

Book review

Furtado, Celso (2020): *The Myth of Economic Development*, Medford, MA, USA and Cambridge, UK (111 pages, Polity Press, hardcover, ISBN 978-1-5095-4013-6; softcover, ISBN 978-1-5095-4014-3; ebook, ISBN 978-1-5095-4015-0)

Santiago Graña Colella*

GAI–National University of Mar del Plata (UNMDP), Argentina, Berlin School of Economics and Law (HWR), Germany and University Sorbonne Paris Nord (USPN), France

Mariana Pellegrini**

Berlin School of Economics and Law (HWR), Germany and University Sorbonne Paris Nord (USPN), France

On the 100th anniversary of Celso Furtado's birth, several publications, such as Klüger (2020) and Lacerda et al. (2020), and conferences, such as 'Celso Furtado 100 anos', were created to honour the achievements of one of the founders of Latin American Structuralism. In this context, Polity Press has published, for the first time in English, Furtado's book from 1974, *O Mito do Desenvolvimento Econômico*. In this book, Furtado aims to unmask what he names as 'the myth of economic development', which acts as guidance for most economic models of development. In short, the myth consists of the belief that consumption patterns from central countries, associated with development, can be universalized to the entire population of undeveloped peripheral countries.¹ To elaborate on his arguments, Furtado critically revises 'The limits to growth' (LTG) report (Meadows et al. 1972), commissioned by the club of Rome. This study concluded, by means of a computational model, that the world seen as a whole system would find its limits to growth approximately 100 years after the publication of the LTG report. According to Furtado, this report, which has had great influence in the de-growth literature (Fournier 2008), is wrongly based on the myth of economic development and consequently overestimates the consequences of growth, leading to 'catastrophic conclusions'.

The English version of *O Mito do Desenvolvimento Econômico* analysed in the present review includes an introduction by Ndongo Samba Sylla, which presents a short biography of Furtado focusing on his academic influences and studies, publications, and research framework. In addition, the introduction provides a summary of the LTG report and a summary and analysis of *The Myth of Economic Development* itself.

In the first chapter, Furtado introduces us to what he means by 'the myth of economic development'. In his view, the literature specializing in economic development has consistently evolved on the basis of a mythical idea: that economic development can be universalized, in the sense that patterns of consumption from industrialized countries can be

* Email: santigrana95@gmail.com.

** Email: pellegrini.mari@gmail.com.

1. According to Latin American Structuralism, there are two types of economies: central economies, which have a relative abundance of capital and specialize in industrial goods, and peripheral economies, which have a relative abundance of labour and specialize in primary goods.

reachable for the great masses on the periphery. Furthermore, he stresses that such models do not contemplate, among other factors, the irreversible side-effects that capital accumulation has on the physical environment. In this sense, Furtado highlights the importance of the breakthrough perspective introduced in the famous LTG report. Particularly, Furtado acknowledges how this study builds its model on a global scale and as a closed system, limited by the stock of natural resources. The author critically revisits the LTG report in his book, to both elaborate on and unmask 'the myth of economic development'.

In the second chapter, Furtado deepens his criticisms of the LTG report. In particular, he argues that, by strictly using data from developed countries, the report implicitly assumes that underdevelopment and development are different stages along the same trajectory. To oppose this idea, Furtado carries out a historical analysis of the development path of developed and underdeveloped countries since the Industrial Revolution. According to him, the reason why a country belongs to any of these categories depends on historical features and the role of the state. After the Industrial Revolution, the increase in capital accumulation and international commerce led to increases in productivity in the centre, generating a higher surplus. This surplus was partly used to increase consumption and partly to increase capital accumulation, causing an increasing industrial concentration. By contrast, peripheral countries based their economy on raw materials exports. Consequently, in those countries, productivity increases were mainly associated with increases in exports. Moreover, the surplus destined to expand consumption led to increasing imports of final goods instead of capital accumulation. However, as resistance against international British hegemony forged the birth of national economic systems, production in the centre started to be oriented to the domestic market, increasing industrial concentration in these economies. On the other hand, mainly after the Great Depression, peripheral countries started to promote an industrialization by import substitution. According to Furtado, this distinct process of developing countries indicates that the periphery and the centre have historically followed different development paths.

In chapter 3, Furtado presents capitalism's configuration at the time the book was written, focusing on the role of large companies at international and national levels. According to the author, there were three changes taking place at that time. First, an increasing process of integration within the centre, after the creation of an international capital market and the emergence of the General Agreement on Tariffs and Trade (GATT), which led to higher growth levels in the centre. Second, this created an increasing divergence between the centre and the periphery. Lastly, there was a rising divide within the peripheral countries due to the differences between the economic dynamism in the centre and the periphery. Particularly, Furtado perceived that, while in the centre economic dynamism was defined by increases in real wages and larger flows of products, in the periphery it was determined by the imitation of the centre's consumption patterns. Therefore, the flows of goods from the centre led to increases in income concentration within the periphery, since greater income was needed to acquire these goods.

According to Furtado, large companies' allocation decisions determine the relationship between the centre and the periphery. Production decisions will mostly be driven by labour costs and the size of the market. However, according to Furtado, the effect of the size of the market has a saturation point after which labour costs become the sole main driver of large companies' decisions. This explains why most large companies decide to allocate their production in the periphery, where labour costs are lower, employing the capital and technology of the centre, to then sell the goods to central countries. In this sense, Furtado notices how large companies' behaviour started to transcend national economic systems, to condition the relationships between centre and periphery and, in turn,

to reduce the flexibility of national states. Nevertheless, Furtado also proposes some limitations for the exercise of large companies' power, such as the lack of representation of the 'national interest', and potential reactions of society against the power of large companies. The author concludes this chapter by asserting that large companies, in the event of facing difficulties and strong opposition, would eventually adapt.

In the fourth chapter, Furtado outlines the alternatives for developing countries under this context. First, he states that peripheral countries will become increasingly important since developed countries will become more dependent on non-renewable resources, and large companies will become more dependent on cheap labour. Furtado argues that states can apply autonomy to a certain degree by exercising control over their non-renewable resources. Nevertheless, if the income produced with this policy was offshored to the centre, as happened with the petrodollars from the Organization of the Petroleum Exporting Countries (OPEC), these countries would become mere rentiers. If, on the other hand, that income was directed to other peripheral countries with lower access to natural resources, the effect would depend on the use of this income. In the case that they use it to continue the actual development path, under the direction of large companies, there would be no alteration of the centre-periphery relationship. Additionally, Furtado proposes another alternative, which implies defending the real value of labour by raising real wages, although he finds it has major drawbacks. First, it could lead to large companies shifting the production to other locations. Furthermore, a potential wage equalization between peripheral countries would only benefit those with a certain degree of industrialization. Regarding national wage differentials, wage increases in the non-renewable resources sector would be conducive to the creation of a new social layer with a quality of life substantially higher than the rest. Ultimately, this alternative would only deepen the root of underdevelopment, leaving unmodified the fact that the accumulation process will be directed by large companies. Finally, Furtado imagines a more radical alternative, in which social pressure could potentially force a national autocracy to change the direction of the accumulation process.

Chapter 5 presents Furtado's main propositions within this book, by focusing on the environmental situation of peripheral economies and connecting with the arguments of the LTG report. In the first place, as the ongoing orientation of development leads to income concentration towards countries with higher standards of living, it increases the pressure on resources as economic growth occurs. While the LTG report proposes a possible universalization of consumption patterns from rich economies, Furtado affirms that such an outlook would contradict the exclusionary dynamics of the orientation of development. The author claims that a perpetuation of the ongoing path would lead to stronger pressures over resources. Nevertheless, he considers that the horizons for peripheral countries are wide and, subsequently, visualizes two hypothetical alternative situations. In the first, peripheral states could manage to appropriate a larger share of global income by elevating the prices of non-renewable resources and labour exports. Furtado argues this would contribute to a fall in resources pressure since growth would replace the continuous introduction of new finished products with a better distribution of already familiar standards of consumption. The other scenario contemplates fundamental political changes due to the pressure of the excluded masses, which could lead to the implementation of a new and more egalitarian development orientation. By favouring collective forms of consumption and reducing the waste produced by the increasing share of the privileged group, Furtado considers pressure on resources would drop.

Furtado's appraisal leads him to uphold that the LTG's model allows him to confirm that the living standards created by industrial capitalism will indefinitely benefit a minority and, if it were ever generalized, would mean the collapse of humanity. Nevertheless, for

him this last conclusion is unrealistic, because the gaps between the centre and the periphery, and between the privileged and the unprivileged, will never close, meaning that the periphery, under this orientation of development, will never be developed. At this stage, Furtado highlights that the true importance of the LTG report is that it contributed to unmask and destroy 'the myth of economic development'. The author ponders that his own analysis proves that economic development, as defined by the orthodox economic doctrine, is an abstract idea, an illusory argument to convince and subdue peripheral populations to predatory forms of dependence and to justify the necessity of destroying their physical environment. In this sense, this book suggests that only by focusing on identifying collective necessities and scientific advances could a more realistic and egalitarian development arise.

To conclude, *The Myth of Economic Development* successfully explains the dynamics of economic development in peripheral economies and has the virtue of considering the environmental effects of that process. Therefore, it gives useful insights for scholars researching on ecological and development economics. Its main drawback is that there are some features of current capitalism, such as the rise of finance, that Furtado could not capture, since the book was written in 1974 when such developments were merely emerging. Nonetheless, he was able to perceive many relevant issues, including the increasing reliance of large companies on the supply of cheap labour from developing countries and the effects this reliance has had over these peripheral economies, as well as the growing importance of global-scale economic analyses. Additionally, it can be argued that the fact that increasing inequality is currently ongoing in some central economies enhances the relevance of Furtado's considerations about income distribution since it has a wider scope of applications. Finally, 'the myth of economic development' seems to still be valid, as most developing countries' populations still cannot access the consumption patterns of the centre and develop in the hegemonic economic doctrine's sense.

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