

This article was downloaded by:[Mallorquín, Carlos]
On: 3 November 2007
Access Details: [subscription number 783727267]
Publisher: Routledge
Informa Ltd Registered in England and Wales Registered Number: 1072954
Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



Development in Practice

Publication details, including instructions for authors and subscription information:
<http://www.informaworld.com/smpp/title~content=t713412875>

Celso Furtado and development: an outline

Carlos Mallorquín

Online Publication Date: 01 November 2007

To cite this Article: Mallorquín, Carlos (2007) 'Celso Furtado and development: an outline', *Development in Practice*, 17:6, 807 - 819

To link to this article: DOI: 10.1080/09614520701628485

URL: <http://dx.doi.org/10.1080/09614520701628485>

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www.informaworld.com/terms-and-conditions-of-access.pdf>

This article maybe used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

Celso Furtado and development: an outline

Carlos Mallorquín

This review essay focuses on the most crucial points in the evolution of Celso Furtado's contribution to economic and political thought in relation to development, in the hope that a wider readership will appreciate the importance of his ideas to Latin America's 'development' during the 1960s and 1970s, and perhaps even see value in reviving them. It opens with a description of the background to the rise of development economics, highlighting aspects of the discipline that this remarkable Brazilian economist confronted and transformed. This is followed by a description of his period as a development theorist or 'reform monger' (Hirschman 1963) and his subsequent exile (1964–1975). The article concludes with a discussion of some of the work produced on his return to Brazil.

KEY WORDS: Governance and Public Policy; Labour and Livelihoods; Latin America and the Caribbean

Celso Furtado's ideas on 'development' and 'growth' have largely been lost to younger generations as a result of the hegemony of the neo-liberal view which claims that, left to its own devices, the market will produce the momentum and force required to create societies that are more equal and just. Furtado believed that 'the market' is a specific set of social relationships that are, in Polyani's term, 'embedded' in the power mechanisms of its participants. These relationships need to be disentangled in order to design economic strategies for a 'better' society. While Furtado disowned any parallel between his structuralism and institutionalism,¹ I have elsewhere argued (Mallorquín 2006b) for a theoretical marriage between them.

The political, economic, and cultural ecology of the post-war period

It is easy today to skim over the political and intellectual currents that drove the power centres of the world after the Second World War, when a head-on confrontation seemed imminent between the two superpowers. The context of the Cold War and post-colonial liberation movements led to a host of voices from Third World countries insisting on being heard on the international stage, especially at the United Nations.

As the new guardian of the capitalist world, the USA sought different ways to organise the global economy. First came new rules for the flow of trade. In retrospect, we can see that the Bretton Woods system and the Marshall Plan for European reconstruction were part of

the same process. The UN's call to 'promote higher living standards' led to the setting up of the Economic Commissions for Europe and for Asia; it was only a matter of time before other regions followed suit (Toye and Toye 2004). Thus a group of Latin American intellectuals, backed by their respective governments, proposed the creation of an Economic Commission for Latin America and the Caribbean (ECLAC) (*Comisión Económica para América Latina – CEPAL*). Helped by some of their European counterparts, their diplomatic manoeuvring succeeded in overcoming clear opposition from the US government, which had wanted to head a new body within the Organization of American States (OAS) (Santa Cruz 1984; Pollock 1984; Magariños 1991; Furtado 1985). Thus from 1948, ECLAC was given a three-year trial period.

Although Raúl Prebisch did not become the ECLAC Secretary General until 1949, it is impossible to exaggerate his importance as one of its founders (Hodara 1987). His pioneering ideas on economic development gave rise to a long tradition in Latin America, if not in most 'Third World' countries. Part of his legacy relates to his belief in and struggle for the creation of an institution to represent those countries, particularly in Latin America, that had come to specialise in the production of primary or raw materials, and which could promote and monitor their development. This commitment was again in evidence when he became the first Secretary General of UNCTAD (1964–1969) and subsequently the founding director of the Latin American Institute of Social and Economic Planning (ILPES).

Economic science: glory days and shortcomings

By the late 1940s, Keynesian beliefs in the possibility of resolving the cyclical nature of capitalism through planning or demand management had become synonymous with a revolution in economics. With some adaptation, Keynesianism proved a powerful tool to describe and explain Latin America's economic history, a task soon undertaken by Regino Boti, Juan F. Noyola, Aníbal Pinto, Raúl Prebisch, Dudley Seers, Osvaldo Sunkel, Víctor L. Urquidi, and of course Celso Furtado.

For some, the 'Keynesian revolution' implied a much broader change in economics itself, displacing some of the 'neo-classical' postulates – although, as we now know, these were not after all banished to the trash heap of history. Keynes' recommendations for a policy of full employment were premised on the observation that the economic system cannot regulate itself. Fiscal policies and the management of interest rates and budgetary deficits were part of a process aimed at maintaining a certain level of employment and income. What came to be known as demand-managed economies suggested what could be accomplished through the promotion of economic growth, well above the expectations of market forces and despite the downward slopes and cyclical nature of capitalism. However, economics as such lacked any analysis of the periphery or 'backward countries', and its lack of theory concerning countries that were plainly not industrialised led to a brutal silence on these matters (Arndt 1987; Heilbroner 1964; Love 1996).

The emergence in the post-war period of the notion of 'underdeveloped economies', which singled out late-comers to industrialisation and producers of raw material, was the product of a major theoretical and political battle fought by institutions like ECLAC to push forward the industrialisation and 'development' of such countries. Prebisch, and later Furtado, were to open up a vast uncharted theoretical landscape, which henceforth would be mapped by a new vocabulary in which planning was one means to promote programmed development.

Since the 1930s, Prebisch had tried to account for Argentina's topsy-turvy economic development, but found that conventional economic analysis could not be fitted to the country's experience without a determined violation of the facts (Prebisch 1944; Mallorquín 2005, 2006a). By 1948, Prebisch had developed a theoretical perspective that would culminate in

his work on the so-called 'primary goods producer' countries, believing that it was essential to differentiate between the former – the periphery – and the 'centre' or industrialised nations. Prebisch argued against the 'false' claims to universality of the prevailing economic discourse, which assumed that the periphery should undergo structural transformations similar to those that had been pursued by the industrialised countries. Althusser (1969), in a polite and paradoxical phrase, calls this concept of history the 'future anterior', whereby the 'backward economies' should adapt to a trading system that reinforced the existing international division of labour, with the periphery supplying raw and primary products, and the centre specialising in manufacturing. Thus some countries were supposed to have a 'comparative advantage' (albeit static) which depended on their intensities of capital and/or labour. The surplus production would ultimately maximise the overall growth and earnings of their respective economies.

However, Prebisch and also Hans Singer, in what became known as the Prebisch–Singer thesis of the 'deterioration of the terms of trade', showed that countries which followed this path eventually found themselves in a downward spiral. If the fruits of technology truly favoured the periphery, this should have led to lower prices for imports of manufactured goods. But not only was the periphery unable to retain the fruits of its own technological progress, it actually lost them through the downward pressure on the prices of its goods on the international market. The only option was to increase its exports, which consequently increased its demand for imported goods (semi-manufactured and manufactured) and further constrained economic diversification. Thus every cycle saw the imposition of an iron law: a deterioration of the periphery's terms of trade, followed by a search for equilibrium, lower investment, higher savings, and a reduced capacity to receive foreign capital, which could be resolved only by internal deflation, all of which stalled economic growth. The centre's demands for more elaborate goods further reduced demand for raw materials from the periphery.

The periphery's erratic stop–go economic performance throughout the twentieth century, largely based on external demand for its goods, pointed to the need to diversify via industrialisation. Prebisch (1949) argued that a 'programmed' industrialisation process would absorb surplus labour from less productive sectors into the secondary and tertiary sectors. Higher employment would destroy the forces that were keeping wages down and sustaining quasi-feudal agricultural systems. Industrialisation would substitute for certain imports and create a mechanism to retain some of the benefits of technological progress. A more diversified economy could eventually become the basis for the export of industrial manufactured goods.

Prebisch also argued for a broad common-market arrangement, similar to today's regional agreements in Latin America, to facilitate the lowering of costs and economies of scale for new industrial sectors. Besides creating a more homogeneous economic base, industrialisation would make it easier to control the economy during cyclical downturns. Thus, programming the rate of growth and industrialisation was intended to help market forces, not to stifle them, as most neo-classical or neo-liberal misinterpretations of Prebisch later claimed.

Simultaneously, during the 1940s and 1950s, Brazil had come to embody the so-called 'ideology of developmentalism'. The strongly nationalist political forces, headed by Getulio Vargas and institutions such as the Superior Institute of Brazilian Studies (ISEB), included planned industrialisation, culminating with Juscelino Kubitschek's 1956–1961 'Targets Plan'. The newly established National Bank of Economic Development (*Banco Nacional de Desenvolvimento Econômico*, BNDE) began to collaborate with ECLAC (which Vargas had been instrumental in establishing), and Furtado became the first director of the Joint American and Brazilian Commission, charged with promoting the industrialisation process. Until the mid-1950s, Brazil was a paradise for discussing and experimenting with theories of 'development'. Both the leading exponents and critics of a full-speed-ahead industrialisation policy came to discuss these issues, including Gunnar Myrdal and Ragnar Nurske (1953), with whom

Furtado (1952) was to debate the issue of the size of the market as a limit to capitalisation and development.

The armed crusader (1949–1964)

Two aspects dominated and shaped Furtado's theoretical and practical interests during these years: his analysis of the post-colonial Brazilian economy, and his interpretation of economics as the royal road to knowledge of the periphery and the process of development (Mallorquín 1998, 2005). He clearly wanted to pursue Prebisch's critique of economic theory to its radical roots, and sought a more specific theoretical vocabulary in which to do so.

Having joined ECLAC in 1949, Furtado remained in close contact with Brazil and with the growth of the region's economies. Perhaps for the very first time in Latin America's history, ECLAC embodied a profound awareness of the opportunity to contribute, theoretically and practically, to the advancement of economics and economic policy from a regional perspective. New data and statistical series were developed, such as updated methods for measuring the (deteriorating) terms of trade.

Furtado's first book, *The Brazilian Economy* (1954),² which included an account of Brazil's economy from colonisation to the 1950s, was one of the first histories of economic thought to focus on the 'underdeveloped economy' as distinct from a 'backward' economy (only Meier and Baldwin 1957 had come close to this line of thinking), seeing no value in exploring the specificities of an underdeveloped economy (Mallorquín 1999). The concept of an underdeveloped economy as having its own logic and structure came into its own between 1958 and 1962, displacing the teleological notions of conventional economics, including Keynesianism, and beginning to dislodge the prevailing concept of a 'colonial economy'. By 1957, Furtado finally left ECLAC and returned to Brazil, convinced, although not yet completely theoretically armed, that Latin American economies were specific historical entities that could not be explained through mainstream economics.

Already Furtado (1950) had begun to abandon his cyclical notions of capitalism and to think more in structural terms of 'obstacles' and 'structural transformations'. The productive agents in these concepts were thought of in terms of the social relations and historical context in which they were embedded. It followed that 'underdevelopment' could not and should not be thought of as a temporary historical phase, but rather as the outcome of the particular way in which social relations generated many of the imbalances whose effects were once thought of as cyclical phenomena. A new body of conceptual tools was needed to develop this line of thought, and this is what occupied Furtado between 1958 and 1962. This did not happen all at once, but was painfully achieved during a period when he was fighting major political battles to transform the Brazilian Northeast, first as its Superintendent,³ and then as the Minister of Planning.⁴

After spending a short time at the University of Cambridge, Furtado became Director for the Northeast section at the BNDE. It was during this period that he published *The Economic Formation of Brazil* (1959a),⁵ which built on the historical sections of his earlier work, but with a distinctly 'structural' character. From then until he was forced into exile in 1964, Furtado fought on many fronts, writing books and articles, some political, some academic, and some controversial – for instance, the edited volume *The Brazilian Pre-Revolution* (1962a),⁶ or *Development and Underdevelopment* (1961), which again drew on some of his earlier work. Economic plans, for example, implied land reform (later described in Furtado 1969, chapter 23) in order to change the 'structural picture' and free the labour force to take up better-remunerated work, which would in turn favour a better distribution of incomes and resources.

Traditional economics cannot take account of or explain the existence of 'structural obstacles' or 'heterogeneous agents', but Furtado (1969: 102) argued that there are no 'homogeneous

factors with the same technological time horizon'. The problems of underdevelopment need to incorporate a non-unified labour market and the simultaneity of diverse production functions, rather than placing these problems in separate compartments, be they 'economics' or 'history'. His conclusions thus built on and transformed the idea of François Perroux that distinct economic units have differing 'levels' that necessarily clash with each other, and that the so-called 'equilibrium' or 'relative peace' is achieved only when a particular unit manages to establish dominion (Perroux 1950a, b; 1957).

By now, Furtado's theoretical wanderings were taking him beyond the confines of economics; his vision seemed to have no boundaries, taking turns to ramble along the paths of sociology and politics, even veering towards anthropology. In order to understand social change or overcome the 'structural obstacles' in underdeveloped countries, Furtado had to transcend traditional academic boundaries to bridge the divide between sociology and economics. His political ideas became more radical as he came to realise that he was not merely another technical expert giving 'value-free' advice. During this period, Furtado also returned to Marx; and although he discarded Marx's theory of value, he assimilated his notions of social classes and the state, which illustrates just how enigmatic and profound the turn of events of 1963–1964, culminating in the military *coup*, must have been for him.

Re-thinking capitalism and industrialisation (1964–1975)

Furtado left Brazil, passing through Chile on his way to the USA. At the ILPES offices in Santiago, he discussed the material that would become part of his next book, *Underdevelopment and Stagnation in Latin America* (1965). Among his audience were the renowned dependency theorists, Fernando H. Cardoso and Enzo Faletto. Furtado used the opportunity to present the first 'structuralist' model of stagnation, but also set out the concepts that would later appear in the writings of like-minded thinkers, in particular the social-political forces that underlie 'internal' or 'external' economic dislocations and reproduce the conditions that make underdevelopment possible, irrespective of the industrial base of some underdeveloped economies. This book was the culmination of Furtado's version of structuralism. Despite his pessimistic view of future economic growth and industrialisation in Latin America, his critique focused on the intrinsic mechanism of capitalism that systematically excludes the majority from the fruits of technical progress.

Furtado also analysed the role of foreign capital in the pattern of debt in Latin America, a theme that was to become central to his intellectual and political activities. ECLAC had always viewed foreign capital as a transitional phenomenon in Latin American economies, required merely to begin the process of capitalisation. Feeling betrayed by US promises and the policies pursued through the Alliance for Progress while he was directing development in the Northeast, an experience that contributed to his pessimism after the military *coup*, Furtado therefore started with the external factors (i.e. US policies) that he believed had crippled Latin American economies, moving on to describe the region's internal limits to industrialisation. He argued that once the easy phase was over, in other words efforts had been made to promote import substitution and incorporate more people in economic growth, the process was bound to collapse. In his view, import substitution required an over-intensive capital function, which in turn created the need for more imports. It also absorbed relatively little of the labour force from the 'backward' sectors. Not only did the capital-intensive function demand a high level of savings, which the elites had no tradition or intention of supplying, but the scope for economies of scale was limited. Consequently, everything worked towards lowering overall economic productivity – not just that of the capital-intensive sectors – thus ensuring economic stagnation.

Furtado soon incorporated these new aspects into his analyses of the Brazilian model of development, emphasising its historical aspects and the role of the social sectors leading its

development process. This provided an explanation for the unexpected growth pattern of the economy in question. In *Analysis of the Brazilian 'Model'* (1972), Furtado described the state under Vargas, showing that the 'Brazilian miracle' of 10 to 12 per cent growth was based on the disproportionate concentration of wealth, which was the only way to maintain the momentum of growth and industrialisation via the production of consumer durables. This economic policy actually required the wealth to be concentrated rather than distributed. State intervention in the economy, offering lower interest rates to business leaders and elite consumers, encouraged a consumption pattern similar to that of the industrialised centres, but without the corresponding levels of savings. This policy eventually resulted in Brazil's sky-high deficit on its external accounts during the 1980s, creating an un-payable foreign debt.

The economy effectively comprised two unrelated markets (Furtado 1964, 1974): a massive consumer sector with very low productivity, due in part to strict wage controls; and production of consumer durables for a 'copycat' modern lifestyle. Hence high levels of growth could co-exist with and even depend upon a growing majority that had yet to taste the fruits of technological progress. From here it was easy for Furtado to make the leap towards a 'cultural' theory of dependency. The modernisation process was clearly anything but universal, its effect extending only to a minority, which was able nevertheless to impose a development pattern and values that had little meaning for the majority. Furtado's reference to 'modernisation' is ironic, since the so-called 'structural functionalist' theory assumed it to be an irreversible and universal force once it got underway. The similarities to today's discussions on 'globalisation' barely need underlining.

By now, the economic ingredients and the inflexible law of 'stagnation' outlined by Furtado in *Underdevelopment and Stagnation* (1965) had withered away in his historical and sociological explanations. There was no automatic reproduction of any 'tendency' in the economy, or hidden hand guiding it. Rather, state intervention was needed to give it direction. But the political forces that controlled the Brazilian state during the 1980s left social reforms aside and failed to implement any form of planning of state-owned enterprises.

After 1964, Furtado's analysis of multinational corporations (MNCs) assumed greater significance in his studies of capitalism. However, his aim to reduce their scope, explaining it within an all-encompassing logic swayed by US global policies, threatened to undermine the structuralist accounts that had distinguished his thinking to date. His insistence during the 1970s that a world capitalist superstructure was in the process of being established under the leadership of the USA and possibly the EEC, in order to control disturbances such as the 1973 oil crisis, or to regulate the use of certain raw materials, brings him extremely close to those 'structuralist functionalist' and teleological accounts of capitalism that he had so rightly mocked on previous occasions.

During the 1980s, this problem became more complex because Furtado's own descriptions of US commercial and industrial decline vis-à-vis Japan and the EEC called for new explanations of the heterogeneous forces and politics of the MNCs and states in question. The logic of this thinking leads from a 'multipolar' notion of global political and economic power to a 'unipolar' world, following the demise of the Soviet Union, although this analysis bore little relation to reality, given the rapacious economic behaviour of Japan and the EEC. This paradox explains Furtado's onslaught, once again, on economic (positive) science in *Economic Development: a Myth* (1974), which takes us to the next stage.

The prophet returns (1975–2004)

In *Preface to a New Political Economy* (1976),⁷ Furtado made depressing claims: structuralism had made a heroic assault on the fortress of conventional economics, but while its absence in the 1950s and 1960s would have been catastrophic for Latin America, it now offered diminishing

returns. In isolation, such pronouncements might have appeared to herald the end of a long theoretical tradition in Latin America. However, in proposing nothing less than a complete overhaul of conventional and structuralist economics, Furtado's call was not so much for an interdisciplinary approach to Latin America's problems (as he was to argue in *Creativity and Dependency* (1978)), but for a new 'general theory of social formations'.

In order to generate such a theory, Furtado rescued a forgotten view from his younger days: the notion of the surplus product. With it he explained the rise and fall of empires, nations, and 'industrial civilisation'. He pointed to how surplus was generated, its 'authoritarian' and 'commercial' expropriation by certain social sectors, and the ways in which it was distributed. By *A Brief Introduction to Development – An Interdisciplinary Approach* (1980), this new theoretical language comfortably intermingled with his 'old' version of structuralism.

Furtado turned to the Physiocrats (who believed that the wealth of nations was derived solely from productive work, rather than the ruler's wealth or the balance of trade), rather than to classical political economics, in order to reconstruct social theory through a new perspective on the role of accumulation, with special reference to underdeveloped countries. In this sense, though not acknowledging it, Furtado moved closer to Marxist ideas. He showed that modern (post-Keynesian) economics saw the process of accumulation as a form of reservoir in the account books that could therefore be freely used. Furtado ridiculed the notion that digging holes to fill them up again or building the Wall of China could be considered 'productive'.

Up to this point, it would have been difficult to question Furtado without bringing down with him a long tradition in modern and classical economics. But his theoretical premises changed when he introduced a distinction between the 'accumulation' that takes place in the industrialised countries and the apparently similar process in underdeveloped economies. Furtado argued that some 'accumulation' in the latter took place outside the productive process, in an apparent reference to the use of the 'surplus' to produce luxury goods that do not raise an economy's productive capacity. Even so, it was still not very clear which processes were productive and which were not, in terms of the existence or otherwise of a surplus.⁸ In other words, if the expropriation of the surplus is realised through the process of production, which are the units or sectors without the capacity to generate a surplus?

With the emerging democratic movement in Brazil, Furtado returned and joined a political group built around the former Brazilian Democratic Movement (MDB) that along with the participation of other political groups led to the creation of the Party of the Brazilian Democratic Movement (PMDB). Furtado maintained close contact with the PMDB, advising on economic matters during the first half of the 1980s, when he decided to concentrate on his theoretical-political work.

In 1985, Furtado was appointed Ambassador to the EEC, and shortly afterwards Minister of Culture, a post from which he resigned at the end of July 1988. The books written during this period show Furtado 'putting history in order'. In contrast with his immediate past, they suggested an eminently political strategy and an expression of his commitment to a democratic regime and to greater social and economic justice. These years also saw the publication of three memoirs: *The Organised Fantasy* (1985) recounted his activities before and during his period at CEPAL up to the 1950s; *The Wrecked Fantasy* (1989) covered the period during which he headed various government departments (1958–1964), eventually becoming Superintendent of SUDENE and Minister of Planning. Both books described his intellectual formation and involvement in the administrative apparatus of the Brazilian state. The third volume, *The Winds of the Change* (1991), concentrated on theoretical-political discussions and his ten-year 'exile', during which he visited various universities and international institutions. It also included some unpublished reflections on certain countries which had been censored by the military regime. These three volumes underscore Furtado's sense of responsibility as both an

intellectual and a designer of state policy, describing the crucial points in the evolution of his theories. The 1987 article ('Underdevelopment: to Conform or Reform') and *Brazil After the 'Miracle'* (1981) were written with the same intention.

In addition to academic works, such as *The New Dependence: Foreign Debt and Monetarism* (1982), Furtado produced more popular volumes: *No To Recession and Unemployment* (1983) set out his position on the foreign debt, which was essentially adopted by the Sarney government; *Culture and Development* (1984) describes his role and responsibilities within that government. Most of the books written during this decade showed Furtado's approach towards 'culture' and the participation of Brazil's different regions in the constitution of the 'nation', as well as the risks inherent in the immeasurable inequalities between and within them. He argued for a new federalism in order to integrate the vast majority who had not reaped any benefits from Brazil's 'bad' development under military rule. He put forward the notion of 'endogenous development' (1984) as a means of breaking the chains of transnational capitalism, and spoke about the role of the universities and major research projects, especially those based in the Northeast, being not 'spectators of history' but agents of such development. Furtado's analysis of national sovereignty, how to address the problem of foreign debt, and how to attack social inequalities, was highly political. At the same time, his analysis of how to overcome adversities and promote Brazil's development under the logic of an 'auto-centric' mechanism within capitalism reflected Furtado's return to 'structuralism', with its emphasis on internal and external structural factors. He would also refer sometimes to an emerging 'capitalist world totality' under MNCs that enjoyed US protection, while on other occasions the USA was simply assumed to be the global organising centre.

In relation to the Brazilian economy, Furtado showed that the almost improbable growth rate had been achieved through a corresponding growth in its domestic market, notwithstanding its highly exclusionary effects. He predicted, however, that capitalist industrialisation would eventually suffer serious trauma in the absence of deep 'structural transformations'. His description of the 'economic miracle' underlined its more aberrant features: vast inequalities in personal wealth, as well as economic distortions within and between regions. This was by no means an apology for capitalism; rather, he turned Brazil's economic history on its head to emphasise that the 'miracle' both created debt and fragmented the economy. Under the burden of a substantial foreign debt that had its origins in the pattern of industrialisation in the 1970s, the economy began to lose control of its 'co-ordinating centres', and Furtado now presented their recovery as paramount; total financial disorder was a consequence of the internationalisation of the economy and the ways in which many grandiose projects had been funded.

Brazil After the 'Miracle' (1981) and *The New Dependence* (1982) showed the need to transform Brazil's highly capital-intensive pattern of industrialisation. The government opted to peg domestic bonds to the foreign-exchange rate, which led to the dollarisation of the economy, while the *cruzeiro* declined in importance. In addition, the treasury paid international interest rates but lent in local currency at almost negative rates of interest. Poorly managed state-owned enterprises became 'hypertrophied' and indebted as a result of the 'miracle', although they had been created primarily in order to increase exports and foreign earnings. Inflationary pressures (Furtado 1983) were essentially the consequence of low productivity and economic fragmentation. Had the economy, and especially the state-owned industries, been reined in earlier, they would not have been able to incur such disastrous debts, and their goods and services would have been incorporated into the productive circuits, reducing the demand that they themselves had generated. This would have done much to reduce the 'propagation' of inflationary pressures.⁹ By now, it was more than obvious that restructuring was needed.

Subsequently, when Brazil came close to declaring a moratorium and was forced to renegotiate its debts, the IMF recommended repaying the debt and simultaneously dismantling large

parts of its industry, following the pattern of Argentina and Chile. But inflation and its consequences could not be cured by taking the monetarist medicine, because two very different variables were at play: a need to reform the financial apparatus and its function within Brazil's economic structure, which was what had propagated the pressures; and a need to restore the industrial apparatus (the origin of the pressures). The problem resided in raising domestic productivity in order to meet enormous existing demand. Furtado maintained that a greater integration into global markets through the export of manufactured goods was both necessary and unavoidable, but that, given the surplus industrial production and the context of the world economy by that time (the mid-1980s), it was vital to discriminate in favour of those industries that were most likely to adapt to prevailing circumstances and survive.

In Furtado's view, the prevailing neo-liberal free-market discourse served only to obscure the need for a domestic economic strategy that would ensure the fair distribution of any economic sacrifices. Rising prices are a sign that certain sectors are trying to defend themselves; escalating wages as such do not generate inflation, but enable its propagation by allowing inflationary pressures to materialise (Furtado 1982: 45). Wage compression breaks this process, but inflation does not end by *fiat*; instead, it requires

... a consensus ... at the level of those who make decisions with respect to the environment of action of the government and with regard to the priorities which the action of the state should obey. In modern pluralist societies that consensus is obtained, with the mediation of the political class, through the representative organs of popular will. (Furtado 1982: 46)

Inflationary pressure stems from incentives for the private sector and excessive public spending. It can be eradicated only by restructuring prices, maintaining unsubsidised exports, and pegging state spending to its capacity to generate real resources, but without reducing the private sector's productivity and thereby generating social tensions. The illusion of the Brazilian economic 'miracle' was rooted in the external debt. The capital account showed a surplus only because of the ridiculous conditions for capital entering or leaving the country, while pegging domestic bonds to external interest rates gave the impression of an endless economic boom. Thus it seemed that the economy was at its peak when world markets appeared least promising. With the 1973 oil crisis came Brazil's need to reduce its reliance on petroleum and to restructure its economy accordingly. However, using the external debt as a temporary 'solution' concealed the unfavourable trade balance and the critical economic situation.

Nevertheless, Furtado argued that the debt and its repayment needed to be addressed by adjusting Brazil's economic policies. First and foremost, interest repayments should not be at the expense of the growth required to service the debt; in other words, it would make no sense to go down the neo-liberal path of opening up the economy indiscriminately. Brazil should instead opt for selective entry into international markets, based on their genuine competitiveness. However, the IMF recommended that Brazil's economy be geared to producing dollars, which meant cutting social expenditure, opening up to foreign direct investment in all economic sectors, and dismantling state-owned enterprises. The resulting recession and reduced public expenditure led to massive cutbacks in the imports that Brazil needed in order to continue its industrial production, which in turn pushed up the cost of the process. After this, his position on the Third World debt became more radical, arguing that a moratorium based on the eleventh chapter of the US Code of Bankruptcy was the lesser evil (Furtado 1999).

But none of this, not even the struggle to re-establish democracy in the early 1980s, can explain the passion with which Furtado kept returning to the 'Northeast question'. Almost 20 years after the military *coup*, he proposed that SUDENE should once again have independent jurisdiction over the future of the region, rather than being part of the Ministry of the Interior. There were important changes in Furtado's views in this regard. First, he gave a high priority to

self-administration of the Northeast so that it could solve its own problems. He also repeated the argument that a new model of development would have to be invented by the people of the Northeast themselves, founded on co-operatives and land reform to release their 'creative capacity'. His 'anti-technocratic' stance and the demystification of the role of the 'Prince' as the supreme director of the development process went a long way to criticise his own previous theories and policies. Overall, the industrial structure had not greatly changed in the Northeast, and the agricultural sector remained more important. The 'dynamic' industries, highly dependent on raw materials and other resources, were based in the Mid-South. Thus Moreira (1970) concluded that it is easier to explain the situation of the Northeast as a centripetal mechanism of the expansion of capitalism, than as a regional problem in itself.

Furtado's more pragmatic vision was that the fundamental problem is not that of eradicating inequalities, which exist everywhere, but rather of achieving the

transformation of society in Brazil's northeast in order to enable development to effectively benefit the mass of the population. If the standard of living of the northeastern rural man is not raised deliberately, if he continues to be subjected to hunger and ignorance, the social structure of the whole country will tend to remain semi-immobilized, reproducing and worsening the extreme inequalities that characterize it at the present moment. The strategic target should be to open up space so that those that are really at the bottom of the social scale can become active agents of development. That first impulse, which can finally break the structures that imprison those that are lower levels, will only be produced as a consequence of a decided political will. (Furtado 1981:121)

During the 1990s, Furtado reiterated the need for policy reforms to break the stronghold of Brazil's exclusionary and copycat development, particularly in *Global Capitalism* (1999) and *Looking for a New Model: Reflections on the Contemporary Crisis* (2002). Many 'dependentistas' and even former critics joined Furtado's coterie. Wherever he could, he offered his intellectual support, especially to the *Movimento Sem Terra*, (Landless Movement), as well as to President Lula, eloquently expressing his hope that he would have the courage to undertake the reforms to kick-start the social changes that Brazil needed. Furtado struggled for social equality until his last days in an outpouring of proposals and proclamations.

Celso Furtado died on 20 November 2004 on the very day that the Lula Administration removed his *protégé*, Carlos Lessa, from the presidency of the *Banco Nacional de Desenvolvimento Econômico*. By the time of his death he had become a world-renowned figure and the recipient of many honorary doctorates. There had been moves in Brazil to nominate him for the 2004 Nobel Prize for Economics. Few intellectuals in Latin America in recent years have kept the flag of democracy and development flying so long and as high as he did. Long live Celso Furtado!

Acknowledgement

Thanks to Andrew Balanda for translation assistance.

Notes

1. Furtado (1961: 8), referring to his history of economic thought (1954), said that he had not included the 'North-American institutionalists . . . for the simple reason that they did not offer a systematic interpretation of the process of growth'.

2. It is ironic that the book is dedicated to Prebisch, who did not acknowledge it, since it caused him many problems at ECLAC, and Furtado's views were used to put pressure both on Prebisch and on the institution. It should also be said that the book was largely at odds with prevailing economic views, including those of Prebisch himself.
3. There he published *An Economic Development Policy for the Northeast* (1959b), perhaps one of the first books to use the thesis of the deterioration of terms of trade within different regions (Northeast and Centre-South) of a single country. For details see Mallorquín 1996 and Love 1996.
4. The government's three-year plan – *Plano Trienal de desenvolvimento economico e social* (1963–1965), written by Furtado (1962b) – came under attack from all sides of the social spectrum.
5. Mallorquín (2005) analyses the conceptual changes in the theoretical vocabulary between *A economia brasileira* (1954) and *Formação econômica do Brasil* (1959a). The translation of the latter work into English as *The Economic Growth of Brazil: a survey from colonial to modern times* (published in 1963 by the University of California Press) loses much of the 'structuralist' flavour of its vocabulary, and in Furtado the distinction between 'development' and 'growth' is crucial.
6. *Diagnosis of the Brazilian Crisis*, the English translation of *Dialética do desenvolvimento* (1964) (literally 'the dialectics of development'), can also be put in this group, making a very well developed case for the unification of political forces against regressive right-wing social forces, foreseeing the military takeover – which unfortunately turned out to be true.
7. It is interesting to note that during these years Prebisch was also rethinking the periphery through the notion of the surplus: his articles appearing in the *Review of the ECLAC* from 1975 onwards were included in his book *Peripheral Capitalism* (1981), just plain coincidence. See Furtado 1998 in Mallorquín 1998.
8. Prebisch (1981) had similar problems in trying to differentiate between 'productive' and 'unproductive' investments.
9. These concepts first appeared in Furtado 1954 and become the basis for the 'structuralist theory of inflation', which subsequently appeared in the classic texts of Noyola (1956, republished 1987) and Sunkel (1958); see also Danby (2005) and Sánchez Torres and Mallorquín (2006).

References

- Althusser, L.** (1969, trans.) *For Marx*, Harmondsworth: Allen Lane, The Penguin Press.
- Arndt, H. W.** (1987) *Economic Development – The History of an Idea*, London: University of Chicago Press.
- Danby, C.** (2005) 'Noyola's institutional approach to inflation', *Journal of the History of Economic Thought* 27(2): 165–78.
- Danby, C.** (2006) 'Juan F. Noyola Vázquez: regreso al solar de la economía política clásica', en Rafael Sánchez Torres y Carlos Mallorquín (coords.) *Estructuralismo latinoamericano e institucionalismo norteamericano, ¿discursos compatibles en la teoría social contemporánea?*, Puebla: Benemérita Universidad Autónoma de Puebla.
- Furtado, C.** (1950) 'Características gerais da economia brasileira' (General characteristics of the Brazilian economy), *Revista Brasileira de Economia* 4(1): 7–37.
- Furtado, C.** (1952) 'Formação de capital e desenvolvimento econômico' ('Capital formation and economic development'), *Revista Brasileira de Economia* 6(3): 7–47.
- Furtado, C.** (1954) *A economia brasileira (The Brazilian Economy)*, Rio de Janeiro: A. Noite.
- Furtado, C.** (1959a) *Formação econômica do Brasil (The Economic Formation of Brazil)*, Rio de Janeiro: Fundo de Cultura.
- Furtado, C.** (1959b) *Uma política de desenvolvimento econômico para o Nordeste (An Economic Development Policy for the Northeast)*, Rio de Janeiro: Imprensa Nacional.
- Furtado, C.** (1961) *Desenvolvimento e subdesenvolvimento (Development and Underdevelopment)*, Rio de Janeiro: Fundo de Cultura.
- Furtado, C.** (1962a) *A Pre-Revolução Brasileira (The Brazilian Pre-Revolution)*, Rio de Janeiro: Fundo de Cultura.

- Furtado, C.** (1962b) *Plano Trienal de desenvolvimento econômico e social* (1963–1965), Rio de Janeiro: Presidência da República.
- Furtado, C.** (1964) *Dialética do desenvolvimento* (*The Dialectics of Development*), Rio de Janeiro: Fundo de Cultura.
- Furtado, C.** (1965) *Subdesenvolvimento e estagnação na América Latina* (*Underdevelopment and Stagnation in Latin America*), Rio de Janeiro: Civilização Brasileira.
- Furtado, C.** (1969) *Formação econômica da América Latina* (*The Economic Formation of Latin America*), Rio de Janeiro: Lia Editora (a revised edition was published in 1976 as *A economia latino-americana*, São Paulo: Editora Nacional).
- Furtado, C.** (1972) *Análise do 'modelo' brasileiro* (*An Analysis of the Brazilian 'Model'*), Rio de Janeiro: Civilização Brasileira.
- Furtado, C.** (1974) *O mito do desenvolvimento econômico* (*Economic Development: A Myth*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1976) *Prefácio a nova economia política* (*Preface to a New Political Economy*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1978) *Criatividade e dependência na civilização industrial* (*Creativity and Dependency in an Industrialised Civilisation*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1980) *Pequena introdução ao desenvolvimento – um enfoque interdisciplinar* (*A Brief Introduction to Development—an Interdisciplinary Approach*), São Paulo: Companhia Editora Nacional.
- Furtado, C.** (1981) *O Brasil pós-‘milagre’* (*Brazil after the ‘Miracle’*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1982) *A nova dependência, dívida externa e monetarismo* (*The New Dependence: Foreign Debt and Monetarism*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1983) *Não à recessão e ao desemprego* (*No to Recession and Unemployment*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1984) *Cultura e desenvolvimento em época de crise* (*Culture and Development in a Time of Crisis*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1985) *A fantasia organizada* (*The Organised Fantasy*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1987) ‘Underdevelopment: to Conform or Reform’, in Gerald M. Meier (ed.) *Pioneers in Development*, 2nd series, New York, NY: Oxford University Press.
- Furtado, C.** (1989) *A fantasia desfeita* (*The Wrecked Fantasy*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1991) *Os ares do mundo* (*The Winds of Change*), Rio de Janeiro: Paz e Terra.
- Furtado, C.** (1998) ‘El declive de la influencia de los intelectuales: entrevista a Celso Furtado’, in C. Mallorquín, 1998.
- Furtado, C.** (1999) ‘Qué Moratoria’, *Fohla de São Paulo*, 24 January.
- Furtado, C.** (2002) *Em busca de novo modelo: reflexões sobre a crise contemporânea* (*In Search of a New Model: Reflections on the Current Crisis*), São Paulo: Paz e Terra.
- Heilbroner, R.** (1964) *El gran ascenso: la lucha por el desarrollo económico en nuestro tiempo*, México DF: FCE.
- Hirschman, O. A.** (1963) *Journey Toward Progress: Studies of Economic Policy Making in Latin America*, New York, NY: Twentieth Century Fund.
- Hodara, J.** (1987) *Prebisch y la Cepal*, México, DF: El Colegio de México.
- Love, J.** (1996) *Crafting the Third World: Theorizing underdevelopment in Rumania and Brazil*, Stanford, CA: Stanford University Press.
- Magariños, M.** (1991) *Diálogos con Prebisch*, México DF: FCE.
- Mallorquín, C.** (1996) ‘Celso Furtado y la problemática regional: el caso del nordeste brasileño’, *Estudios Sociológicos* 42: 687–728.
- Mallorquín, C.** (1998) *Ideas e historia en torno al pensamiento económico latinoamericano*, México DF: Plaza y Valdes.
- Mallorquín, C.** (1999) ‘Teoría e interpretación del estructuralismo de Celso Furtado’, *Estudios Sociológicos*, 49: 23–57.
- Mallorquín, C.** (2005) ‘Raúl Prebisch y el deterioro de la tesis de los términos de intercambio’, *Revista Mexicana de Sociología*, 2: 379–426.

- Mallorquín, C.** (2006a) 'Raúl Prebisch before the Ice Age', in Edgar J. Dosman (ed.), *Raúl Prebisch and Globalization*, Washington, DC: Inter-American Development Bank.
- Mallorquín, C.** (2006b) 'En resguardo de lo herético: El estructuralismo latinoamericano y el institucionalismo norteamericano', in Rafael Sánchez Torres y Carlos Mallorquín (eds.) *Estructuralismo latinoamericano e institucionalismo norteamericano ¿Discursos compatibles en la teoría social contemporánea?*, Puebla: Universidad Autónoma de Puebla.
- Meier, G. M. and R. E. Baldwin** (1957) *Economic Development*, New York, NY: John Wiley & Sons.
- Moreira, R.** (1970) *Una política regional de industrialización: el nordeste brasileño*, Buenos Aires: Siap.
- Noyola, J. F.** (1987) 'El desarrollo económico y la inflación en México y otros países latinoamericanos', *Investigación Económica* 16(4): 603–48.
- Perroux, F.** (1950a) 'The domination effect and modern economic theory', *Social Research* 17(2): 188–206.
- Perroux, F.** (1950b) 'Economic space: theory and applications', *Quarterly Journal of Economics* 64(1): 89–104.
- Perroux, F.** (1957) 'Structural inflation and the economic function of wages: the French example', in John T. Dunlop (ed.) *The Theory of Wage Determination*, London: Macmillan.
- Pollock, David, H.** (1984) *Raúl Prebisch visto desde Washington: Una percepción cambiante*, *Comercio Exterior* 37(5): 366–70.
- Prebisch, R.** (1944) *La Moneda y los ciclos económicos en la Argentina*, Buenos Aires: Rotaprint (repr. in Prebisch 1991, 1993).
- Prebisch, R.** (1949) *El desarrollo económico de la América Latina y sus principales problemas*, Santiago de Chile: CEPAL (E/CN.12/89, 14 May).
- Prebisch, R.** (1981) *Capitalismo periférico: Crisis y transformación*, México DF: FCE.
- Prebisch, R.** (1991) *Raúl Prebisch: Obras 1919–1948, vol. III*, Buenos Aires: Fundación Raúl Prebisch.
- Prebisch, R.** (1993) *Raúl Prebisch: Obras 1919–1948, vol. IV*, Buenos Aires: Fundación Raúl Prebisch.
- Sánchez Torres, R. y C. Mallorquín (eds.)** (2006) *Estructuralismo latinoamericano e institucionalismo norteamericano, ¿Discursos compatibles en la teoría social contemporánea?*, Puebla: Universidad Autónoma de Puebla.
- Santa Cruz, Hernán** (1984) *Cooperar o perecer: el dilema de la comunidad mundial*, Buenos Aires: Colección Estudios Internacionales.
- Sunkel, O.** (1958) 'La inflación chilena: un enfoque heterodoxo', *El Trimestre Económico* 25(4): 570–99.
- Toye J. and R. Toye** (2004) *The UN and Global Political Economy*, Bloomington, IN: Indiana University Press.

The author

Carlos Mallorquín holds degrees in social and political sciences from the Universidad Nacional Autónoma de México (UNAM) and the University of London. He currently lectures in sociology at the Benemérita Universidad Autónoma de Puebla. Having completed an intellectual portrait of Celso Furtado, he is working on an intellectual biography of Raúl Prebisch. Some advances in this work can be read in his chapter 'Raúl Prebisch before the Ice Age', in Edgar J. Dosman (ed.), *Raúl Prebisch. Power, Principles and the Ethics of Development* (Inter-American Development Bank, New York, NY, 2006); and 'The unfamiliar Raúl Prebisch (1943–1949)' in Esteban P. Caldentey and Matías Vernengo (eds.) *Ideas, Políticas and Economic Development in the Americas* (Routledge, New York, NY, 2007). Contact details: Facultad de Sociología, Benemérita Universidad Autónoma de Puebla, 4 Sur 104, Col. Centro, 72000 Puebla, México. <cmallorquin@prodigy.net.mx>

Editor's Note: This article has been shortened for reasons of space. The full text is available from the author on request. For the benefit of readers who do not read Portuguese, we have included a literal translation of the title of each of the works by Celso Furtado listed. Most have been published in English and Spanish, and many in other languages, often under titles that are not a literal translation of the Portuguese original. Readers are referred to the International CELSO FURTADO Center for Development Policies at www.centrocelsofurtado.org.br for a comprehensive listing.