascon, DFM and DSR are between 1 and 7 per cent of profits realised in Dangote Cement (Table 1).

[Table 1 here]

The huge profits of Dangote Cement are in part sustained by rents accruing from government incentives for backward integration. For example, the effective tax rate for Dangote Cement's Nigerian operation was just 2 per cent in 2016, given non-taxable profits from cement produced on lines still under the Pioneer Tax Exemption and tax exemption on the profits of export sales (calculations based on financial accounts Dangote Cement 2016). For the years 2010 to 2013, profit before tax was actually lower (!) than profit after tax (see financial accounts 2010, 2011, 2012, 2013).

Dangote has the reputation of relying on political help and the markets in which DIL operates have been politically structured in a way that favoured Dangote. When import

restrictions were introduced as part of austerity measures in the early 1980s, Dangote was able to obtain an import license for cement coming from a family of merchant capitalists with long-lasting ties to the government (Akinyoade and Uche, 2018). He reportedly has close ties to former president Obasanjo whose re-election campaign he financed, to current vice-president Yemi Osinbajo, former Lagos governor Bola Tinubu and former governor of the CBN Sanusi Lamido Sanusi. Dangote was economic advisor to president Jonathan (Wagner, 2019) and maintained close relationships not only with the PDP-led governments under Obasanjo and Jonathan but equally with the APC government, being appointed, for instance, vice chairman in Osinbajo's National Industrial Policy and Competitiveness Advisory Council in 2017. Under president Buhari, Dangote invested heavily in rice, sugar and tomatoes while the government discouraged import of these products with high tariffs (Melly et al., 2020). Occasionally, the government acted against Dangote's interests. After the 2015 oil crisis and economic depression, for instance, Dangote unsuccessfully lobbied the Buhari government against the devaluation of the Naira (Wagner, 2019) and against the ban of accessing foreign exchange through the CBN or the official market for tomato imports (Nascon, 2016).

Economies of scale and scope: Efforts to become market leader sustaining efficiency gains and profit margins

Evidence of political favouritism notwithstanding, evidence emerges from the scrutiny of the company's financial accounts data that learning for productivity increases has taken place. We observe unprecedented levels of capital accumulation and various efforts to grow the business in productive lines. For instance, fixed capital investment constitutes on average 49 per cent of net profits in Dangote Cement between 2010 and 2017, in Nascon this figure stood at 58 per cent between 2008-2017 and in at DSR 31 per cent (calculations based on financial accounts). Dangote's profits are also, and significantly so, sustained by active efforts to realise economies of scale and scope in a quest to build and sustain their monopoly position. As noted above, Dangote's business lines have secured large market share within their sectors. From a neoclassical perspective, monopolies and oligopolies are considered welfare reducing given their ability to charge prices above those that would occur under perfect competition. We show, in line with Schumpeter (1943), that monopolies can (if not in all cases) be the outcome of

competitive behaviour, the prospect of monopoly profits driving companies' efforts to increase revenues, for instance through product innovation or cost reduction through economies of scale and scope.

One way to illustrate that Dangote pursues active efforts to sustain its monopoly position through productivity increases is by comparing the evolution of its cost- and revenue-structures to those of its main competitor in the cement business, Lafarge Africa (Figure 3). Derived from the two groups' financial accounts data, the ratio of costs⁵ relative to revenues (right hand axis) is significantly lower for Dangote Cement than for its competitor Lafarge who should be able to charge similar prices than Dangote. Dangote Cement's cost/ revenue ratio is between 30 and 40 per cent with a declining tendency, while that of Lafarge Nigeria is between 70 and 80 per cent with a rising tendency. The indices of their revenues and profits further reveal that since 2012, Dangote cement's cost were increasing at a slower rate than their revenues, while for Lafarge the two indices grow more or less in line, increases in costs even overtaking those in revenue in 2016 and 2017. So even though the prices of cement in Nigeria exceed world market prices (Cuts International, 2015), Dangote Cement pursued active productive efforts to lower its production costs relative to its main competitor.

[Figure 3 here]

Economies of scale are a key pillar to sustain margins and market leadership across the conglomerate. Dangote Cement, for instance, operates production lines of either 1.5Mta or 3Mta, significantly bigger than the global average of 1Mta (Dangote Cement, 2016: 28), which sustains various efficiency gains. *First*, the size of their operations allowed Dangote Cement to achieve cheaper commissioning of factories in particular by Chinese contractors; to negotiate financing packages with Chinese contractors, in which repayment only starts after profits are generated, and to secure discounts on machinery imported from Europe and China (Dangote Cement, 2016: 28):

Second, the scale of production is directly linked to the company's ability to source inputs efficiently. Scale and scope are linked here: only because different production activities

⁵ Pre-tax production costs

operate at large enough scale does production of inputs for different companies within the conglomerate become profitable. In 2017, for instance, Dangote Cement started sourcing coal mined in Kogi state by their parent company (DIL). Being cheaper than LPFO, gas or imported coal this improved margins and, being priced in Naira, also controlled fluctuations in variable costs stemming from exchange rate fluctuations (Dangote Cement, 2016: 9 and 28). When opening a new factory, Dangote Cement also opens new, higher yield quarries from which inputs such as limestone, laterite and shale can be mined (Dangote Cement, 2016: 28).

Third, larger scale also allows for the use of more cost-efficient machinery and synergies between technologies. Ibese, for instance, has two pairs of 3Mta production lines, which enables a single team to manage two lines at the same time and ensures that clinker production can continue even if the other is taken offline for maintenance. The larger kilns also enable more efficient energy use by using exhaust gases as a source of heat (Dangote Cement, 2016: 28).

The different subsidiaries in the Dangote conglomerate increasingly engage in efforts to integrate backwards, including, for instance, coal mining to power the cement operations, or rice farming and the production of sugar cane for the DSR. As highlighted above, these patterns of backward integration are contingent on the companies' scale of production, the production of inputs only becoming viable at sufficient scale but they also serve to build economies of scope with certain inputs being relevant for different businesses in the conglomerate. Backward integration towards locally grown sugar cane production launched in 2012 with Savannah Sugar, for instance, serves to generate power from bagasse for the companies' own use, with any excess electricity being sold to the national grid and to produce fuel ethanol, animal feed and bio-fertilizer for other business lines.

So, while Dangote's expansion into locally grown sugar sustains and improves the existing sugar refining operations, it also provides inputs into its other business lines, not least energy, repeatedly cited as an important factor cutting out of their margins in basically all grinding activities (Dangote Sugar, 2016: 10). Interestingly, plans for further backward integration are maintained even during the crisis years:

‘As part of our long-term plans, we are also actively looking at backward integration strategies to grow our own tomatoes. This will provide us with a permanent solution, as we have better control of the source of our raw material.’

(Nacson, 2015: 17)

More recently, Dangote’s construction of an oil refinery with an installed capacity of 650,000 bpd and a fertiliser plant in the Lekki Free Zone have attracted attention. The fertiliser plant commenced production in July 2020 and the sector follows Nigeria’s typical BIP model. Import of all NPK fertilisers were banned in late 2018 and foreign exchange to companies importing fertilisers was restricted. Fertiliser production serves the conglomerate to build economies of scope but also to cater for a growing domestic market. But while markets were structured politically in Dangote’s favour, the group is also actively building demand for its fertiliser brand in model farms in Sokoto in a race to win market shares against its Moroccan-owned competitor OCP (Adeshokan, 2020).

Forward integration, including in-house packaging (e.g. Nacson, 2016: 9) and in-house distribution achieves similar outcomes in terms of creating economies of scope across various activities within the conglomerate. Dangote Cement has a fleet of 3,500 trucks (Dangote Cement, 2016: 57) and DSR supports its refining operations by warehouses located strategically across the country and served by more than 400 trucks (Dangote Sugar, 2016: 9; see also Dangote Flour Mills, 2011: 6 and Nacson, 2016: 9).

Scrutinizing distributional dynamics within the group

While the prospect of Schumpeterian monopoly rents in domestic markets anticipated to grow explained why Dangote grows its business in productive directions, we argue that the same market structures conducive to learning and productivity increases can also make the accumulation process fragile by undermining the growth of purchasing power.

Overall, the process of accumulation appeared fragile when exposed to fluctuations in commodity prices. Given both the domestically-orientated production and the still highly import-dependent nature of manufacturing production, downward pressure on the exchange rate has not resulted in boosting a (largely non-existent) manufacturing export sector but instead has cut firms’ profit margins both by increasing cost of sales and reducing the purchasing power of poorer households suffering the impact of rising

inflation. Both the cement business and the consumer goods parts of the conglomerate faced this problem:

‘The year 2016 was characterized by unparalleled events (...) such as low oil prices, increased inflation rate, depreciation of Naira, tight monetary policies, *foreign exchange* scarcity affecting procurement of key raw material supplies and reduction in *consumer spending*.’ (Dangote Sugar, 2016: pg. 21, emphasis added)⁶

Hence, the Nigerian demand base was very vulnerable when exposed to the shock in commodity prices occurring in late 2014, showing signs of overcapacity.

‘The Group’s performance is also a reflection of the challenges arising from the existing excess capacity across particularly the wheat milling industry, which limits pricing power for the Flour business.’ (Dangote Flour Mills, 2013: 5)

‘2014 witnessed many challenges, including security concerns, and declining margins in the flour milling industry occasioned by *overcapacity*.’ (Dangote Flour Mills, 2014: 5)

We interpret this as evidence that IP in Nigeria, while to an extent successfully disciplining learning and productivity increases, has been less successful in shaping or disciplining the redistribution of value created in production towards workers or subsistence communities needed to sustain growth in purchasing power.

Figure 4 plots the evolution of the wage share in Dangote Cement, Nascon and DSR. Though increasing in Dangote Cement, the wage share never exceeds 10 per cent. In DSR, the wage share averages just about 16 per cent between 2010 and 2017 with spikes in 2011, 2015 and 2016. Only in Nascon, the wage-share is substantially higher averaging 31 per cent between 2010 and 2017 though decreasing substantially since 2015.

[Figure 4 here]

Figure 5 plots the increases in wages and net profits in Nascon, DSR and Dangote Cement relative to a base year in 2011.⁷ Noteworthy is in particular that for Dangote Cement, average wages per employee in 2016 are actually slightly lower than in 2011, while at the

⁶ see also: Dangote Flour Mills, 2014: 5; Nacson, 2016: 24; Nascon 2015: 16; Dangote Sugar, 2015: 31; Dangote Sugar, 2014: 8; Dangote Sugar, 2011: 12; Dangote Cement, 2016: pg. 10

⁷ Profit index: index over ‘profit before tax’, average wage index: index of the ratio of aggregate payroll costs/ total employees

same time the company's profits have more than trebled. Hence, in line with Kalecki's 'paradox of costs', profits across the conglomerate increased faster than wages.

[Figure 5 here]

Labour mobilisation proves difficult against the absence of economy-wide pro-labour demand-enhancing policies and Dangote is able to undermine labour for profit accumulation. While part of Dangote's workforce is unionised and engages in protests, workers' situation is precarious mirroring the manner, in which workers are easily laid off and poorly remunerated in the Nigerian labour market. In 2015, four staff at Dangote Cement were sacked after leading a protest on poor salaries (Akubo, 2015) and in June 2020, Dangote Cement laid off about 3,000 workers without notice after the company had just declared a significant profit in the previous year and dividend of N16 per share for its shareholders (SaharaReporters, 2020). Dangote's "Truck Entrepreneurship Scheme", which entails ownership of a truck after drivers complete a certain mileage with the truck, has, in effect, become a means of labour exploitation:

"All 800 of us were sacked on a Saturday, a weekend in February 2017. (...) We discovered that we were not the first. They had employed 400 graduates before, and when they were getting to the end of their contract, they were sacked. (...) We were being paid about half of what the regular staff were being paid, while doing twice the work". (Interview conducted with the Chairman of the Forum of Dangote Former Truck Drivers, July 24th 2020)

Another factor making worker mobilisation difficult is Dangote's monopoly position and structural power in markets, which he uses to co-opt civil society groups with opposing interests (Odijie and Onofua, 2020). In a consumer survey of 250 million consumers conducted in 27 SSA countries, Dangote for three years in a row emerged as the number one most admired African brand (Ikalafeng, 2019; Ikalafeng, 2020), building a positive brand image around

"providing *basic needs* and *empowering Africans* by providing *jobs*, reducing capital flight, supporting infrastructure development (...)" Tony Chiejina, Dangote's chief communication officer cited in (Ikalafeng, 2019; emphasis added)

In response to the Covid-19 pandemic, Dangote alongside other Nigerian corporations, including Zenith Bank, Access Bank, Guaranty Bank and BUA Group, donated ₦21.5bn to support the government's response to the pandemic (Unah, 2020). Against this image

of the allegedly benevolent capitalist, connections to government and media, worker mobilisation is an uphill struggle:

“In Nigeria, the mainstream media are not helping us. When we demanded the response of the TV channels why they don’t report our court case, their response was that Dangote is our major customer.” (Interview conducted with the Chairman of the Forum of Dangote Former Truck Drivers, July 24th 2020)

This is not to imply that Dangote controls by himself the growth of purchasing power of the entire economy but that distributional dynamics need to be scrutinised if accumulation is to be sustainable economically. Indeed, the firm level observations for Dangote mirror the wider trajectory of the wage share in Nigeria, which declined steeply in the wake of the SAPs. Despite a slight rise from the early 2000s, the wage share has been volatile and is only half of the pre-1980s figures (Figure 6). The case of DIL has served to unravel some of the mechanisms through which this occurred.

[Figure 6 here]

Beyond distribution between profits and wages, Dangote’s powerful position in individual markets and Nigerian politics, also undermines the state’s ability to tax the conglomerate and achieve redistribution through means of taxation. Disciplining tax evasion is essential if the state is to successfully undertake pro-poor redistributive spending to support purchasing power. Yet between 2010 and 2017, Dangote cement earned ₦1.7 trillion in profits before tax and paid just ₦90 billion in taxes, i.e. a tax rate of just about 5 per cent (calculations based on Dangote cement annual reports 2010-2016). Ultimately this was possible because Dangote skilfully played the pioneering tax exemption scheme on new plants, claiming pioneering status on the same plant by extending the plant and by scheduling new extensions when pioneering status on other plants was ending. Taxation of large companies has proven difficult in other contexts as well, considering, for instance, Buhari’s conflict with South Africa’s MTN over the refund of \$8.1bn in illegal remittances plus \$2bn fine (TAR, 2019).

What is more, Dangote’s influence in government, can also hamper the growth of income and purchasing power along the supply chain. Backward integration in the food processing sector suffers from the gap between small scale farmers and large-scale industrial processors. Farmers, in particular, need additional support in the form of seeds, machinery, access to finance etc. Support for wheat farmers, for instance, is, in principle,

in place (KPMG, 2018) but is often inconsistent and implemented slowly (Focusreporters, 2018) and largely driven by Dangote's own interests (Vanguard, 2018). Dangote's structural power over small-scale farmers also became clear, when his tomato paste factory suspended production just 5 months after production started for lack of raw material inputs. But only four years into a price dispute with tomato farmers, did Dangote settle on a peg to market prices (Adamu, 2019).

CONCLUSIONS

At the example of the Dangote Business conglomerate, this article has investigated factors which explain the emergence of pockets of efficiency in the Nigerian manufacturing sector and factors which explain why structural transformation has remained limited across the economy as a whole. We have linked both questions to emerging monopoly capitalism against the context of expanding domestic markets. In such a case, because potential gains are large, DIL is seen to have responded to the government's incentives to backward integration and achieve competitive learning rather than simply cashing in on rents that may arise in the process.

Yet, the same market structures which were conducive to achieving learning also have ramifications for the growth of purchasing power and therefore ultimately the sustainability of accumulation through commodity production beyond a small number of monopolists. While IP has been successful in the sense of disciplining learning for productivity increases, as evidenced by Dangote's cost structures relative to competitors, our analysis emphasised the need to scrutinise distributional outcomes at the firm and economy level and shows deficiency on the part of the Nigerian state in managing its relationship with capitalists who may want to monopolise the gains from IP. In the case of Nigeria, state-business relations have been shaped in a way that disproportionately allocates profits from IP between owners of a few large firms at the expense of those structurally unable to align themselves with the political class.

This shortcoming raises questions around the type of economic policies that underpin successful IP and structural change beyond productive islands. The conclusion from the Kaleckian framework is that the solution to the paradoxes of monopoly capitalism is not in deregulation in the hope to increase the number of market participants, but has to be sought in those institutions, which can benefit subsistence collectivities and workers.

Kalecki (1954) suggests pro-labour and pro-poor distributional policies, effective taxation of large conglomerates and of luxury goods so as to allow for redistribution towards subsistence collectivities and support for smaller suppliers like farmers providing inputs for large conglomerates. Given the difficulty of securing imports of capital in the form of loans, grants or FDI on favourable terms, he proposes capital controls to prevent capital flight and cutting down transfers of dividends abroad by existing foreign enterprises.

The central political economy question underlying our analysis is how the gains of IP are distributed across sectors and between capital, labour and subsistence collectivities. By promoting a capitalist class in manufacturing, IP necessarily favours different sections of society unequally and there is no reason to believe that gains will trickle down unless complemented by a range of redistributive measures, which span over taxation, pro-poor government spending and pro-labour policies.

We believe that these conclusions bear a wider relevance in the African context. The rise of African capitalists commanding diversified business groups is a widespread, if not widely studied, phenomenon in Africa (Behuria, 2019). While Nigeria is unique in terms of its (potential) market size with a population of just under 200 million in 2018, 26 SSA economies have population sizes larger than 10 million. Furthermore, domestic demand expansion was important historically as emphasised by economic historians (Frankema and van Waijenburg, 2018), including in small, export-oriented economies like South Korea where 53% of industrial output growth could be attributed to domestic demand expansion (Chenery et al., 1986: 169). In Nigeria, expectations about rising domestic demand have grown, among other, on the back of Chinese construction activities, which are not limited to oil-rich economies and actually increasingly focussed on Ethiopia, Tanzania and Kenya (Wolf and Cheng, 2018: 10). Therefore, our findings have a wider relevance, the specificities of Nigeria in terms of its history, its large population and access to oil notwithstanding.

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