

## CELSO FURTADO AND THE PERSISTENCE OF UNDERDEVELOPMENT

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Two main reasons led me to write this paper. Firstly, I wanted to offer a short reflection on the work of Celso Furtado and, secondly, by doing this, to pay tribute to him on his eightieth birthday which occurred in July 2000. Originally, my friend and former student Marcos Formiga, then superintendent of SUDENE, had urged me to write a long review of Furtado's book *Teoria e Política do Desenvolvimento Econômico* (Theory and Policy of Economic Development) – or, for the sake of brevity, *TPDE* – on the occasion of its 10th edition. I then decided to enlarge that original text to write the present paper. In preparing these texts I took into consideration among other things the fact that I had become a friend of Furtado's during the period 1964-1965 when we were both at Yale, he as an exiled visiting professor and I as a student, which gave me a rare opportunity to know both him and his ideas better.

### 1 Introduction

Today's visible reality is of a world in which underdevelopment, understood in terms of the coexistence of heterogeneous forms of organisation of the economy and of the material realisation of individuals in society, shows signs of its enormous capacity of resistance to almost all attempts at changing it. The ditch continues to widen between rich and poor countries, and between affluent and destitute social groups within countries and regions (World Bank, 1999). This, I think, favours a new reading of what Furtado wrote on the subject – especially in the more glorious sixties –, for he insisted again and again on the structural nature of the problem which explained its tendency to resist change. Using a structuralist approach and the historical method, Furtado, who was born in the Northeast of Brazil, arrives at such conclusions as: underdevelopment is an autonomous historical process, and as such does not necessarily constitute a stage through which economies which have reached a higher level of development have passed; the only visible tendency is for the underdeveloped countries to remain underdeveloped; twentieth-century development has provoked a growing concentration of world income and a

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progressive amplification of the gulf between the rich regions and the underdeveloped countries; underdevelopment is the manifestation of complex relations of domination-dependence among peoples, which tend to self-perpetuate under changing forms. According to Furtado, all this would require an awareness of the political dimension of the situation of underdevelopment, with the building up (in the underdeveloped countries) of national centres for valid decisions.

As a student of the problems of development, I consider that Furtado's ideas on underdevelopment have much relevance today. Most notable are the tendencies, which he anticipated and projected in the sixties, that difficulties would accumulate both in overcoming backwardness, and in the formation, in the underdeveloped countries, of more homogeneous societies based on the model of the rich West, as is proposed today. In particular, three of his books – *Desenvolvimento e Subdesenvolvimento* (Development and Underdevelopment) (1961), *Teoria e Política do Desenvolvimento Econômico* (Theory and Policy of Economic Development) (1967) and *O Mito do Desenvolvimento Econômico* (The Myth of Economic Development) (1974) – appear to be worth re-evaluating in this context. Although the second of these, already in its 10th edition, has surely demonstrated its importance, I have a special personal appreciation of the third one, whose title, classifying development as a modern fallacy, is strikingly bold. In fact, Brazil<sup>1</sup> was, in 1974, as in the years immediately before (see Baer, 1996: 394), experiencing rates of GDP growth above 9 percent *p.a.*, having reached 14 percent in 1973! Someone would have to be very courageous – and with the “sharp, intuitive, and imaginative mind” of Furtado (Baer, 1969: 270) – to affirm, in the face of so favourable an evolution of the economy, that it was all nothing but a myth, a fable, an illusion. More importantly, in the same book Furtado took a pioneering position by stressing the role of the environment as a limiting factor to growth. He showed, for example – in line with what is perceived today<sup>2</sup> – that omitting environmental impact from the calculations of the “economists’ holy cow” (Furtado, 1974: 116), *viz.* gross domestic product, was a source of many equivocations. With such a critical evaluation of national accounting practices, Furtado (1974: 116) rightly concluded that the latter “can be transformed into a labyrinth of mirrors, in which an able illusionist can obtain the most dazzling effects”.

A remark worth making here is that no shade of apocalyptic prophesying can be found in Furtado's discourse which might suggest that he was menacing those who did not follow his advice. In effect, this sober economist speaks without any halo of mysticism, just coldly trying to analyse elements of the concrete world, and from them to infer logically sound statements. Evidently, the issue of the method he employs is to be discussed, and at this juncture it is important to note that Furtado does not follow any established orthodoxy. While he makes use of the analytical tools of the structuralist approach for dealing with what he calls “complex economic sets” (societies, countries), he also makes use of historical analyses of

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<sup>1</sup> Brazil has always been the principal object of Furtado's studies, since his small book of 1954, *A Economia Brasileira* (The Brazilian Economy), continuing through his classical *Formação Econômica do Brasil* (The Economic History of Brazil), of 1959. However, he is also known by his analyses of Latin America and of underdeveloped countries in general.

<sup>2</sup> See, for example, Serafy (2000).

socio-economic phenomena. Significantly, a background of economic theory underlies his whole approach. In this respect he was supported by his knowledge of classical economics<sup>3</sup>, which imposes the methodological discipline “without which one soon falls into dogmatism” (Furtado, 1974: 13); by the Marxian analysis which he employs in several of his reasonings; and by the work of Keynes, then in widespread use in less orthodox academic circles, and even in some orthodox ones. Furtado also relies on the teachings of Raúl Prebisch (see Mallorquín, 1999). The latter elaborated some interesting ideas concerning centre-periphery relations and led a group in the UN Economic Commission for Latin America (better known in Brazil by its Latin acronym CEPAL). This grouping, to which Furtado belonged, was the so-called structuralist school, one of the more creative movements in peripheral economic thinking<sup>4</sup> – with its structural approach to economic problems. In striving to arrive at a similar level of thinking, the originality of Furtado’s work lies in his attempt to merge economic analysis and the historical method, in an effort to grasp similar problems faced by backward economies in diverse historical and national contexts, but with characteristics which were specific to each given structure. This understanding represented, besides its novelty, an attempt at finding effective solutions to the challenges of development in peripheral, colonised or simply low-income countries. Its nature was summarised, according to Furtado, in the need “to explain, in macroeconomic perspective, the causes and the mechanism of the persistent rise in the productivity of labour and its repercussions in the organisation of production and the manner in which the social product is utilised and distributed” (Furtado, 1961: 19; 2000: 15)<sup>5</sup>.

It is with this array of ideas in mind that I intend to show here how Furtado has not been mistaken in forecasting the persistent, stubborn nature of underdevelopment even when it is confronted with initiatives which have been specifically designed to eliminate it. To this end, in the first section of this paper, and using as chief references Furtado’s books of 1961, 1967 (and 2000), and 1974, I begin with an account of his notions concerning underdevelopment. In the second section I try to examine Furtado’s views about development itself. This section is based above all on his 1967 book (re-edited in 2000 without any deep changes). Finally, in the third section, the issue of the persistence of underdevelopment forms the basic focus of interest. Here I am no more concerned with any practical, immediate applications of Furtado’s ideas than I am with the social analysis of that other great thinker, whom I much admire, Gilberto Freyre, whose *Casa Grande & Senzala* (The Masters & the Slaves) (1933), is of inestimable worth for what it reveals (and how!) of the entrails of Brazilian society. On the other hand, it is certain, as the American economist Werner Baer (1969: 278) has pointed out, that “Furtado frequently overstates his case”. But, at least in doing so he gives us a consistent vision of the world, which stresses factors such as dependence, institutional patterns, socio-economic matrices, centre-periphery

<sup>3</sup> Obtained in Cambridge and Paris just after the Second World War

<sup>4</sup> See Furtado’s preface to his *O Mito do Desenvolvimento Econômico* (1974: 13).

<sup>5</sup> Already in 1952, Furtado in “Formação de Capital e Desenvolvimento Econômico”, to be published later as “Capital Formation and Economic Development”, in A. N. Agarwala e S. P. Singh (eds.), *The Economics of Underdevelopment*, Oxford: Oxford University Press, 1958, pp. 309-337, characterised economic development as the continuous augmentation of labour productivity (p. 316).

relations, and so on, which are basic for an understanding of underdevelopment. This then permits us to highlight development as a process of total social transformation, and not simply as an effort at the level of the economy<sup>6</sup>.

## 2 Furtado and Underdevelopment

To speak about Celso Furtado and underdevelopment – a theme, incidentally, that has always aroused my interest since my days as a student<sup>7</sup> – forces us to consider two fundamental books by this political economist. The two books, one giving birth to the other, are *Desenvolvimento e Subdesenvolvimento* and *Teoria e Política do Desenvolvimento Econômico*. The latter was published for the first time in 1967 by Companhia Editora Nacional of São Paulo, which also published the eight subsequent editions and whose 10th ed. I will be using here. Actually, all Furtado's important contributions as an analyst of the problems of our time, either in his books, his articles, his lectures, or even in his memoirs represent a profound reflection about the problems of economic development. This is stated in the introduction of *Desenvolvimento e Subdesenvolvimento* (p.11), when Furtado remarks that all his intellectual endeavour from 1951 to 1961 aimed at “finding paths which lead to the understanding of the specific problems of economic underdevelopment”. It is convenient to stress here that the context in which the science of economics was then evolving was only gradually being led to consider the issue of economic change in backward countries. Economics was governed up to that moment by the microeconomic model of price formation and market equilibrium, macroeconomic analysis appearing solely as a post-Great Depression tendency. The latter, still under the influence of the thirties, had a focus on fighting unemployment or reaching full employment. Its perspective was a short-run one – interested in creating mechanisms for the compensatory, countercyclical policies needed to attain macroeconomic equilibrium.

Either in Marshallian-inspired<sup>8</sup> microeconomics or in the macroeconomic models formulated from John Maynard Keynes on, the centre of concern then and now has always been the explanation of the process leading to a static equilibrium, in which the time variable is ignored. The novelty of the thinking which stimulated

<sup>6</sup> “The disparities among economies do not result only from economic factors, but also from diversities in cultural matrices and historical particularities. The idea that the world tends to become homogenised results from the a-critical acceptance of the economists' theses” (Furtado, 1998: 74).

<sup>7</sup> When I started studying economics in Recife in 1960, Furtado had just set up SUDENE – the Superintendency for the Development of the Northeast – which he directed until he was forced out by the military regime in April 1964. Between those years, I went frequently to SUDENE, and in January 1962 I became a trainee. This allowed me to witness Furtado giving full-blown lectures in the meetings of the Deliberative Council of SUDENE. Many of these 'lectures' produced disagreements with the sociologist Gilberto Freyre, who was the representative of the Ministry of Education and Culture on the same Council. It is not every day that one can witness a clash between such giants of Brazilian social thinking. Incidentally, in December 1983 I dined with both of them and with two other distinguished economists from Recife, Leonardo Guimarães, and Dirceu Pessoa, who died prematurely in a plane crash in 1987 and in whose house we were dining. That was a moment of a truly rich interchange of ideas.

<sup>8</sup> After Alfred Marshall, whose *Principles of Economics* (1890) has been the foundation of microeconomic analysis up to now.

Furtado in the mid-20th century was a preoccupation with long-run economic dynamics, with the transformations of a macro nature that were taking place in the social systems along time and which were pushing the economy toward far-from-equilibrium situations. In short-run macroeconomic analysis, in effect, the accomplishment of full employment is presented within a framework in which there is no net capital formation. In the theory of development, on the contrary, an explanation is sought precisely for the mechanism that leads to the continuous increase of fixed capital, giving rise to persistent increments of total and *per capita* income and product. This was a new field of inquiry, especially for the student diving into the subject, as was the case of Furtado, from the standpoint of the underdeveloped countries<sup>9</sup>. Few people up to then had set out to try to understand a problem that was acquiring greater proportions, to the extent that, after World War II, new horizons of knowledge were opening up and the gap between rich and poor nations was becoming unbearable. Regrettably today the situation continues to worsen. A pioneering book published in 1958, *The Economics of Underdevelopment*, edited by A. N. Agarwala and P. S. Singh (Oxford: Oxford University Press), constitutes one of the new contributions to the field in formation. The book brings together works from a group of distinguished economists who in the fifties were opening up new paths for the comprehension of the problem. The volume, a classic of development theory, included contributions from such luminaries as W. Arthur Lewis, later a Nobel prize winner, Paul Rosenstein-Rodan, Simon Kuznets, another Nobel laureate, and others, including Celso Furtado. In spite of its theme, however, the volume, with 21 contributors, was dominated by people from developed countries, with only five from the underdeveloped world.

The nucleus of Furtado's thesis, within the framework of reflection he initiates at the beginning of the sixties, is the *clear historical dimension of the phenomenon of economic development*, together with the need for a theory on that phenomenon *justified by the apprehension of reality* – and not by a construction of a general, abstract character – and by the ability to act upon that reality. As he informed us later (Furtado, 1974: 21), he was aiming to identify the options that presented themselves “for the countries that suffered the deformation of underdevelopment” in the face of the new tendencies of the capitalist system. For him, it did not make sense to agree with the thesis that the developing countries would follow the consumption patterns of the United States. To accept it would mean not to take into account “the specificity of the underdevelopment phenomenon” (Furtado, 1974: 22). It would also mean getting involved in the confusion around the equivalence between an underdeveloped economy and a young country, underdevelopment not having anything to do, in fact, with a society's or country's age. Within this perspective one places his affirmation that “underdevelopment is ... an autonomous historical process, and not a stage through which the economies which have reached a higher level of development have necessarily passed” (Furtado, 1961: 180; 2000: 197). That perception, elaborated in 1961, is fully endorsed by the author in 2000, and assumes also the version that “underdevelopment does not constitute a necessary stage in the

<sup>9</sup> In *Desenvolvimento e Subdesenvolvimento*, Furtado remarks explicitly that he is adopting “a view point of an economist from an underdeveloped country” (p. 14), a view from the South in present-day jargon.

formation process of the capitalist economies” (Furtado, 1961: 191; 2000: 203). The question was therefore to capture the essence of that phenomenon, a task which is not so simple, since “its dimensions are plentiful, but not always those that are easily perceived are the most meaningful ones” (Furtado, 1974: 22).

An important element of Furtado’s thinking on such matters is his linking of underdevelopment with the technological heterogeneity which is found in the less developed economies, due to the nature of their external relations. Hence, the industrialisation of the periphery, under the control of big enterprises, “is a process qualitatively different from the industrialisation that, in an earlier stage, the central countries experienced and, even more, from the one that the latter witness today” (Furtado, 1974: 45), a much more homogenous process. Another significant element concerns heterogeneity in terms of consumption, given that “peripheral capitalism engenders cultural mimetism and requires permanent income concentration” (*ib.*). This concentration permits that minority groups, and only these, by distancing themselves ever more from the masses of their own countries, can reproduce the consumption forms and preferences of the rich countries, where capital accumulation advanced, however, with “an undeniable stability in the distribution of income” (*ib.*). To get to the bottom of the problem of underdevelopment, thus substantially modifying the shape of reality, it would be necessary that the resources generated in the low-income countries “could be utilised in a cumulative process aimed at changing the structures of the economic system towards an increased homogenisation” (Furtado, 1974: 68). What reality shows, however, is that, even in relative terms, an increase in the numbers of the privileged in poor countries does not prevent “the ditch that exists between them and the majority of the population of their respective countries from remaining constant or deepening” (Furtado, 1974: 74). This is precisely what has happened in the last decades, with the uncomfortable formation of a growing mass of excluded all over the world, as the available data clearly demonstrates (World Bank, 1999. See also *The Economist*, 2000)<sup>10</sup>. The appropriation of the surplus generated in a poor country by a privileged layer of the society permits that group to copy the patterns of consumption of the rich societies and tends to lead to the appearance of cultural dependence – another important datum of Furtado’s reasoning. Cultural dependence in turn is at the very base of the process of reproduction of the social structures that match it.

The difficulty which cultural dependence adds to the picture of the process of underdevelopment lies in the fact that it occurs without being accompanied by a counterbalancing process of capital accumulation and technical progress in production methods. It also tends to cause the local elites to lose contact with the cultural sources of their respective countries. In this way, Furtado combines accumulation of capital, socio-economic structures, history, consumption, “modernisation” (his word for cultural mimetism), dependence<sup>11</sup>, and social inequalities in an ample collection of mutually conditioning forces, to subsequently

<sup>10</sup> In his book *Development as Freedom* (1999), Amartya Sen, by alluding to the unfreedoms that characterize the insufficiency of development, shows precisely the seriousness of present-day social exclusion which exists in the world.

<sup>11</sup> Dependence is “the particular situation of the countries whose consumption patterns were modelled on foreign matrices” (Furtado, 1974: 84).

draw from the interpretation of this mix his characterisation of underdevelopment, and of the conditions that may bring about authentic development. Here we can find what is almost a theorem to encapsulate what Furtado seeks to demonstrate. It could be stated as follows: "All underdeveloped economies are by definition dependent, for underdevelopment is created by dependence" (Furtado, 1974: 87). The corollary of this thesis could be interpreted in terms of the statement (*ib.*) that "the transition from underdevelopment to development can hardly be conceived within the framework of dependence". An aggravating factor in this situation lies in the observation that, because the productive apparatus in peripheral societies is controlled by foreign groups, a theme on which Furtado has always insisted, "dependence, formerly the imitation of external consumption patterns by means of the importation of goods, now becomes rooted in the productive system" (Furtado, 1974: 89). Given that the consumption of the minority groups becomes enormously diversified, the industries which focus on them "tend to suffer from diseconomies of scale, which, if at the level of the firm they can be partially offset through protectionism and subsidies, at the level of society they are translated into higher costs" (Furtado, 1974: 90-91). This is an old problem which continues to reappear with practically the same intensity. An example from Brazil in 1999 is the case of a new Ford automotive plant which was attracted by the northeastern state of Bahia, after the southern state of Rio Grande do Sul lost interest in it because of the huge fiscal shortfall it would provoke.

It seems appropriate here to raise the question, which Furtado (1974: 93-94) himself asks, about what it is that allows underdevelopment to persist, and how the structures which lead to its manifestation are reproduced through time. His answer, which contains the essence of his thinking on the problem, gathers elements from: (1) the pre-existing institutional matrix which determined the repartition of wealth and income; (2) the historical conditions connected with the emergence of the system of the international division of labour; (3) the increase in the rate of exploitation of the poor countries, and use of the additional surplus by the elites for financing their mimetic consumption, which leads to the cultural rupture manifested in the modernising process; (4) the orientation of growth as a function of the interests of the "modernised" minority; (5) the climbing costs of the technology required to make local production match the consumption patterns of the advanced countries, which, in turn, opens the way for the penetration of the great transnational corporations; and (6) the "need to face up to the growing costs in foreign exchange of the production destined to the domestic market, opening the way to the exportation of cheap labour under the guise of manufactured goods". Here we find the elements of a process, of a set of interacting forces, which are capable of reproducing themselves indefinitely with impressive vitality. The conjugation of those elements, giving content to a structural reality with its own colours, means that underdevelopment should not be confounded with backwardness and poverty (Furtado, 1998: 14). What is at stake is "a specific historical process requiring an autonomous theorising effort" (Furtado, 1998: 20). It is here that the contribution of Furtado's privileged mind helps us comprehend the reality of countries such as Brazil which have experienced economic growth without simultaneously enjoying a convincing transformation of the situation of underdevelopment to which they have

been bound. Mainly in his books of 1961 and 1967, Furtado self-confidently theorises in search of ways of transforming that reality.

### 3 From Underdevelopment to Development

Furtado's elaboration on the jump from the underdeveloped situation to one of development starts from a confrontation of the two poles of the dichotomy in the title of his book of 1961, *Desenvolvimento e Subdesenvolvimento* (Development and Underdevelopment). It is explained here that economic development means more than both the simple growth of an economy and capital accumulation. For, in addition to representing an increase in productive capacity, it also implies the spread of progress to the bulk of society in an effort to make it more homogeneous. In *TPDE* Furtado tries to go more deeply into the terms of the development-underdevelopment dichotomy. Thus in its first part he deals with the theory of development in economic analysis. He approaches his subject from a critical standpoint, examining the fundamentals of the contributions of the classical economists (with an emphasis on Adam Smith, David Ricardo and John Stuart Mill), Karl Marx, the neo-classical school of Marshall, Gustav Cassel and Nassau Senior, Joseph Schumpeter, and the Keynesians (Alvin Hansen, R. F. Harrod, Evsey Domar and Nicholas Kaldor). There is no reference in the book, however, to more recent neo-classical thinking (by people such as R. Solow, J. Mead, T. Swan, J. Tobin, E. Phelps, and others, with their models of perfect factor substitutability and the leading role of technical progress). Apparently, this is due to the fact that those are short-run growth models with little application to the case of the underdeveloped economies and their structural dualism. A valuable methodological appendix, on structures and models in economic analysis, accompanies the first part of *TPDE*. This contains an account of Latin American structuralist thinking and demonstrates the ways in which it may be distinguished from the French structuralist school. Furtado's interpretation underlines the importance of the non-economic aspects in the study of economic development, chiefly in connection with historical processes, social realities and the deepening of "the understanding of the behaviour of the economic agents within perfectly defined contexts" (p. 98). This approach represents one of the touchstones of the structuralists' contribution to development theory.

In the second part of *TPDE*, which deals with the analytical approach to the development process, Furtado – elaborating on his critical economist's thinking – begins by showing how what he calls "complex economic sets" (national economies, basically, whose structural complexity manifests itself in a diversity of social and economic forms) are transformed. The meaning of this transformation, which also implies growth, is development in the economic sense. To develop, therefore, in Furtado's view, involves economic growth as well as structural changes<sup>12</sup> – the latter being alterations "in the relations and proportions internal to the economic system" (p. 103) set in motion by the process of capital accumulation and technical innovations. Limits to growth – or sustainable growth rates (for a

<sup>12</sup> According to Furtado, "the concept of development comprehends the idea of growth, overcoming it" (*TPDE*, p. 102).



given time period, for it makes no sense at all to consider them *ad infinitum*<sup>13</sup>) –, although they are an important subject of discussion today, are overlooked in *TPDE*. Nevertheless, the topic is not foreign to Furtado, since in *O Mito do Desenvolvimento* (The Myth of Development) (p. 19), published in 1974 (not in the nineties when it became fashionable to talk about it), Furtado shows that if economic development, in the sense in which he defines it, were universalised, the global “economic system would necessarily break down”. The reason for that, as indicated in the same book (p. 20), is that even today economists still insist on overlooking the fact that the “creation of economic value engenders, as a counterpart, irreversible processes in the physical world, whose consequences we manage to ignore”. Since his treatment in *TPDE* is of the *mechanism* of that process, Furtado does not, in that context, consider limits, preferring rather to identify the nature of the mechanism which he is seeking to uncover. In the second part of the book he inspects quantitative aspects of the development process, examines the interaction between decisions and structures (with an emphasis on the contributions of people such as Albert Hirschman and François Perroux), and exposes didactically the macroeconomic outline of development. An explanation is given concerning the formation of “economic power”, which is understood as the ability of given groups which gain with the process (e.g., innovators, workers in high demand for their services) “to modify the foreseeable conduct of other agents or structural relations in such a way as to frustrate the expectations of other agents” (p. 141).

In the third part of the book Furtado examines the process of development from an historical perspective. Here he employs his favourite method of analysis, namely that of combining the economic approach with historical factors in the search for patterns and relationships that show how the reality of the “complex economic sets” evolve through time. His inquiry begins with the examination of conceptions of development in terms of phases – or phaseological conceptions –, of which the most famous are those of Marx and W. W. Rostow. Furtado refers at the outset to F. List and his 1844 vision of the evolution of stages from slavery to cattle-raising, to agriculture, to manufacturing and trade. He then goes on to consider Marx and his succession of phases from primitive communism up to capitalism, with slavery and feudalism in between. Marx completes his list of phases by making the effort to explain the necessary passage from one phase to the next. After referring to the economist and great collector of statistics Colin Clark, Furtado arrives at Rostow’s conception of the “stages of growth”, in which an economy moves from that of a stagnant, traditional society to a transition phase of preparation for the take-off, to the take-off into sustained growth, to the march to maturity and the age of mass consumption. Without being properly a phaseological conception, Prebisch’s thesis of the “coexistence of a *centre*, which commands technological development, and a vast, heterogeneous *periphery*” (*TPDE*, p. 152), which is marginal to the system, is reviewed for what it offers in terms of the identification of the relationships that seem to form the basis for the concentration of income at world scale. According to Furtado, Prebisch’s view of coetaneous

<sup>13</sup> Cf., for instance, Herman Daly, *Beyond Growth: The Economics of Sustainable Development* (Boston: Beacon Press, 1996).

phases permit us to understand why there is no inevitable tendency for a given stage of progress to pass to a supposedly superior one. Furtado concludes rather pessimistically (p. 153) by assuring that “the only visible tendency is for the underdeveloped countries to remain so”. He also examines the historical forms assumed by development, stressing the issue of the economic surplus – its creation, appropriation and utilisation as basic elements of the whole process. Furtado dwells likewise on the transformation of commercial into industrial capitalism, and on what this means, not only for an economy, but in terms of the culture of the group of people involved. This part of the book ends up with an inspection of long-run quantitative data – mainly related to the industrialised countries – which contains some considerations about the rhythm of evolution of the pre-industrial European economy since the Middle Ages. Furtado closes this part of the book by stating that experience had shown that “twentieth-century development has provoked a growing concentration of world income” (p. 191) – a tendency, by the way, which was to be confirmed by the developments of the subsequent thirty or so years (see World Bank, 1999).

It is in the fourth part of *TPDE*, entitled “Underdevelopment”, in which, in my view, we find the main contribution of Furtado not only to the book but to the study of development in general. It is here that the author’s structuralist approach acquires more vigour, especially in terms of the explanation of the historical formation of underdevelopment. Furtado shows that the unbalanced, heterogeneous way in which the European dynamism spread over the rest of the world resulted, in regions already occupied, in the creation of *dual* socio-economic structures<sup>14</sup>, differently from what would occur in relatively empty regions (such as Australia and, to a lesser extent, New Zealand). It is from this standpoint that Furtado confirms his support for the view that the phenomenon of underdevelopment is “an autonomous historical process” (p. 197), a structural reality associated with the other side of the coin – development – and responsible for what could be called “bastard capitalism” (pp. 198 *et seqs.*). Underdevelopment itself is heterogeneous from the structural point of view, manifesting itself “under various and different stages” (p. 203), with a higher phase in which a diversified industrial nucleus takes shape. From such discussion, Furtado passes on to the appreciation of the structural characteristics of underdevelopment, offering an outline of the phenomenon and showing the contributions of W. A. Lewis and Ragnar Nurkse (with his thesis of the “hidden savings”) to its understanding. The concept of dualism is elaborated, with the implication that “what characterises [it] is exactly the interdependence of the two modes of production”, which is responsible for the “tendency to the perpetuation of the pre-capitalist elements” of the system (p. 219). Furtado alludes to the ample debate concerning that concept’s meaning among development scholars, and shows its relation to the “system of international relations that engenders the phenomenon of *dependence*” (p. 219). The latter is the object of a more detailed examination in the book, in terms of centre-periphery relationships and the phases of dependent development. After examining problems

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<sup>14</sup> These are structures in which “a capitalist nucleus was to peacefully co-exist with a pre-capitalist structure” (*TPDE*, p. 199). In the most extreme cases, “there does not exist the minimum of a necessary articulation for the configuration of an *economic system*” (*id.*, p. 198).

related to agriculture, and the role of foreign trade and the industrialisation process in the transformation of the dual structures, Furtado concludes by demonstrating “that underdevelopment is the manifestation of complex relations of domination-dependence among peoples, and tends to self-perpetuate under changing forms” (p. 265). To overcome it, it is necessary to build “national centres for valid decisions”, that is, “to take conscience of the political dimension of the situation of underdevelopment” (*id.*).

Finally, in the fifth and last part of *TPDE*, the discussion on policies is presented. We do not find here a recipe, a list of measures prescribed to surmount the problem of underdevelopment, or even a reaction to the finding, at the end of the fourth part, of the political dimension of development. What Furtado does is to give references, to map co-ordinates, to develop some reasonings that can help in the conception of a policy, or policies, of development. Thus, he speaks at the outset about the issue of the co-ordination of economic decisions, considering both the decentralised form of the market and the centralised co-ordination that constitutes the essence of what is called economic policy. To this end he elaborates on the importance of models as instruments of rationality in the conditioning of the evolution of the economic variables, and as means for establishing a certain degree of coherence in policy-making. The issue of structural changes is examined with reference to Rosenstein-Rodan’s strategy of “balanced development” (or “big push”), as well as to that of Nurkse. Advocated also by Prebisch this strategy implies a broad attack through industrialisation and simultaneous investments in various other sectors of the economy. Furtado judges that Perroux’s strategy of “growth poles” – which received a lot of attention in the sixties in many parts of the world – contains the same meaning as Rosenstein-Rodan’s proposal. He also ponders the remarks of Hirschman on the concrete difficulties which are encountered when attempts are made to put the big push into operation. Two problems that arise in the adoption of development policies, particularly in Latin America - the tendencies to stagnation, and to external imbalances - are treated with the help of the approach of the structural causes of underdevelopment. A critical reference is then made to the IMF’s doctrine and to the limitations of the monetarist framework of economic policy. Alluding at the end to the structural dualism which exists at the global level, Furtado considers that the development-underdevelopment polarisation is reflected in “a progressive amplification of the gulf between the rich regions and the underdeveloped countries” (p. 338) which occurs as part of the development process. To fight it, Furtado proposes an outline of a program for restructuring the global economy – which does not have anything to do with present-day globalisation.

#### **4 The Persistence of Underdevelopment**

Read in the frame of reference of today’s economic facts – of new dynamics, especially with respect to the nature of globalised markets; the speed of financial transactions (with their dangerously volatile capital); the use of information technology; the deregulation processes; the waves of privatisation and market opening –, *TPDE* (where Furtado’s basic propositions can be found) may give the

impression that it is outdated. It has, in effect, the aura of the pioneering studies of economic development from the fifties and the sixties. These impressions should not be allowed to undermine its utility and importance. Rather it should be considered in the same league of books such as Smith's *The Wealth of Nations*, Stuart Mill's *Principles of Political Economy*, Hirschman's *The Strategy of Economic Development*, or Nurkse's *Problems of Capital Formation in Underdeveloped Countries*, all of which, in spite of having been published at different dates since the 18th century, have never become outdated. The actuality of Furtado's book is reinforced by the fact that his analyses, with an anticipation of more than three decades, do not mislead us in terms of current realities. Furtado's volume inquires into structures, identifies relationships, outlines processes, investigates the peculiar features of the reality of underdevelopment, and proposes a model of study that stresses historical and structural factors, to reveal why certain economies do not succeed in attaining a firm trajectory of genuine economic development. It can be said that the effort is gigantic, herculean, and produces a result that does not attack our intelligence. Much to the contrary, it provokes it – as does Furtado in his other books – with a Cartesian and austere method of exposition, which is natural in the case of a person who was educated in the French rational tradition. The book is not a definitive treaty, of course, as the author recognises in his preface when he humbly says (p. 11) that his intention in writing it was “to help the reader obtain a perception of the economic processes observed from the angle of the transformations along time of the ... national economic systems”. This aim is fully accomplished. Reading *TPDE* leads one to think, and to look for ways to use the book in devising initiatives that can be helpful in changing the frustrating realities of underdevelopment; those realities that tend to perpetuate backwardness, or to create a perverse situation which I call *sustainable underdevelopment*.

In truth, this is precisely the view which is perceived today all over the world, especially in Latin America and Africa, with similar manifestations in Asia. In Brazil, for example, recent studies such as that conducted by José Márcio Camargo and F.H.G. Ferreira (2000) clearly show that poverty in Brazil has followed an upward trend (coupled with substantial oscillations around it) in the last two decades or so. In 1995, the number of Brazilians living on incomes of less than 2 dollars a day – let us define this as the “poverty line” – (43.5 million) was greater than the country's total population in 1940 (41.6 million) (Lustig & Deutsch, 1998: 38). This means that the spectacular growth of the Brazilian economy in the post-war period, a unique achievement which would be practically impossible to repeat in terms of GDP growth today, was not sufficient to create a more homogenous (though not necessarily more equitable) Brazilian society. Furtado correctly foresaw the widening of the abyss which, both within and between countries, separates the rich from the poor. As a matter of fact, he showed that this would be a necessary outcome of a reality which he sought to understand by coupling the historical method with the structuralist approach. Camargo and Ferreira, in common with many other studies, give evidence that the poorest 20 percent of the Brazilian population live in absolute poverty, which means that large masses of the excluded part of the Brazilian population live in a terrible situation of powerlessness. They also show that there has not been any improvement in this situation in the last two

decades. Amartya Sen (1999: 3-4), equating development with freedom, is no less dramatic in saying that “Despite unprecedented increases in overall opulence, the contemporary world denies elementary freedoms [*i.e.* development] to vast numbers – perhaps even the majority – of people.” In Latin America, Lustig and Deutsch (1998: 1), besides portraying a serious picture of extreme poverty, go on to explain that it “is sticky downwards”, meaning that it grows more during economic crises than it is reduced in the upswings.

The global situation is not much different in this regard. In fact the World Bank (1999: 14) affirms, for instance, that “the broad picture of development outcomes is worrisome”. This same perception is endorsed in the Bank’s 2000 annual report, for which, according to *The Economist* (Sept. 30th 2000: 82), economic growth has not only failed to combat poverty but has also contributed to the destruction of the environment. It is estimated that in the year 2000 1.5 billion individuals live on less than one dollar per day. This is the same number of people who lived on the planet as a whole in 1900. It is not necessary to use Sen’s (1999) way of defining underdevelopment to see that the aggregate figures which depict the global predicament give ample reason to Furtado, and demonstrate how difficult it is to overcome underdevelopment, no matter whether it be defined in his own terms, in those of Sen, or in more conventional terms. The World Bank’s 2000 report offers arguments in favour of Furtado, by emphasising the importance of non-economic factors in the interpretation of underdevelopment, such as education, the environment, the rule of law, corruption, and so forth. The report refers also to the need for “empowering” the poor, conceptualising poverty as a multidimensional problem that comprises powerlessness, voicelessness, vulnerability, insecurity and fear – besides the obvious lack of food and other necessities. This is an understanding that does not please neoliberal thinking, as was expressed by *The Economist* on 30th September 2000 in an article entitled “Quality and Quantity”. Nevertheless, what the World Bank showed in its 1999 report was that, following a trend that began around the mid-19th century, the incomes of the rich countries continue to grow in relation to those of the poor. This is an unequivocal proof of Furtado’s theses, supported as they are by an evaluation of differentiated structures of diverse socio-economic systems, which indicate a tendency for the persistence of underdevelopment, or rather, for the maintenance of a picture of sustainable underdevelopment. Obviously, no one can deny that impressive growth has taken place in many parts of the poor world – including Brazil and most of Latin America. In certain cases, growth has even been of a miraculous sort, such as that in Brazil in the late sixties and early seventies. But this has not been translated into authentic, lasting development.

In this sense Furtado's ruminations have not been wasted. This, in effect, is the value of great thinkers – among whose lineage in Brazil we can include such people as Gilberto Freyre, Caio Prado Jr., Sérgio Buarque de Holanda, Euclides da Cunha, Joaquim Nabuco, and Celso Furtado himself. I think it is therefore more than appropriate to close by quoting the same epigraph used by Furtado at the opening of *TPDE*, from the great Spanish-born poet Juan Ramón Jiménez, winner of the 1948 Nobel prize of literature, and much admired by both Furtado and myself: “*Pie en la Patria, casual / o elegida; corazón, cabeza, / en el aire del*

*mundo*” (“Foot on the Fatherland, accidental / or chosen; heart, mind, / in the air of the world”).

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