

Brazil: options *for the future*

Celso Furtado

*Former ECLAC staff member.
Creator of the Superintendency
for the Development of the
Northeast.
First Minister of Planning
of Brazil and also Minister
of Culture.
Now a Professor in the
University of Paris.*

This article analyses the present situation and future prospects of Brazil in the light of the globalization process. In the author's view, the market only generates globally coherent decisions in countries with a high degree of social homogeneity. Thus, the greater the social heterogeneity of a country, the greater the need for a national development policy. Such a policy should link up the concepts of globalization and social profitability on the economic and political level. Globalization furthers the destructuring of production systems in favour of companies that plan their investments on an international scale and promotes the concentration of political power, widening of the productivity gap, and the destructuring of cultures. Social profitability, on the other hand, has to do with the priorities of economic decision-making in national political systems and allows the values of the community as a whole to be taken into account. In a country of continental size, with great population mobility, the danger of disintegration of the national production system makes it hard to subordinate the channeling of investments to the rationale of the transnational corporations. If globalization is an unavoidable technological imperative, then the country has little room for taking its own decisions. The author concludes that in these circumstances countries like Brazil, with great natural resources and marked social disparities, may disintegrate or slither in the direction of fascist-type authoritarian regimes in response to the growing social tensions. In order to escape from this prospect it is necessary to return to the idea of a national project and make the domestic market once again the dynamic centre of the economy. The greatest difficulty is in reversing the tendency towards income concentration, which can only be done through a great social mobilization process.

I

Introduction

Conjecturing about the future configuration of the world economy is a mere intellectual exercise, because unpredictability is an inherent feature of capitalism. It may therefore be inferred that the concept of the long term has little analytical validity when dealing with the macro economy. A company of transnational scope would need to make long-term projections in order to render its investment decisions more effective, but this would not be appropriate in the case of a national economy.

Our aim here is to show that this line of reasoning is not consistent with an economy which is at a stage of development like that of Brazil, marked by pronounced structural and regional heterogeneity, because the market only generates globally coherent decisions in countries which have attained a high degree of social homogeneity. What is beyond doubt is that, if it is desired to raise the technological level, then the greater the degree of social heterogeneity, the more necessary it will be to have a guiding project for a national development policy. In extreme cases where the nation-state does not exist (colonial status), a development policy is not practicable, but this is not the case of the present so-called underdeveloped economies. The situation of such economies

is undoubtedly complex, however, since the dominant forces are generally heterogeneous, and this makes it more difficult to obtain a social consensus.

Consequently, it is essential to make a case by case analysis, since the changes in the international situation may have very different effects from one country to another. In the case of Brazil, there is a clear difference between the present situation of disastrous external overindebtedness and imbalances in the public accounts and the situation in, for example, the 1930s, when it was the dynamism of the domestic market which propelled the economic process and access to external finance was very limited.

There have undoubtedly been conditions in the past which made the application of a development policy possible and even inevitable: the dominant social forces were pressuring in that direction. Other circumstances, in contrast, may favour the emergence of charismatic and even populist leaders who can mobilize heterogeneous and even traditionally antagonistic social forces. It is not a question of accepting the theory of historical determinism, since the creative power of mankind can overcome any kind of constraint, but of identifying the factors that limit the exercise of that power.

II

Changes in the space available for political creativeness

I now propose to explore the changes which are taking place in the delimitation of the space available for political creativeness. There are two concepts which can help us to put our ideas on this complex matter in order: globalization and social profitability. The fact that it is necessary to link up the problems that arise on these two levels of analysis shows how complex this matter is. As a general principle, it is necessary to bear in mind the need to go beyond the limits of economic analysis and bring in factors of a

political nature. On both the national and the global levels, the economic variables are intrinsically linked with the power structures, and the political aspect becomes more difficult to grasp as its origin ceases to be the mere control of capital and spreads to the control of technological innovations.

Let us consider the globalization process. The importance of external trade for the growth of all economies has been recognized ever since the beginning of the Industrial Revolution. Ricardo's theory of

comparative advantages was the first consistent explanation of the development process promoted by the international division of labour. Protectionism, for its part, was simply a theory based on the positive effects of containing demand for the benefit of investments connected with the domestic market. One way or another, growth was propelled by economic policy decisions. The industrialization of Brazil is a classic case of growth induced externally through subsidies for the importation of equipment.

What is new in the case of the current globalization process is that it is taking place thanks to the destructuring of the existing production systems, which works to the benefit of the big corporations that plan their investments on an international scale. Thus, the motor industry which was installed in Brazil half a century ago as a function of the growth prospects of the domestic market has been restructured in the light of production processes in a multinational space. From the point of view of the companies involved, this has obvious advantages, starting with the economies of scale in production obtained through the use of third-party suppliers. This strategy makes it possible to share with other companies the risks of possible losses due to the greater instability of effective demand on account of globalization.

Globalization considerably increases the power of the big corporations in their negotiations with the local authorities and, in particular, with their workers. This explains the decline in the power of the trade unions which may be observed all over the world and not only in the developing countries.

A key factor for weighing the future of the globalized civilization lies precisely in the fact that the dynamism, but also the instability, of the capitalist system resides in the control of accumulation by a minority which also exercises political control. It is the predominance of these forces that is responsible for the tendency towards income concentration and the crises of insufficient effective demand and structural unemployment. The power of workers' trade unions was able to grow because it played the important role of correcting the insufficiency of demand. In this sense, it may be said that the diffusion of political power brought about by the rise of the workers through unionization was of fundamental importance for the development of capitalist society. It may also be said that without this diffusion of political power capitalist society would have run out of steam in

terms of growth or would have taken the form of totalitarian regimes.

In order to understand the special nature of economic underdevelopment, it is necessary to look back at the evolution of the system of the international division of labour. The primary commodity exporting countries achieved increases in productivity simply through the reallocation of resources, thus differing structurally from the countries that benefited from increases in physical productivity through the introduction of new technologies.

This was how the productivity gap already referred to in the early studies by ECLAC arose. Underdevelopment is the stage occupied by those countries which have built up a serious lag on the technological level. Narrowing this gap has become increasingly difficult because the underdeveloped countries have become dependent on the importation of technological innovations. It has only been possible to reduce this gap in those countries which have managed to build up an autonomous technological system of their own: that is to say, countries where the concept of social profitability has prevailed in the allocation of investments. This leads us to conclude that underdevelopment can only be overcome through the adoption of a coherent set of public policies. The market rationale leads inexorably to the consolidation or widening of the gap, as shown by past experience.

The innovations which foster development are of a technical or an aesthetic nature. If we look at any product that symbolizes progress, such as the automobile, we see that its evolution curve is marked by phases where technical progress prevails and others where changes of an aesthetic nature are more evident. It can easily be seen that if innovations were limited to the technical level the market would soon be saturated, giving rise to an increase in wages and a drop in investment. The introduction of new models is essential in order to maintain the income distribution pattern. Consequently, it can be said that innovation originally based solely on technical progress has increased its efficacy as it also began to be based on mankind's capacity to invent new aesthetic values. Of course, aesthetic values can emerge quite independently of technical innovations or can be influenced by them, as we have long seen in the case of music. In short, aesthetic values, together with ethical values, reflect the most noble forms of human genius and require a form of protection that only

public policies integrated within a social development project can assure. Without this overall view, the technical dimension takes over completely and leads to a process of cultural destructuring.

The second of the two concepts that will help us to grasp the significance of the changes currently under way is that of social profitability. This concept relates to the ordering of economic decisions within the framework of national political systems. In its primary export phase, Brazil was a relatively closed economy, since exports accounted for barely a tenth of the national product, so that the domestic market was always a basic reference point for those responsible for taking economic decisions.

Obviously, the strategic decisions taken were conditioned by external factors connected with the balance of payments situation. Once this external pressure began to be relieved, however, which took place after the great crisis of 1929, the country embarked on a long growth phase based essentially on the domestic market. This growth gave rise to a production system designed to make selective use of the limited import capacity, backed up by strong protection of the areas with low levels of competitiveness. This policy undoubtedly helped to consolidate national unity, by creating a market reserve for regional production surpluses which lost their outside markets, and it stimulated subsidized investment in strategic activities, largely organized on the initiative of the State.

This nationally integrated production system had some special features linked with the history of a continent-sized country in the process of occupation of its territory and with great population mobility. There are only a few countries with these characteristics, and all of them, including the United States, which constitutes a special case, are relatively closed economies. Naturally, this kind of country has great growth potential if suitable policies are applied. In the case of a developing country, like Brazil, the main thing is to use the limited import capacity to absorb technology in the context of public policies which take due account of the special features of the country's stage of development.

If the strategic objective is to combine a high economic growth rate with the reduction of unemployment and of income concentration, then it must be acknowledged that the allocation of investments cannot be left subject to the rationale of the transnational corporations. It is necessary to start from the concept of social profitability in order to ensure that the substantive values embodying the interests of the community as a whole are taken into account. Only in a developed economy with a high degree of social homogeneity is it possible to rely on the market rationale for the allocation of strategic investments. The discrepancy between the market rationale and the interests of society tends to get worse with globalization. In the case of the motor industry, the problem seems simple, as the companies concerned are foreign-owned and technological progress involves an increase in their own foreign exchange costs. The same phenomenon may occur in the case of locally-owned companies, however, as more advanced technology likewise means an increase in their foreign exchange costs, but this leads to growing pressures on the balance of payments. Nevertheless, the main problem is not this, but the negative impact at the social level. The traditional technology on Fordist lines tends to be replaced by organization in work groups, in pursuit of **flexibility**, and this reduces the capacity of the workers to organize themselves in powerful trade unions. This problem presents itself most seriously in the most highly developed capitalist countries, especially the United States, and it lies at the root of the generalized tendency towards income concentration.

We thus arrive at the nub of the problem raised by technological progress. The line this is following reflects the need to diversify consumption in the countries with a high standard of living. Innovations in marketing techniques have taken on growing importance. The sophistication of the consumption patterns of the rich countries tends to be the force behind the evolution of technology. This is the only rational explanation for the frantic waste of goods thrown away on the grounds that they are obsolete, and the brutal assaults on the ecological frontier.

III

Some final reflections

We thus return to the ideas expressed at the beginning of this article, where we noted how unpredictable the evolution of the capitalist system is. Its dynamism is of a compulsive nature and leads to recurrent phases of tension with unforeseeable results. The tremendous destruction caused by war has made way for periods of extraordinary prosperity. Within this general context of uncertainty, we must try to gain an idea of the way that Brazil will go. If we accept the thesis that globalization is an inevitable technological imperative which will cause all economies to follow a process of unification of strategic decisions, then we must admit that this reduces the space for independent decisions. Brazil is a country which is marked by profound social disparities as well as inequalities between the levels of development of its various regions: in this sense it is a fragile member of a world dominated by transnational corporations that take advantage of such inequalities.

Globalization works to the benefit of those who are on the leading edge of technology and exploit the differences in levels of development between countries. This leads us to conclude that it is the countries with great natural resource potential but marked so-

cial disparities –the case of Brazil– which will suffer most from globalization, since they run the risk of falling apart or moving towards fascist-type authoritarian regimes in response to the growing social tensions. In order to escape from this danger we must return to the idea of a national project designed to make the domestic market once again the dynamic centre of the economy. The greatest difficulty in this is to reverse the process of income concentration, which can only be done through a great social mobilization process.

The new generation must be prepared to cope with great challenges, since on the one hand they will have to preserve the historical legacy of national unity, while on the other they will have to continue with the construction of a democratic society open to external relations. As the growth potential of the domestic market is great, there is room for positive collaboration by the technology controlled by foreign groups. To put it in a nutshell, we can say that Brazil will only survive as a nation if it develops into a juster society and maintains its political independence.

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