

Green Deals and “Moonshots”: Fertile Soil for Crony Capitalism

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Since the financial crisis, industrial policy has experienced a renaissance in the Western world.

“Missions” or “moonshots” are put in place by policymakers in order to address societal challenges.

Government programs are launched, then large pools of subsidies, targeted R&D funds, and cheap loans are made available for corporations.

While many of the [problems](#) related to such policies are painfully familiar by now, there is nevertheless a need for critical examination of the return of industrial policy. We set out to do so in our book *Moonshots and the New Industrial Policy: Questioning the Mission Economy*, published by Springer (2024) and available for [free download](#).

One important reason for the dismal effects of mission-oriented policies is that they are subject to rent seeking and mission capture. Large pools of government money that can be obtained through various grant applications is a fertile ground soil for crony capitalism—and corruption.

The book chapter by André Alves on Brazil’s efforts in the early 2000s to revitalize its deteriorated shipbuilding industry provides an ample illustration of these issues. Alves’s contribution, [The Cost of Missions: Lessons from Brazilian Shipbuilding](#), shows how these programs paved the way for one of the largest corruption scandals in Brazil’s modern history.

Brazil’s efforts to rebuild its shipbuilding industry were often referred to as the country’s “moonshot program.” The country’s oil company, Petrobras, had discovered oil 7,000 meters below the surface and was trying to build vessels that could be engaged in these operations. When these programs were initiated, Brazil’s economy experienced a surge in investment and optimism. Efforts were now increasingly dubbed as the country’s “space race.” The government spearheaded extensive initiatives aimed to maximize domestic companies’ involvement. Additional regulations and schemes were introduced to expedite progress. Concurrently, the National Oil Regulatory Agency enacted legislation mandating specific minimum thresholds for local content in developed goods and services.

Alves’ chapter covers aspects of the “Operation Car Wash” investigation, which uncovered widespread corruption in Brazil, largely related to the shipbuilding mission. Some key elements of this scandal

include billions of dollars in bribes and kickbacks and corruption schemes involving government officials, politicians, and major construction companies. These scandals had far-reaching consequences as Brazil's former president Lula ended up in prison largely due to his involvement in these activities.

When politicians engage in large-scale steering of an economy, resources need to be allocated accordingly. As policymakers engage in the allocation of capital, political connections become an increasingly important source of competitive advantage for firms. As favors are traded between policymakers and firms, a country embarks on a slippery slope. Corporate behavior becomes increasingly crony and the logical end point is usually a major disaster or a corruption scandal.

The "green deals" put in place over the past few years will most likely result in similar catastrophic outcomes. In Sweden, attempts to transition the car industry to running on ethanol created [similar outcomes](#) in the early 2000s. History has now repeated itself with unfolding disaster related to the Swedish firm Northvolt now being in Chapter 11 bankruptcy proceedings. No one should be surprised when supposedly "green deals" result in similar catastrophes in the coming years.



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