

CELSO FURTADO

The Myth of Economic Development



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Critical South

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The Myth of Economic Development

Celso Furtado

Translated by Jordan B. Jones

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Introduction

Celso Furtado is one of the most influential intellectuals of his generation. Born in 1920 in northeastern Brazil, he had a prolific academic career punctuated by professional experiences in Brazil's central government.

Early on, during secondary school years, he was influenced by Positivism, especially the idea that science is the ultimate form of knowledge and that it can contribute to progress. The Marxist conception that social forms are human creations that can be transcended also left a strong impression on him. It made him understand that things are not immutable and that he could hope one day to see improvements in the socioeconomic situation of the northeastern part of his country. As a rather socially privileged teenager, he grew up in an environment of endemic poverty where the violence and the tyranny of men competed with the whims of nature (Furtado 1973).

In 1944, he graduated from the Federal University of Rio de Janeiro where he studied law, somewhat out of his family tradition, before reorienting himself toward

administration, in order to strengthen his knowledge of organizational issues. Such an interest stemmed from the cardinal importance he attached to planning. This led him to pursue studies in economics in France, which culminated in a doctorate in 1948. His thesis focused on the history of the Brazilian colonial economy.

Between 1949 and 1957, he worked as an economist at the Economic Commission for Latin America (ECLA) in Chile. This allowed him to become immersed in the economic challenges of Latin America. There he became familiar with the ideas of Raúl Prebisch, who appointed him Head of the Economic Development Division. In particular, he took over the concepts of “center” and “periphery” from him. The “center” refers to the economies that form the heart of the capitalist system—the industrialized/developed countries—while the periphery is made up of the rest, the underdeveloped countries—those that specialize in exporting primary products and importing manufactured goods. As the first director of UNCTAD (United Nations Conference on Trade and Development) from its inception in 1964, Prebisch became famous for his thesis of a secular decline in the terms of trade between the countries of the center and those of the periphery. Numerous other intellectual influences fed Furtado’s thinking, including the “decisive” influence of John Maynard Keynes, who enabled him to understand that the functioning of capitalism requires a significant degree of centralization of economic decisions (Furtado 1973; Kay 2005; Seccareccia & Correa 2014).

Between 1957 and 1958, at the invitation of the economist Nicholas Kaldor, whom he had met two years earlier, he spent an academic stay in Cambridge, UK, where he wrote *The Economic Growth of Brazil*, which became a classic. Then he was back home to be appointed

Director of the Brazilian Bank of Economic Development before taking charge of SUDENE (Superintendency for the Development of the Northeast): the federal agency in charge of the development of northeastern Brazil. He later became Brazil's first Minister of Planning (1962–1963). From 1964 on, the dictatorship deprived him of his political rights and forced him into exile for a decade. He was Professor of Development Economics at the Sorbonne (Paris) between 1965 and 1985. During these two decades, he had the opportunity to complete several academic stays abroad: he was a research fellow at Yale University (1964–1965), visiting professor at the American University (1972), visiting professor at Cambridge University (1973–1974), visiting professor at the Catholic University of Sao Paulo, Brazil (1975), visiting professor at Columbia University (1976–1977), and research director at the *École des Hautes Études en Sciences Sociales*, in Paris (1982–1985). With the end of the dictatorship, he became Brazil's Ambassador to the European Economic Community (EEC) between 1985 and 1986 and Minister of Culture from 1986 to 1988. Then he was appointed member of several international commissions. He died on November 20, 2004 (Seccareccia & Correa 2014; d'Aguiar 2014; Kay 2005).

Like the heterodox economists who influenced him, Celso Furtado was in open rebellion during his career against the static, formalistic, and ahistorical approach of neoclassical economics, which he considered incapable of satisfactorily reflecting the economic realities of underdeveloped countries. It is, he said, a “trivial science, designed for people without imagination” (Furtado 1973: 33). The enigma he sought to solve throughout his career is why Brazil—and Latin America in general—is economically underdeveloped despite the abundant resources at its disposal. This

stimulating quest gave rise to an impressive body of work—more than thirty books published in some fifteen languages—that helped to strengthen the structuralist current associated with ECLA and to cement his status as a pioneer of development economics (Szmrecsányi 2005; Kay 2005; Bielschowsky 2006; Mallorquin 2007; Boianovsky 2007, 2015, 2016; Fischer 2015).

Among the distinguishing features of structuralism are the theoretical choice to start from the global economic system as an analytical unit rather than from countries taken in isolation as well as the use of the historical-structural method as a means of identifying the socio-historical specificities of different social formations and of studying their interrelationships both diachronically and synchronically. Reformist in terms of economic policy, structuralists are critical of *laissez-faire*. They advocate an active intervention of the State posited as a central agent in the transformation of economic and social structures (Bielschowsky 2006; Boianovsky 2007, 2015, 2016).

Furtado's thinking was part of the high point of the Third World's intellectual revolt against the Western epistemic order—between the end of the Second World War and the mid-1970s: a period which is also that of “developmentalism.” Latin American structuralism, of which he was a major theorist, constituted, together with the dependency research program, a kind of intellectual vanguard to the decolonization and national liberation movements that reconfigured world geopolitics in the mid-twentieth century. The Third World no longer wanted to be dissolved in the universalizing analyses coming from an “advanced” world that tends to project its own clichés and fantasies onto the rest of the world.

Starting from the analysis of Brazil's economic trajectory, Celso Furtado was led to address the question

of the specificity of underdevelopment and the effects of the expansion of the capitalist system. According to him, the Industrial Revolution gave rise to two interdependent phenomena: development and underdevelopment. Development and underdevelopment are Siamese twins created by the expansion of the capitalist system. Therefore, one cannot be conceived without the other. This utterly original thesis breaks both with evolutionary analyses à la Rostow (1960), which see underdevelopment as a stage preceding development, and with modernist perspectives, which rely on the diffusion of “modern” values and production techniques to propel underdeveloped countries onto the ramp of development. It also strikes down racist rationalizations of development gaps, alternately expressed in biological (“not the right skin color”), culturalist (“not the right culture”) or pseudo-institutionalist (“not the right institutions”) terms. Furtado wrote:

underdevelopment is an aspect of the way industrial capitalism has been growing and spreading from the beginning. [...] The study of underdevelopment must start with the identification of the particular types of structures created in the periphery of the capitalist economy by this system of international division of labor. Therefore, to build a model of an underdeveloped economy as a closed system is totally misleading. To isolate an underdeveloped economy from the general context of the expanding capitalist system is to dismiss from the beginning the fundamental problem of the nature of the external relationships of such an economy, namely the fact of its global dependence. (Furtado and Girvan 1973, p. 122)

According to Furtado, Brazil’s peculiarity was that it industrialized—faster than other Third World countries—while still retaining the characteristics of

underdevelopment. These are manifested through (1) large productivity gaps between urban and rural areas, (2) the increase in underemployed populations in urban areas, and (3) abyssal differences in living standards between a minority that concentrates a large part of the national income and a majority that lives at subsistence level. In a context—such as the Brazilian one—where the pace and direction of technical progress are dictated from outside, industrialization does not lead to a homogenization of production techniques and consumption patterns, especially if the distribution of income is very unequal. The rich minority tends to consume diversified goods whose production is capital-intensive, while the majority tends to consume poorly diversified goods produced with low technology.

What Furtado described as the Brazilian “model” in quotation marks, but which it would be more accurate to call the “Brazilian disease,” refers to a situation of strong economic growth without “economic development.” Indeed, between 1950 and 1982, Brazil’s industrial sector grew by 8.1 percent annually, on average. While this exceptional growth rate increased the share of the industrial sector from 26 percent to 37 percent of GDP, it exacerbated income inequalities. The income share of the top 10 percent went from 39.7 percent in 1960 to 47.7 percent in 1980 (Baer 1986: 197–198; Barbosa 1998).

In Furtado’s language, “economic development” is a concept synonymous with a wide social diffusion of the fruits of capital accumulation and technological innovation. He contrasted it with two other sources of economic growth: the exploitation/depletion of nonrenewable resources; and productivity gains resulting from insertion into the international division of labor. For him, Brazilian industrialization has been chiefly