

Institutions and the Evolution of
Development Economic Thought in Brazil: 1950-1980

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Introduction

Development economics is a sub-discipline of Economics that focuses on the relative underdevelopment of the so-called “Third World.” Inspired in many ways by Keynesian economic theory, its practitioners subscribe to many different variations of and diversions from orthodox neoclassical economics. Contrary to the economic liberalism that dominated the 19th century, many economists argued that the state had a viable role in regulating economic cycles. In the context of Brazilian economic history, the preeminence of this field initiated in 1950 when the recently formed Economic Commission for Latin American (ECLA) began to gain political and academic clout. Concurrently, other groups of intellectuals and institutions concerned with economic development presented alternate interpretations that often differed from the ECLA in theoretical perspective and in specific policy recommendations. The debt crisis of the 1980s contributed to the demise in power of Brazilian theories of economic development as the emphasis shifted away from “economic development” to general macroeconomic stability.

Prior to 1980, Brazilian development economics was a vibrant, multidisciplinary project. Many of its most prominent analysts came not just from Economics, but also from Sociology, Political Science, and History. Those academics’ methodological emphases on historical-structural models as a tool for analyzing economic phenomena, as well as the close relationship between the developmentalist scholarship and actual economic policy, often led to many theoretical changes in a relatively short period of time. Often Western academics minimize the diversity of economic development perspectives argued by Brazilian thinkers, simplifying the broad spectrum of debate down to a single theory. This is hardly an accurate representation. In this thesis I will argue that between 1950 and 1980, development economic thought in Brazil was essentially heterogeneous as evidenced by the existence of multiple competing interpretations.

Domestic and regional academic and professional institutions were central to the production and advancement of these theories as they grouped like-minded theorists and created a space for debate and intellectual production.

To demonstrate the relationship between the production of these different approaches to economic development and institutions, I will focus on four institutional groupings that dominated the production of and debates on the various theories of economic development in Brazil. In each case, the primary evidence used to demonstrate the diversity of these theories and their attachments to the institutions in question will be texts written by authors involved in the production of development economics. Secondary texts that focus on development theorists during this period are taken into account as well. When considering writing outside of Brazil, economic historian Joseph Love (1990, 1996, 2005) is one of the few who emphasizes the nuances of the competing interpretations during this period. Love focuses on the production of theory, principally highlighting the transformation from structuralism to various forms of dependency theory. Within Brazil, various academics have approached the intellectual history of this period. Luis Carlos Bresser-Pereira (1984, 2004, 2005) focuses on the various competing schools of thought that dominate this era, placing particular emphasis on the intellectual debates and historical events that led to their respective rises and falls. Ricardo Bielschowsky (1988, 1989, 2001) primarily considers the ideological and political transformations up until 1964 that led to the prominence of the various theories of economic development. The research done by Guido Mantega (1984, 1997) emphasizes the period after the 1964 coup and concentrates on narrating different theoretical variations within dependency theory. José Marcio Rego (1996; 1997) and Rego and Guido Mantega (1999) worked to elucidate evolving nature of economics

and development economics as formal academic disciplines in Brazil, especially after the 1964 coup.

The primary concern of this text, however, is the academic and professional institutions in which these competing theories developed. I will first discuss the aforementioned ECLA, which I argue was central to the production of economic structuralism. ECLA economists dissented against traditional economic liberalism by arguing that there are structural aspects of the international economy that work against economic development in countries like Brazil. The second institution I will consider is the Brazilian Institute of Higher Education (*Instituto Superior de Estudos Brasileiros* - ISEB), a collection of academics from disparate backgrounds who theorized about politics and economics to form the “national development” perspective. I will demonstrate the ISEB’s role in the production of this theory by analyzing the various associated academics; they argued that the formation of a national identity, stemming from an alliance between industrialists and urban labor, is the central element for economic development and state intervention.

The third institutional grouping I will discuss is that of the Brazilian Institute of Economics (*Instituto Brasileiro de Economia* - IBRE) at the Fundação de Getulio Vargas in Rio de Janeiro (FGV/RJ) and the Economics department at the Universidade de São Paulo (FEA/USP). I will argue that the IBRE and the FEA/USP were central to the theoretical formation of the “authoritarian development” economic model. To show this I will emphasize how scholars associated with those institutions with an economic liberal theoretical background argued that foreign investment and agriculture were central to economic development, while also promoting targeted state intervention to promote industrialization. The fourth and final group of institutions I will discuss is the Latin American Institute for Economic and Social Planning

(ILPES) and the Center for Socio-Economic Studies (*Centro de Estudios Socio-Económicos - CESO*) at the Universidad de Chile. I will argue that these institutions were central to formation of dependency theory and its attachment with Brazilian economic development thought. To demonstrate this, I will show the way the CESO and ILPES functioned as havens for Brazilian leftist academics in exile and how those intellectuals argued that development in Brazil was largely a function of the economies of the first-world nations.

This text is organized in this way as it is relative to the chronological and intellectual context of various currents of political and economic change that occurred during the period in question. The global depression that occurred after the stock market crash of 1929 soured the attitudes among many Brazilian academics and policy makers to the previously dominant ideas of economic liberalism. The global depression of the 1930s and 1940s was seen in many ways as the failure of the free market to promote economic growth. The administrations of President Getúlio Vargas from 1930 to 1945 and from 1951 to 1954 signaled the beginning of policies that promoted state intervention in the economy to encourage industrialization. The government of Juscelino Kubitschek from 1956-1960 and that of João Goulart from 1961-1963 also used the state apparatus to promote industrialization in many cases following policy recommendations made by ECLA and the ISEB.

However, during this period the right wing was active in opposing many of these governments and their interventionist policies. Economic stagnation further contributed to political and popular opposition as price levels increased dramatically. The annual rate of inflation rose from 12.7 percent in 1958 to 34.7 percent in 1959 and continued increasing up to a high of 89.9 percent in 1964 (Skidmore, 1999: 156). This coincided, more or less with the communist revolution in Cuba which heightened fears that state oriented industrialization was

simply a phase in the transition to a socialist-worker republic. The result of the economic crisis and these political fears was a military coup in 1964 supported by the political right in alliance with many of the technocratic economists associated with the IBRE and the FEA/USP. Many prominent leftist intellectuals left the country as a result of the coup and some of those, while in exile at the ILPES and CESO in Chile, produced a new interpretation of economic development that was dominant among leftist thought in Brazil for much of this period. The country was governed explicitly by a military dictatorship until 1985.

ECLA: Economic Structuralism

Though based in Santiago, Chile, the Economic Commission for Latin America (ECLA) was one of the most dominant institutions for economic thought in Brazil. ECLA economists lectured and attended conferences in Brazil while Brazilians studied and published through the commission in Santiago (Love, 1996: 119). Formed by edict of the United Nations Economic and Social Council in 1948, ECLA was established to analyze economic trends and diagnose problems within the Latin America region (Bianchi, 2002: 292). Economists from ECLA are central to the production and elaboration on what is now known as Latin American “structuralism.” Beginning in 1950, ECLA remained one of the dominant institutions in the production of Brazilian economic development theory until the mid-1960s when traditional structuralism began to wane in influence. This section will focus on the intellectual output of ECLA during that first period, primarily its theories of trade and inflation that conflicted with orthodox economic thought and monetarist theory. It will also discuss how Celso Furtado’s structuralist historical analysis of Brazil was one of the main means by which the work in Santiago became so relevant to Brazilian economic thought.

The foundational economic principles of ECLA appeared when the Argentinean economist Raúl Prebisch became the executive secretary of the organization in May of 1950. Prebisch was the backbone of the economic critique of the free market development model, arguing in favor of industrialization through the means of state-led import substitution and trade protection. The perspective is principally outlined in his 1949 text *The Economic Survey of Latin America* and his later work throughout the decade during which he elaborates upon his theory on the deterioration of terms of trade (Love, 1996: 131). Prebisch argues that the international economic system is unequal and composed of a Center and a Periphery that differ primarily by the former being more industrialized than the latter. In this schema, the underdeveloped Periphery is forced into the role of a primary good exporter while the Center produces and exports manufactured goods (Macedo, 2002: 4). For many orthodox liberal economists, however, this wasn't necessarily a negative aspect of the economic system. Among many, Brazilian economist Eugênio Gudin (who will be discussed more thoroughly in the third section) and Daniel de Carvalho argue, using the principles of comparative advantage, that Brazil would be more successful financially as a nation that exports primary products and imports manufactured goods (Bielschowsky, 1988: 74).

Prebisch's theory on deteriorating terms of trade was developed to demonstrate that, if Latin America and the Periphery were to specialize in primary products, their economic future would be one of instability and underdevelopment. Prebisch (1959: 255) argues that, as the agricultural, precapitalist economic sectors modernized, there would be a surplus of "marginal workers," unskilled, poorly paid laborers without the industrial epicenter to effectively absorb them. Prebisch asserts that, when modernization occurs in the Center, there will be an increased demand for labor, pushing up wages and absorbing workers from the underperforming

agricultural sector. Then, due to the high elasticity of demand for agricultural goods, as both the Center and the Periphery modernized, the price of manufactures will increase at a faster rate than primary goods. Thus, Prebisch explains, “the combination of disparities in income elasticities of demand and in technological densities put the Periphery in a weaker position vis-à-vis the Center, as regards the terms of trade” (262).

As a solution, ECLA proposed a policy of Import Substitution Industrialization (ISI). The impetus for ISI came from a series of empirical observations that the greatest periods of industrial development in Latin American history appeared during the years when they were cut off from industrial centers, such as during World War I, the Great Depression, and World War II. Central to this development model was the replacement of imported manufactured goods with domestic production through active state intervention. To implement this policy it would be necessary to create trade barriers in order to shelter the newly forming industries and to discourage the consumption of imports (Macedo, 2003: 5-6). Prebisch argues that this protection would allow for the further growth of industry, which, in turn, would absorb surplus labor as industrial production increased. The result of such changes is a shift from the precapitalist, low productivity, agricultural sector into the higher income industrial sector, causing a general rise in wages. Left to the hands of the unrestricted market, Prebisch (1959: 255-256) asserts that it would be impossible for this transformation, and therefore industrialization, to take place. In this sense, to the structuralists, industrialization was effectively the equivalent of economic development.

ECLA’s structuralism was brought into Brazil mainly by way of economist Celso Furtado. Though he was only marginally involved in the production of Prebisch’s foundational texts, Furtado was one of the many who participated in the development of proposed plans for

government-led economic policy to stimulate import substitution industrialization. Furtado and other ECLA economists were active in expanding upon Prebisch's hypotheses and furthered the idea that the state needed to be involved both through targeted investments in key sectors and through direct economic planning (Bielschowsky 1988: 86). Through this lens, it was not enough to use the government to simply create ideal *infrastructural* conditions in which the private sector could work towards development, but it was necessary for the state to have a role in promoting ideal *economic* conditions that were best suited to growth.

Of the ECLA economists, Furtado was one of the first to consider the idea of inflation caused by the structure of the economic system. In 1954 he argued that the deterioration of terms of trade for Peripheral economies, relative to those in the Center and its associate exchange rate issues, was a central cause of inflation. The structural condition of being underdeveloped meant that, when the currency lost value as terms of trades worsened, the price of necessary capital goods and manufactures would naturally increase, causing inflation without any linked economic growth (Love, 1996: 161). The concept of price level increases in the context of the Center-Periphery model was further developed by ECLA economists Osvaldo Sunkel and Juan Noyola Vásquez who, in 1958, published the structuralist theory of inflation.

Dealing with fluctuations in the price level, the first tenant of this aspect of structuralism was its rejection of the idea that inflation was principally a monetary phenomenon. Instead, ECLA economists considered it a symptom of underdevelopment that manifests itself in the monetary sphere (Figueiredo, 1990: 145). In many ways inspired by the Polish economist Michael Kalecki (Love, 1996: 161), Sunkel and Vásquez contend that inflation is caused by underdevelopment and instability in the productive sphere. As such, there is a necessary amount of inflation for any economic growth to occur, especially during the transition from an

agricultural economy to one based on industry (Macedo, 2003: 7). This concept is in stark contrast to monetarist theory that dominated the thinking in many orthodox economic circles, principally the International Monetary Fund. Monetarists argue that, to fight inflation, states need to use monetary policy to control the supply of currency in the market, usually as a way to restrict excess demand (Campos, 1963/1967a: 110-111).

The third principal contribution of the Economic Commission for Latin America to the development of economic thought in Brazil is the historical-structural method of analysis. This is most famously represented in the Celso Furtado's 1959 text *The Economic Growth of Brazil*. Guido Mantega (1989) and Ricardo Bielschowsky (1989) both argue that the text functions as a movement of ECLA structuralism into the study of Brazilian economic history. Mantega specifically contends the previous Brazilian economic historians such as industrialist Roberto Simonsen and Marxist Caio Prado Jr. lack a defined analytical method; whereas Furtado establishes himself as the father of “Keynesian interventionism” and “heterodox structuralism” in Brazil (30). In the same vein Bielschowsky credits Furtado with “having created a structuralist analysis of history for periphery countries” (39, my translation). What is most relevant, however, is that Furtado’s piece is both representative of his institutional background as an ECLA structuralist and presents an original analysis that contributes both to development economics in Brazil and the further advancement of structuralist theory.

The Economic Growth of Brazil (1959/1984) first considers the Portuguese model of colonization during which Brazil principally became an “exploitative colony,” in contrast to a “populating colony” such as the United States or Australia. Within the context of the former, Furtado first juxtaposes two different models of economic development within Brazil: the slave economy in the Northeast that focused on production of sugar for export during the 16th and 17th

century, and the wage labor economy that began in the 19th century with an emphasis on Coffee production. Considering the structure of the former, Furtado notes that though the sugar economy was highly dependent on the external economy, it managed to be highly resistant to downward cycles. This resistance came in part from the lack of benefit to stopping production because slave labor functioned as a “fixed cost” for plantation owners. Furtado also emphasizes that a small-scale cattle industry formed and attached itself to the sugar economy, as they primarily sold to those making money from the sugar trade. As the sugar industry began its long decline in the second half of the 17th century, the interaction between the slave economy and the cattle industry caused the formation of what Celso Furtado termed the “Northeast Complex.” The abundance of range land allowed for the expansion of the cattle economy and food, and therefore population growth, even as the sugar industry slowly declined. The economy was structured in such a way that there was a high concentration of wealth among the (relatively few) sugar plantation owners due to their land-holdings and slave labor base. This sector of the population was attached to a class of poor laborers, sharecrop farmers, and cattle ranchers who grew ever poorer as sugar prices continued to decline. To Furtado, a system of poverty and income inequality continued to persist, created as the natural function of an economy based almost entirely on sugar production.

Furtado contrasts this with the economic growth that came with the lucrative coffee industry in the 19th century. Opposed to sugar, which was dominated by landed oligarchs, coffee was a modern industry run by a newly formed business class:

The period of early development of the coffee economy was likewise that of the formation of a new managerial class destined to play a substantial part in the country’s future development. Many of these men, who had accumulated some

assets in the trading and transportation of food and coffee, turned towards the actual production of coffee and became pioneers in its expansion. (1959/1984: 124-125)

Furtado argues that this was the first economic expansion that was propelled by wage labor and not slavery or subsistence. Since waged labor was attracted from underperforming industries, the productivity increase they represented led to an overall increase in the wage level. The stimulus in demand caused by this increase eventually created a domestic market revolving around money from the coffee trade. However, Furtado points out that increases in production were the result of the high price of coffee, and had little to do with advances in physical productivity. In this sense, there was a structural dependency on coffee and therefore on international markets and prices.

The last structural transition considered by Celso Furtado began when the coffee economy demonstrated the negative effects of its dependency of the international economy. The beginning of the Great Depression in 1929 also marked the beginning of a cyclic downturn in coffee prices as demand from the Center decreased dramatically. The devaluation in currency caused by this decrease in demand made producing and selling coffee still profitable, though the associated rise in import prices was destabilizing to the rest of the economy. However, as supply and demand adjusted to the long term effects of the global recession, the coffee industry became continually unprofitable, and the “managerial class” who dominated this sector began to move into the market for manufactured goods. Furtado argues that the physical lack of imports of industrial goods, due to the economic crisis in the Center and an intensely devalued exchange rate, essentially protected these new industrialists as they effectively began to further modernize the economy. He asserts:

It is therefore evident that the economy had not only leavened incentives from within to annul the depressive effects from without and continued growing, but that it had also managed to produce a part of the goods necessary for the maintenance and expansion of its productive capacity (1959/1984: 219).

This is effectively the import-substitution model as presented by Prebisch but developed further to apply to Brazil. Like Prebisch and other ECLA economists, Furtado notes that structural aspects of the economic system led to an over-reliance on primary product exports and economic instability, and industrialization is the primary solution to this problem. Economic development would require economic planning and government protection, for as Furtado argues, “the system is by its very nature antagonistic to any process of industrialization” (1959/1984: 268).

ECLA’s influence was present within the Brazilian government as well. Around the time of the writing of *The Economic Growth* Celso Furtado was appointed the director of the Brazilian National Economic Development Bank (BNDE) for the Northeast region. In his eyes, this impoverished area had yet to truly escape the heritage of the Northeast Complex described earlier. Furtado managed to persuade President Juscelino Kubitschek to form the Superintendency for the Development of the Northeast (SUDENE) which focused on economic development in the region. After heading SUDENE for the first years of its development, Furtado was appointed to the Ministry of Planning under President João Goulart (Oliveira, 1983: 317). This coincided, however, with the waning influence of structuralist theory and the import substitution hypothesis due to the economic downturn that began at the end of the 1950s. By 1963 even Prebisch and other ECLA members had begun to criticize import substitution, contending that it had allowed inefficient industries to develop. The 1964 coup that was the

result of this economic crisis signified the end of structuralist policy dominance as Celso Furtado lost his position as Minister of Planning (Bresser-Pereira, 2005: 206). Regardless, ECLA was, during the preceding period, the dominant institution involved in the creation of structuralist thought. This school of thought was distinct from neoclassical economics and other theories of economic development in Brazil many of which will be discussed in later sections.

ISEB: National Development

The Brazilian Higher Education Institute (ISEB), though similar in perspective to ECLA, presented a distinct model for economic development in Brazil. Its role as the preeminent “public intellectual” institution in Brazil during the 1950s grouped scholars from disparate disciplinary backgrounds to work towards creating a development model. This model focused on three key elements: a capitalist economic revolution in which Brazil would transform into an advanced capitalist nation; a state-led industrialization model that would stimulate that economic transition; and a national political revolution in which an ideologically prepared governing class would rise into power. Together, with the empirical support of ECLA economists, this vision was the dominant one in development economic policy in Brazil from the 1950s until it began to wane in the early 1960s before the eventual dissolution of the ISEB after the military-led coup of 1964.

The foundation of the ISEB can be traced back to 1952 when a group of intellectuals began meeting in Itatia, a location relatively equidistant between the cities of São Paulo and Rio de Janeiro, so individuals from both regions could participate to discuss various issues relating to Brazil. By 1953 this collection of academics were formalized into the Instituto Brasileiro de Economia, Sociologia, e Política (Brazilian Institute of Economics, Sociology, and Politics -

IBESP). Their ideas were published principally in the journal *Cadernos do Nossa Tempo*. In 1955, during the brief tenure of President João Café Filho, the IBESP became part of the Brazilian Ministry of Education as the ISEB (Bresser-Pereira, 2004: 50-51).

The group's initial theoretical perspective was shaped by the “populist pact” used by Getúlio Vargas as part of his relatively development-centered *Estado Nôvo* policies during his first term (1930-1945) and his brief, though influential, second term (1951-1954). The pact was centrally a development model that privileged industrialization and was supported by the class alliance between the industrial bourgeoisie, industrial labor, and the state governing class. The IBESP and eventual ISEB were the principal groupings of intellectuals that supported this model (Bielschowsky, 1988: 98). Assuming the presidency in 1956 with the intent to follow the developmentalist model of Vargas, Juscelino Kubitschek gave the ISEB a more active role in the government. As the academics from the ISEB weren't ostensibly technocrats, their role was primarily as advisors, not policy makers (Bresser-Pereira, 2004: 52).

The first basis for their policy recommendations was the aforementioned idea of a “capitalist revolution.” Like Celso Furtado and other ECLA theorists, the economic analyses made by the ISEB primarily came from a historical perspective, though, unlike the ECLA, they were explicitly influenced by Marxist historical materialism. Using the language of the Marxist dialectic, Ignácio Rangel, the principal economist of the institute, focused on the history of dualistic economic and social relationships in Brazil. The “Brazilian duality” (*dualidade brasileira*) is based on two “poles,” a term Rangel uses to represent economic differences or economic structures that exist within a nation or region. For example, a national economy could be divided between a feudal pole and a capitalist pole, either of which could be stagnant or dynamic (Guimarães, 1998: 41). These poles described by Rangel also have two “sides:” an

internal side representing the pole itself and an external side that signifies the relation between that pole and the world economy. For example, a sector of an economy could be feudal in the way it acts internally with labor and the modes of production, while at the same time have an external capitalist side in which those goods are sold on the free international market (43).

To Rangel, the history of economic development in Brazil is essentially a history of the transition from one of these dualities to another which included corresponding changes in social, political, and economic structures. The first duality discussed by Rangel begins after Brazilian independence from Portugal and is based on a rural slavery pole and an urban mercantile capitalist pole. The system is dominated by the slavery pole and its large land holders, while the weaker capitalist aspect is controlled by the less powerful mercantile bourgeois. The decline and eventual end of the slavery system beginning in 1870 was the start of the second duality when in which to the mercantile bourgeoisie came to dominate the agricultural export system. By 1930, Rangel asserts, there existed a duality between this commercial agricultural bourgeoisie and a newly forming industrial bourgeoisie. Rangel believes that, for economic development to occur, the duality must shift to a system in which an industrial bourgeoisie is dominant. In contrast to a mercantile agricultural system, Rangel argues that, to make profit within the context of industrial capitalism, it is necessary to continuously incorporate technological advances. Thus, according to Rangel (1981/1998), after industrialization, economic development becomes more or less self-sustaining.

However, within the context of the Brazilian duality, the external side of each economic sector makes this economic development more difficult. Rangel argues that “the transformations of the Brazilian duality, being that Brazil is part of the Periphery, are provoked not only by the development of productive forces domestically, but also by changes in international trade”

(1981/1998: 47; my translation). Two external dependencies existed: the mercantile pole was dependent on the demand from foreign industrial capitalists to buy their goods, while the industrial pole formed debt relationships with foreign financial capitalists. It was these sectors' dependence upon the imperialist bourgeoisie in the center that naturally limited the ability of Peripheral economies to develop. In this sense, members of the ISEB argued that there needed to be direct state action to promote the transition from feudal and mercantile economic dualities dependent on the Center to self-sustaining industrial capitalism. However, for this transition to occur and to be successful, it was necessary for the industrialists to have the political will to participate in this industrialization and for the state to be governed by a technically competent and ideologically development oriented class. Members of the ISEB referred to the industrialists and supporters in the government as the “national bourgeoisie.” They would naturally work counter to the interests of the previously dominating mercantile agricultural bourgeoisie which, if left unhindered, would continue to promote primary product exportation. In alliance with the imperialist bourgeoisie importing those goods, the continuation of these mercantilist practices would be at the expense of domestic industrialization.

The ISEB argued that this national bourgeoisie would be essentially “nationalist” in the sense that it would embrace the concept of Brazil as an independent nation state and want to work towards the “national” interests in a similar vein as the governing classes in Center countries such as the United States, England, and France. Álvaro Vieira Pinto, philosopher and member of the ISEB, saw nationalism as the consciousness that recognized the imperative need for development. Pinto contends that for economic development in the Center, all that was required was the literal formation of the “nation state.” However, in underdeveloped countries such as Brazil that national consciousness did not form autonomously. As such, in the eyes of

Pinto, it was necessary for the formation of a national bourgeoisie which would consider economic problems in the ways in which those issues applied to national interests (Bresser-Pereira, 2004: 61-62).

Hélio Jaguaribe, first editor of *Cadernos do Nosso Tempo* and principal political scientist of the group, also argues that the formation of a national consciousness and economic development are linked. To Jaguaribe, nationalism is the “subjective expression of national solidarity [that] constitutes a built-in force of social integration” which naturally works towards economic development as a method of unification (1968: 33-34). Like Pinto, Jaguaribe states that this functioned differently in the Center than it did in the Periphery. Due to the legacy of colonialism and post-colonial dependence on the international market, countries like Brazil lacked both the ideological preconditions that attached that development with the idea of the nation state and the physical resources (i.e. capital) that allowed for development to occur. In this sense, the ISEB didn’t argue that the capitalist revolution was simply a transition from a “traditional” economy to a modern one such as argued by modernization theorists; it was also a social and political transformation.

Jaguaribe points to the political and economic revolution that occurred after 1930 as the beginning of the consolidation of the Brazilian nation-state. The first term of Vargas’ presidency was the political manifestation of the development of a national consciousness. To Jaguaribe, the election of Vargas represented the power of the middle class to enact political change for the sake of economic goals. These goals were primarily a reduction in the unemployment caused by the global depression which Vargas assuaged through pro-labor policy and overstaffing of the public service sector. However, Jaguaribe argues that it wasn’t until Vargas’ second term,

beginning in 1951, that the political transformation began to move into the economic sphere as well (1968: 145-146). Jaguaribe terms this “national capitalism” which is exemplified by cases

Where development has been promoted mainly by the entrepreneurial sector of the bourgeoisie, that class can be led to support the establishment of true political representativeness through the formation of a “development part,” committed at one and the same time to the interests of the entrepreneurial group and to the interests of the masses. (57)

Jaguaribe asserts that in Brazil, this was represented by the alliance between the working class Brazilian Workers Party (*Partido Trabalhista Brasileira - PTB*) and the middle class entrepreneur-run Social Democrat Party (*Partido Social-Democratico - PSD*). Jaguaribe contends that, with such political alliances, this nascent national bourgeoisie were then able to put Vargas into power, allowing him to attempt to enact industrial policy.

In both the national and capitalist revolutions, the research agenda of the ISEB emphasized the role of strategic economic planning initiated by the state in economic development. Occurring in conjunction with the construction of a national identity, this planning and industrialization represented the natural link between economic development and “nationalism” as described by the ISEB. This development strategy would be led by the national bourgeoisie through the state with popular support in line with the alliance of classes of the populist pact. In fact the group of scholars themselves represented a part of this national bourgeoisie, as it was they who theorized the role of the state in promoting national industrialization, while at the same time arguing and supporting the pact between the urban proletariat and the industrialists.

In regard to direct economic policy, the ISEB promoted a prominent and assertive role for the state in the industrialization process. Infant industry needed to be protected from foreign competition in line with the import substitution model presented by ECLA. Investments from the state were necessary to continue to develop physical and institutional infrastructure. The ISEB also argued the state should always work to incorporate new economic and technological developments that occur domestically or internationally into the national productive sphere (Bresser-Pereira, 2004: 57). Central to the continuation of this economic development was the need for macroeconomic stability and minimal inflation. Rangel, like the ECLA structuralists, thought that the monetarist tendency to blame inflation solely on excessive money supply and related demand pressure was overly simplistic. At the same time, however, he was critical of the structuralists for not connecting the material aspects of the inflationary process to conflicting class interests (Pedrão, 2001: 133).

According to Rangel, inflation was part of the reorganization of capital that occurred when the economy moved resources away from feudal and mercantilist poles of the economy towards its industrial capitalist sectors. Industry requires liquid capital to finance its expansion, but the lack of savings in a poor economy dominated by a non-industrial duality creates the need for an expansion of the money supply. Otherwise the pre-industrial sectors of the economy will absorb most of the supply of liquid capital, pushing up its value to the point that the price level rises and industrialization is more costly, both retarding growth and causing increases in the price level. Rangel claims that a second major cause of inflation is the relatively inefficient industries that are necessary in the beginning stages of import substitution. This rise in the price level due to the lack of competition among domestic industries with international businesses is considered the cost of the “social choice” to promote industrialization and development.

Regarding the drain on capital created by the conflict between the industrial and mercantile sectors of the economy, Rangel argues that, though some inflation due to this conflict is inevitable, the state can play a role in combating inflation. By using targeted investment policies that give preferential credit to industry at the expense of the mercantilists, economic development continues and allows for less inflation (Pedrão, 2001: 34).

The economic crisis and subsequent coup that occurred in Brazil in 1964 and led to the fall from grace of ECLA's structuralist model was even more devastating to the ISEB. Almost immediately after the military takeover, the ISEB was dissolved as its view of development was considered unduly Marxist by the military and its associated economic technocrats who are the focus of in the next section. The perspective was also criticized from the left, where many Marxists criticized the ISEB's support of the industrial bourgeoisie, many of whom supported the coup. These criticisms will be discussed further when considering dependency theory in the section discussing the ILPES and the CESO.

IBRE and the FEA/USP: Authoritarian Development

This section will focus on the economic thought developed by a group of academics associated with two academic institutions: the economist department at the Universidade de São Paulo (FEA/USP) and the Brazilian Institute of Economics (IBRE) at the Fundação Getúlio Vargas of Rio de Janeiro (FGV/RJ). It will be argued that these two centers of economic research were central to the development of a distinct form of Brazilian economic thought, that Mantega (1997) calls the “authoritarian development” (*desenvolvimentismo autoritário*) model. This school of thought comes principally from thinkers in the two aforementioned organizations, who – while working to further the evolution of Economics as a science in Brazil during the

1950s – eventually came to dominate economic policymaking after the military coup of 1964. The model was considered “authoritarian” due to its attachment with the coup. This economic interpretation is distinct from other Brazilian development theories because it promotes an orthodox and liberal view of economics, yet continues to support active, though limited, state involvement in the development process. Contrary to the structuralist and nationalist interpretations presented by ECLA and the ISEB, respectively, these policies advocated increased foreign direct investment and agricultural exports as the preferred way to promote stable modernization without undue inflation.

While, as Bresser-Pereira (1984) argues, this economic perspective was largely “hegemonic” when considered broadly, there are definite differences between the economists of both the IBRE and FEA/USP depending on their proximity to traditional economic liberalism, their propensity to support state involvement, and their analyses of inflation. Much of the liberal aspects of the authoritarian development model come both from the IBRE’s academic attachments to economist Eugênio Gudin as well as its central role as a center of technical economic knowledge, which drew relatively orthodox minded thinkers. Maria Rita Loureiro (1997) notes that when the IBRE was formed in 1951, its primary task was to “develop the necessary instruments for the production of information and economic analysis that governmental organizations didn’t yet possess and had become crucial for the regulation and economic planning implemented by the State during that period” (208; my translation). In other words, the IBRE assumed the task of creating the economic knowledge base that was necessary for policymakers to successfully implement the monetary and fiscal policies for the various development programs advocated by institutions like ECLA and the ISEB. The Department of Economics at the Universidade de São Paulo was also a center for the production of applied

economic knowledge with a theoretically orthodox background. Mantega (1997) identifies Antônio Delfim Netto as the head of those economists, along with Affonso Celso Pastore, Pedro Cipollari, and Eudardo Pereira de Carvalho, whom together he dubs the “Delfim boys” (113). While the department had been active since 1946, its position as a center of applied economic theory wasn’t formalized until the 1964 development of the Institute of Economic Research (IPE) inside the FEA/USP (Loureiro, 1997:221-222).

Though active as technocrats in the populist/structuralist governments of Vargas and Kubitschek, the institutions’ emphasis towards applied economics (as opposed to development economics) attracted many orthodox economists. As such, much of the theoretical output that applied to economic development came from economic liberals such as Eugênio Gudin and Octavio Gouvêa de Bulhões. Bielschowsky (1988) contends that Gudin was the most relevant and respected liberal economist during the beginning of the developmentalist period. He is the most famous practitioner of what Bresser-Pereira (1984) dubs the “agrarian destiny” interpretation of social reality in Brazil. From this perspective, the country’s future was viewed optimistically, contending that, by the logic of the free market, Brazil would naturally transform into a wealthy, yet primarily agrarian nation. In the tradition of classic liberal economics, Gudin argued that Brazil’s comparative advantage in agriculture and primary goods would allow it to form a vibrant economy based on farming and the free market. José Carlos Reis (1999) argues that this perspective was dominant in the 1920s and 1930s among intellectuals attached to the rural elite that studied the racial and social makeup of Brazil such as Gilberto Freyre and Oliveira Vianna. It was primarily Gudin and Daniel de Carvalho who carried that interpretation into the economic sphere in the 1940s and 1950s, opposing the promotion of industry, especially at the expense of agriculture.

While Gudin's position was respected, he had little direct impact on the formation of development theories. He was consistently suspicion of industrialization especially when it was at the expense of the further development of an export-oriented agricultural economy. Even during the periods when the development model appeared successful, he was still tentative of promoting industry. On occasion, Gudin would make gestures towards supporting government intervention to prevent vulnerability to economic cycles and promoting infant industries. However, Bielschowsky (2001) argues that these statements were usually nothing more than superficial points playing a small role in conservative economic texts that mainly recommended policies that avoided violating the natural rules of the market.

Though Gudin himself was generally opposed to industrialization, his influence was felt in the authoritarian development interpretation mainly by his power over research and conference funding and his close relationship with fellow economist Octavio Gouvêa de Bulhões. Bielschowsky (1988) principally considers Bulhões a liberal economist in the vein of Gudin. He points out that, like Gudin, Bulhões favored the reduction of state intervention in the economy, promoted equilibrium based monetary policy, and expressed opposition to using government policy. In this sense he separates Bulhões from what he calls the “non-nationalist developmentalists” that were also affiliated with the IBRE and FEA/USP. Bresser-Pereira (1984), Mantega (1997), and Saretta (2001), however, consider Bulhões very much a part of the authoritarian developmental school of thought. Contrary to Bielschowsky, they see Bulhões as part of the group that advocates the use of the state to discourage natural market inefficiencies that one finds in developed nations.

This perspective is supported by Bulhões' writings in the 1950s in which he argues that structural distortions in developing economies often require the intervention of the state.

Considering the nature of development in Brazil, Bulhões (1950) states,

We need to recognize the existence of obstacles to economic expansion in our country. They justify action by our government in some economic activities that in other countries were initiated and developed exclusively through private initiative... We shouldn't forget the fact that we are descendants of a people that lived at the peak of the period when primary goods sold for high values...Because of this, whenever the prices for those goods rise again, we judge it preferable to achieve growth by means of price increases instead of by making production more efficient. In Brazil...*there is a necessity for governmental policy that works to discourage these cheap solutions and instead promote, through various means, economic growth as a function of increases in productivity* (7-8; my translation, my emphasis).

Bulhões is contending that economies in the developed world may be able to achieve economic growth through private investment and savings. However, tendencies by producers in countries like Brazil to rely solely on volatile, high yield primary goods fail to increase actual productive capacity. In this sense, he sees a role for the government to enact policies that work against these tendencies that appear in unregulated developing country markets.

In many ways this was an adaptation of Western theories of economic development presented by foreign economists associated with the United Nations Economic and Social Council. This group asserted that liberalism and the mechanisms of the market served to regulate and stimulate growth in developed, capitalist economies, but that those theories were

insufficient to modernize and develop the Periphery. Some of these theorists attended conferences put on the IBRE during the 1950s (Mantega, 1997: 114-115). In this vein, Bulhões believed that the state had a role, primarily through monetary policy, in preventing economic fluctuations and promoting industrialization. He advocated policies that expanded the availability of credit for targeting key industries as well as semi-protective policies to encourage expansion of domestic production. Outside of this, however, Bulhões was critical of ECLA economists for not promoting “equilibrium development,” supporting models that allowed for inflation and government spending that caused balance of payments problems. Directly contrary to the “nationalism” of groups like the ISEB, Bulhões argued that many of the problems with the Brazilian economy could not be fixed by insulating the country from foreign investment, but, instead, by promoting it. (Saretta, 2001: 120-121).

Another central figure to the authoritarian development model was Roberto de Oliveira Campos. Though an economics professor at the Universidade de Brasil, Campos did much of his work in conjunction with the IBRE and its associated publications and had a strong attachment to the business community of Rio de Janeiro. Along with Bulhões and other members of the IBRE, Campos was one of the principal economists who worked towards creating the necessary technical base for development policy (Mantega, 1997: 115). In line with the orthodoxy of Bulhões, Campos’ writings on economic development avidly consider free market capitalism as the premiere method promoting industrialization and entrepreneurship. He criticizes the theories that emphasize state ownership of industry, redistributive social policies, and policies that overemphasize physical infrastructure (machines, buildings, dams) at the expense of investments in education and technology. Campos worries that this state intervention disguises the real cost of many goods and services, hides unemployment through further government

spending, and can represent the “surreptitious establishment of socialism” (Campos, 1961/1967: 57-59).

Like Bulhões, Campos believes that certain aspects of developing economies required the intervention of the state, but argues more forcibly for a government-led development policy. To defend this, he contends that Western countries followed a “spontaneous” development model in which economic development was mainly the province of individual entrepreneurship. Instead, Latin America and the Periphery must follow “derived-development.” In this style of development, it is not businesses or individuals who instigate economic advancement, but the collective, unordered will of the consumer population. Campos describes this as “the masses... that, by applying pressure for increased consumption, impel the governments to take a leading function in promoting economic development” (Campos, 1963/1967b: 46). The characteristics of this system that are fundamentally different from the model followed by Western countries are: a lack of private initiative due to the relative inexperience of domestic businesses, a general low concentration of resources necessary for large investments, and consumer habits that promote instability. As a result of the differences in these models of development Campos argues that “in the underdeveloped countries of Latin America, as well as in other developing countries, a much greater degree of governmental intervention is needed and desirable than is the case in mature, cumulative growth economies, such as, for instance that of the United States” (1963/1967b: 49).

The main task for Campos, Bulhões and others from the IBRE and FEA/USP who subscribe to the authoritarian development perspective was to then create a successful strategy for government intervention that avoids the pitfalls described previously. The plan essentially advocated by Campos focused on creating resources to be used for investment by promoting monetary stability, cutting general government expenditures for public services and the military,

and focusing on priority investments. Campos also saw the need for an improvement in social capital to create a viable technocratic bureaucracy and an educated business class. (1961/1967, 59-60). The creation of this technical class was considered fundamental, because, due to the need for more governmental intervention in Brazil and the developing world, a poorly trained inefficient government would only exacerbate development problems. According to Campos, “a vicious circle is then created: the more government planning and intervention is needed, the more wanting is the capacity and ability of the government and the managerial groups to undertake the tasks” (1960/1967: 12).

As with all Brazilian theories of development during this period, it was essential that economic analyses and subsequent development policies considered the question of inflation. Academics in the two Brazilian applied economic institutes under discussion positioned themselves between the arguments for inflation presented by structuralists and their opposing monetarists. Delfim Netto et al. (1965:16) argued that the causes of Brazilian inflation are public sector deficits, salary readjustments, and currency devaluations. Regarding the first point, public sector deficits are considered problematic in that, by overspending, the Brazilian government is promoting excess demand for without the necessary productive domestic base. Campos (1963:1967a: 110-111) argues that this was a valid claim of monetarist theory. However, at the same time, he contends that monetary policy and strictly restrictive fiscal policy are not the best policy tool to address this issue. Instead, public sector deficits should be dealt with through the use fiscal policy as a method of stimulating or dampening inflationary pressures. This point is echoed by Delfim Netto et al. (1965) who points out that “government spending” should be used strategically in this case, not money supply manipulation and fiscal austerity (88).

Salary readjustments are viewed as another major cause of inflation and a general obstacle to development, depending on the type of government policy in effect. In the case of an expansionary monetary policy, inflation adjusted wages are predicted to keep the inflation rate at a steady level, assuming they are proportionally adjusted in an accurate manner. With a restricted monetary policy, however, the exchange rate remains constant, but inflation can cause unhealthy unemployment and break the “rhythm of economic development.” In this case the solution presented by Delfim Netto et al. is an active government strategy that uses flexible monetary policy while mandating that salaries be adjusted as accurately as possible with the predicted rates of inflation (78-79).

Mario Henrique Simonson was one of the first to refer to these causes of price level increases as “inertial inflation.” In his studies of price levels in the 1960s and 1970s, Simonson, a professor at the IBRE and close colleague of Roberto Campos, argued that the combination of salary adjustment and persistent government deficits could lead to autonomously increasing rates of inflation (Ramalho, 2003: 228). In this sense, Simonsen was strictly opposed to wage indexation in general and, like the other authoritarian developmentalist thinkers, believed that austere monetary policy was not the answer to increases in the price level.

The next cause of inflation considered by proponents of the authoritarian development model is a devalued exchange rate. The Delfim Boys (1965: 19) and Roberto Campos (1963/1967a: 114-115) argued that this was an essentially accurate structuralist argument in line with the derived demand development model mentioned earlier. As such, consumer and industry demands for imported goods exacerbate falling values of exported goods, causing the exchange rate to drop and the price of those imported consumer and capital goods to rise. However,

Campos was critical of the policy prescriptions made along these lines. He considered the recommendations made by structuralists problematic in that

No separation is made between autonomous structural rigidities and induced rigidities resulting from price or exchange controls or mismanaged government intervention...[and] that the quantitative importance of the cost-push generated by import substitution, or by loses in import capacity through the decline in terms of trade, is greatly exaggerated. While these factors might account for a moderate inflationary pressure, they are of little use to explain the massive and chronic inflation in Latin America (1963/1967a: 117).

Instead, in order to fight inflation, Campos argued that the state should focus government investment towards targeted “bottleneck sectors,” work towards increasing agricultural export earnings, promote foreign direct investment to support currency therefore price stability, and use a flexible monetary policy that doesn’t retard growth due to its austerity (121).

Both the criticisms and policy recommendations are representative of the broad framework of the authoritarian development model. The former critiques the *inefficient* use of government policy to deal with inflation and industrialization and is suspicious of associating development problems with the structures of the capitalist economic system. The proposed solutions continue the emphasis on targeted government expenditures and consider the agricultural sector as a viable instrument for stabilization and further economic development. Bulhões and Campos’ emphasis on the promotion foreign investment as a source of financing for investment spending was the final major aspect of the authoritarian development model.

With the economic stagnation and political crisis that led up to the military coup, many of those in power saw the development models presented by the orthodox economists from the

IBRE and FEA/USP as an alternative to those of the ISEB and ECLA. The coup itself saw the transformation of the populist pack and the ideology that commanded it into the authoritarian development model. As opposed to the alliance between the industrial bourgeoisie and proletariat against the “feudal” agricultural sector that dominated the pre-1964 period, the new political arrangement was controlled by a union of the local industrial *and* agromercantile elites who allied with foreign corporations and state technocrats (Bresser-Pereira, 1984: 43). The progenitors of this new political and economic formation that dominated until the end of the 1970s were the theorists of the authoritarian development model. Octavio Gouvêa de Bulhões, Roberto Campos Antônio Delfim Netto, and Mario Enrique Simonsen all served terms as Ministers of Finance between 1964 and 1979. In addition Delfim Netto, Campos, and Simonsen all spent time as Ministers of Planning during the same period.

ILPES and the CESO: Dependency Theory

While the authoritarian development model dominated the economic and planning policies of the Brazilian government, an alternative school of thought prospered in Santiago, Chile. Prominent Brazilian leftist intellectuals went into exile immediately after the military coup and began (or in some cases continued) developing their theses at the Latin American Institute for Economic and Social Planning (ILPES) and the Center of Socio-Economic Studies (CESO) at the Universidad de Chile. Academics that had relocated principally from the Universidade de Brasília and the Department of Sociology at the Universidade de São Paulo spent their time in Santiago articulating what is known as “dependency theory.” While owing somewhat to the economic structuralism developed by ECLA, dependency analysis was a distinct perspective whose unifying theory had definite Marxist origins. The theory contended

that there was a concrete link between the economic development in the Periphery and that of the Center. In other words, economic growth and industrialization in underdeveloped countries were largely a function of the economies of the developed world and vice-versa. Beyond these rather broad principles, dependency theory has a wide range of followers and theoretical perspectives. In this sense, not only was the uniqueness of this school of thought representative of the diversity of Brazilian developmental economic thought, but the internal divisions within the theory reflected this heterogeneity as well. This section will primarily focus on two of those competing perspectives: superimperialist exploitation and associated dependency.

Much of the production of the exploitation perspective came out of the CESO, a publishing, research center attached to the Department of Economics at the Universidad de Chile. Brazilian academics Theotonio dos Santos, Ruy Mauro Marini and Vânia Bambirra, who were dismissed from their positions at the Universidade de Brasília almost immediately after the military takeover in 1964, eventually relocated to the CESO where they began developing dependency theory. German-born Latin Americanist Andre Gunder Frank, with whom Marini did graduate work and one of the Brazilians' main intellectual influences at the Universidade de Brasília, went to Santiago as well and was active at the CESO (Dos Santos, 1999: 7). Frank's central preoccupation was the way in which the Periphery had come to be "underdeveloped" relative to the Center. His research on this topic while in Brazil and Chile culminated in his most widely read text *Capitalism and Underdevelopment in Latin America*. In both of the historical cases involving dependency in Brazil and Chile, he discusses the "development of underdevelopment" in which capitalist economic growth in the "metropolitan" Center is done at the expense of chronic subdevelopment in the "satellite" Periphery. Discussing this Frank (1967/1969) contends,

Economic development and underdevelopment are not just relative and quantitative, in that one represents more economic development than the other; economic development and underdevelopment are relational and qualitative and that each is structurally different from yet caused by its relation with the other (9).

Thus Frank is arguing that there is a structural dependence between the Center and the Periphery and that the expansion of the capitalist system causes the later to underdevelop to the benefit of the former.

Frank's analysis of the history of underdevelopment in Brazil emphasized how, dating back to the colonial period, metropolises have exploited and retarded the growth of their satellites to fund their own economic development. Using Marxist language, Frank argued that the metropolis finances its growth and capital accumulation with surplus it extracts from satellite countries. It does this initially through colonialism and later through various stages of imperialism, in each case leaving the satellite with little or no surplus to fund its own economic development. To Frank, however, this isn't exclusively a relationship between states; he argues that the metropolis-satellite relationship expands between classes and regions to all parts of the capitalist system. Within this context Frank is critical of the model of political development espoused by the ISEB. Frank argued that, instead of working towards nationalist, state-led economic development in alliance with the proletariat, the Brazilian national bourgeoisie became dependent on the international bourgeoisie and, because of that dependency, eventually instigated the 1964 coup.

Ruy Mauro Marini is similarly critical of ISEB's intellectual support for the "national bourgeoisie." Marini argues that the capitalist system, by way of the economic recession that preceded the coup, forced the industrial bourgeoisie to ally itself with the imperialist metropolis

and take over the government. The ultimate result was what Marini called “subimperialism” (*subimperialismo*) in which the industrial and agricultural bourgeoisie allied and, with the support of union suppression by the military state, acted as a metropolis extracting surplus from the working class (1969:111-112).

Marini called this process the “superexploitation of labor” (*superexplotación de trabajo*). This concept is centered on the way the capitalist system and the Center countries extract more value from the satellite nations, and that, in turn, the national bourgeoisie finance this by appropriating the surplus value from labor (129). Marini argued that this system, based on capitalist accumulation in the Center at the expense of labor in the Periphery, would never allow for economic development by satellite nations. Marini asserted that an exploited worker class would never stimulate demand enough for economic development. In those cases in which workers had high enough wages to create a viable context for economic development, the surplus would still be sent to the Center through imports and eventually cause an economic and political collapse as was seen in Brazil. (133).

The published works of Theotonio dos Santos, who had become the Director of the CESO, reflect a similarly pessimistic view on the possibility for development within the capitalist system of dependency. He argued that the low worker salaries, and thus low levels of consumption, mean that capital for industrialization comes from abroad. Dos Santos asserts that this system creates a need for the preservation of an export-oriented economy which, in turn, makes economic development responsive to fluctuations in the balance of payments. The deterioration of the terms of trade, the lack of foreign aid or loan money for investment, and a monopoly on current and future technology are, according to Dos Santos, what makes the balance of payments situation untenable for industrialization (1970: 233-234). At the same time,

he contends that the exploitation of labor will force increase polarization of the political sphere and cause acute military and civil unrest. As a result, dos Santos believes that the Periphery will have to choose between a military capitalist government and a popular revolutionary government. Essentially: fascism or socialism (1971: 40-41).

In Santiago, these scholars, primarily dos Santos and Marini, engaged in open debate with other dependency theory thinkers from around the city, including those from ILPES, ECLA and other departments at the Universidad de Chile. They held conferences, taught classes, and openly debated during such events as the seminar on Marx's *Capital* held at the CESO (Dos Santos, 1998: 15). Among those who attended was Fernando Henrique Cardoso, the main theorist who promoted associated dependency analysis, who was working in exile at the ILPES. Before his exile, Cardoso was one of the principal, though younger, academics of the São Paulo School of Sociology, a school of thought attached to the Sociology department at the Universidad de São Paulo. As part of this group he, among others, criticized the ISEB thesis for its veneration of the "national bourgeoisie." Like the superimperialist perspective, these theorists blamed the bourgeoisie for the military coup and rejected any dualist perspective that attempted to separate the interests of an "industrial" or "agrarian" elite from their shared interests as bourgeoisie (Bresser-Pereira, 2005: 58).

After the coup, Cardoso traveled to Chile with his student from the USP, José Serra, at the invitation of José Medina Echavarría, the director at the ILPES. Having been established in 1962 by Raúl Prebisch, the IPLES was effectively the sociological complement to ECLA (Love 1996: 191). During his time in Santiago, Cardoso taught periodic classes at the Universidad de Chile and conducted primary research at the ILPES with Chilean sociologist Enzo Faletto. The text that was the result of this research, *Dependency and Development*, first published in 1969,

was underpinned in many ways by Cardoso and the São Paulo School of Sociology's criticisms of the ISEB. In this essay, Cardoso and Faletto analyze the effect of dependent economic relationship between the Center and Periphery on social, political, and economic class formation in the underdeveloped nations. They argue that, though the "national bourgeoisie" was more or less unified and allied with the imperialist center, which was contrary to the interpretation presented by the ISEB, this dependency relationship still allowed for economic development. This was based, among other things, on the fact that during Brazil's history of dependency, industrialization had undoubtedly occurred in Brazil, even as limited as it appeared (Mantega, 1997: 135-137).

In this sense the associated dependency theory was radically different from the imperialist superexploitation perspective which, as mentioned previously, argued the development was basically impossible in the context of the capitalist system. Cardoso expands on this in later texts, placing his theoretical position within the context of Leninist theory of imperialism. In early stages of this theory, the basic premises of Frank, dos Santos, and Marini are upheld, especially the idea that the expansion of the capitalist system under the guise of imperialism restricts underdeveloped nations' economies to agriculture and the exportation of primary goods (Cardoso, 1972: 190-191). However, argues Cardoso, the relationship between the Center and the Periphery evolved from the imperialism exploitation model described by Lenin into a system of associated dependency (*dependência associada*). While Cardoso does not deny that the Center still held the power of and economic domination of the previous period of imperialism, in this new stage of dependency, economic development and thus industrialization are possible, principally due to foreign direct investment.

Cardoso argues that this is possible because the need has arisen for companies investing in Latin America to establish a domestic market for their goods. For investing companies such as General Motors and Sears Roebuck, Cardoso asserts,

The immediate objective, in terms of profit, is the Latin American market or the specific markets of countries in Latin America in which those companies are operating. Accordingly, at least until a certain point, foreign investment of this type demands some grade of internal prosperity. (1972: 196; my translation)

This argument is directly contrary to the theses of Marini and dos Santos who both claim that dependency requires workers to remain in extreme conditions of exploitation and poverty.

Cardoso argues that the tentative industrial development before the coup, small as it relatively is, represented a sector of advanced capitalism. Once established, he contends this sector “doesn’t depend anymore on the development of underdevelopment but, on the contrary, on the legitimate creation of a consumer market of the capitalist variation” (1974: 7; my translation).

Cardoso’s protégé at the ILPES José Serra and Brazilian ECLA Economist Maria da Conceição Tavares’ collaboration echoes this perspective. They contend that the capitalism in Brazil is viable, however unequally distributed, and that it promotes industrialization. Contrary to the superimperialist thesis, Tavares and Conceição argue that the crisis of the 1960s is not merely the beginning of permanent underdeveloped stagnation, but symptomatic of a transitional period into a new stage of development with associated rules of accumulation of power and income (Possas, 2001: 392-393). They argue that in the previous stage, protected domestic industries drove economic development, and, though the crisis of the 1960s marked the end of that period, the stagnation was not indicative of the end of industrialization. In the new period,

Serra and Tavares argue, like Cardoso, that it is foreign capital that finances economic growth and development (Mantega, 1997: 143).

As shown here, associated dependency theory asserts that development in the Periphery is possible as part of the capitalist system. Based on this argument, theorists associated with this model did not believe that the capitalist system necessitated a choice of either fascism or socialism as argued by those that followed the superexploitation hypothesis. Cardoso (1974) argues that the development associated with foreign investment as well as the necessary relationship that a national bourgeoisie would have in that development preclude having to make this choice. This technocratic class naturally benefits from their alliance with the imperialist bourgeoisie due to the capital that comes with foreign investment (8-9). In this sense, Cardoso explains, the domestic bourgeoisie are interested in the promotion of an internal consumer market to attract foreign capital and will use the mechanism of the state to do so. He asserts that superexploitation of labor is not conducive to the goals of the national bourgeoisie. In this sense social strife and polarization are not inevitable; therefore, to Cardoso, the need for an ultimate choice between socialism and fascism will not be necessary (30).

Thus there are two clear poles in dependency theory. The associated dependency school of thought, conceived primarily at the USP and later at the ILPES, contends that development in the periphery is possible, even within the capitalist system. On the other side, the superimperialist exploitation perspective associated with the Universidade de Brasília and the CESO claims that dependency forces the periphery into a chronic state of underdevelopment, which requires an economic and political revolution to be overcome. Beyond being a pessimistic indicator for political development, the Chilean military coup of 1973 caused yet another geographical movement for dependency theorists. Marini and dos Santos continued their

discussions of superexploitation at the Universidad Nacional Autónoma de México. There, Marini was actively involved in the Latin American Studies center while dos Santos rose to become the director of the graduate program in Economics (Dos Santos, 1998: 15).

While still working with the ILPES, Cardoso returned to Brazil in 1969 where he founded the Brazilian Center of Analysis and Planning (*Centro Brasileiro de Análise e Planejamento* - CEBRAP) in São Paulo (Love: 1996, 199). As the political situation in Chile became untenable, he relocated back to Brazil permanently to continue to promote dependency analysis along with other theorists in Brazil. Most notably among them is Francisco de Oliveira who is most famous for his analysis of the relationship between dependency, industrialization, and capitalist accumulation (Mantega, 1997: 145-147). José Serra and Maria da Conceição Tavares relocated to the Universidade de Campinas (UNICAMP) where they established what is known as the Campinas School of Thought which focused on the nature of capitalist development in Periphery, centrally Brazil being in a state of delayed forming capitalism (149). While the policy of the military dictatorship had changed sufficiently to allow them to return to Brazil and continue research, many of these dependency theorists were subject to periodic police raids and interrogation.

Conclusion

The presentation of these institutional groupings does not intend to represent the entire breadth of economic theories produced in Brazil. However, this investigation has shown that, from the creation of the ECLA in 1948 until the culmination of the debt crisis in 1980, development economics in Brazil was dominated by these four groups and their associated academics. Historically, the economic structuralism and national development models presented

by ECLA and the ISEB, respectively, held the most sway over policy making until the military takeover in 1964. After the coup, the relatively orthodox economists associated with the IBRE and FEA/USP were the dominant forces in policy making as many of these technocrats held prominent government positions during the dictatorship. On the other side of the political spectrum, dependency theory flourished in exile primarily at the ILPES and CESO in Chile. The differences between the thought that came out of these institutions and often the debates within are indicative of the heterogeneity of economic development thought during this period.

There are several interesting possibilities for further consideration that arise from this research. Most notably, is the seeming existence of a linkage between political change in Brazil and the production of economic development theory. At the same time, due to the fact that these perspectives differed based on institutional affiliation, there is an obvious relationship between academic power and political power in Brazil during this period. Consider the ISEB, whose fall from grace was achieved not only in the academic sphere, but also in the political sphere, when the military government dissolved the institution. At the same time, much of the initial formation of dependency theory was done in exile, either forcibly or voluntarily in fear of the repercussions for being applying Marxist methods and theory to the analysis of development.

The geography of these institutions and theoretical perspectives is interesting as well. Within Brazil it was mainly institutions in São Paulo and Rio de Janeiro that contributed to economic development theory. The choice of Itatia as the initial meeting place for members of the eventual ISEB was strategic: it allowed academics from both cities to participate in the discussions. The FEA/USP and IBRE from São Paulo and Rio, respectively, were the undisputed centers for applied economic thought. In the discipline of economics today, it is generally the economics departments from those two states that are still dominant, though some

exceptions do exist. Santiago, Chile, was the most notable location abroad where Brazilians produced theories of economic development, first as the site of the ECLA, and later as a haven for leftist intellectuals after the military coup. It is interesting to consider how the location of these cities, especially relative to less academically represented areas of Brazil, influenced the production of theory.

The funding of these institutions is also relevant. The various public and private entities that patronize these institutions have their own agenda. ECLA and the ILPES were both founded and funded by the United Nations. The financing of research at academic institutions like the IBRE, USP, and CESO came from a mix of public and private sources. Conferences at the IBRE and the FEA/USP, for example, were often paid for by the United States' "Alliance for Progress." This study has shown that there was a distinct link between economic development thought and institutional affiliations during the period under analysis. This means that these institutions' geographic location, patronage, and relationship to political actors were intricately connected with the production of economic knowledge. This relationship between institutions and knowledge exists beyond the period and disciplines in question and has implications for the nature and development of theory in all fields.

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