International Poverty Centre

in Focus

United Nations Development Programme

April 2005

Celso Furtado

1920 - 2004

GUEST **EDITOR**

On November 20, 2004 Celso Furtado passed away, that great Brazilian economist who so much influenced contemporary notions of under-development.

I met Celso during the heyday of Latin American *structuralism*, of which he was one of the founders. We were among a handful of economists who had the privilege of being at the inception of that great experiment that CEPAL turned out to be. At that time, quite independently from one another, Raúl Prebisch and I came across an idea that challenged Ricardo's theory of comparative advantages. We observed a tendency for the terms of trade of countries exporting raw materials to deteriorate over time. Trade, it seemed, was a key channel for transferring resources from poor to rich countries, thus perpetuating the conditions of under-development in the periphery of the world economy. Breaking out of this cycle required deliberate policies to support so-called *infant* industries and expand the *domestic* market to lay the foundations for self-sustaining growth.

Furtado became a major influence the moment he joined us. He brought in an unusual knowledge of economic theory and of Brazil's history, society and culture. Especially important were his insights about the *specificity* of under-development, the asymmetrical yet complementary links between developed and underdeveloped countries, and the structural *dualism* of the latter which reproduced, locally, that which existed between the industrialized, modern *center* and the dependent economies of the world´s *periphery*.

Celso was not simply a man of ideas; he was also a man of action. From the mid-1950s until 1964, he would occupy important posts in BNDE, Brazil's development bank, where he laid out a development blueprint for his country's impoverished Northeast, at the helm of the newly created SUDENE and then as planning minister. I worked closely with him during his years at SUDENE, when we were confident that development planning could help overcome the structural backwardness of his beloved native region.

With the 1964 *coup*, Celso was banned from political life and forced into exile. Over the next two decades, he would pursue a distinguished academic career at Yale, Cambridge and Sorbonne, devoting time to his writings and polishing his ideas about the nature of under-development. They achieved such recognition as to earn him a place in the pantheon of the *pioneers* of development, alongside a dozen other gifted economists that included A. Hirschman, A. Lewis, G. Myrdal, R. Prebisch, W. Rostow, D. Seers and J. Tinbergen. I would also count myself among his admirers.

In a sense, Furtado's passing is emblematic of that of a generation of visionary people who saw the world the way it was, and dreamed of a different one. Much has changed since those days. There is more complexity now than we knew then. Globalization has brought a level of interconnectedness among nations that we could not have imagined. The stylized elegance of the center-periphery idea would appear to have been superseded in today's multifarious world. But in many respects, the essential insights of Furtado and his fellow thinkers remain intact, in light of the persistent asymmetries in today's global economy and its failure to deliver more space for home-grown, sustained development in poor countries or greater welfare to its citizens.

This issue of *In Focus* pays tribute to a remarkable intellectual from the South, who despaired about the dismal social consequences of a certain development trajectory and tried to chart an alternative path premised on a more active role for the state and public policy. The outstanding selection of writings is a testimony to Furtado's own stature. Included here are articles by former President of Brazil Fernando Henrique Cardoso, UN Under-Secretary General José Antonio Ocampo, Vice Chancellor Deepak Nayyar of Delhi University, Professor Emeritus Paul Streeten of Boston University, sociologist Peter Evans of Berkeley, and economist Ricardo Ffrench-Davis of CEPAL. It is hoped that their ideas, some of which revisit Celso's own, will help rekindle the debate that he so ably posed against the present background of unfettered globalization, market fundamentalism and minimalist states.

Hans Singer

Hans Singer

In Focus is a regular publication of the **UNDP International Poverty Centre (IPC)**. Its purpose is to present the results of research on poverty and inequality in the developing world.

Based in Brazil, IPC is a global policy think-tank established by UNDP in 2004 to promote greater understanding of the challenges of tackling poverty and deprivation in developing countries. IPC activities are aligned with UNDP´s key objective of supporting the Millennium Development Goals, as unanimously adopted during the Millennium Summit in 2000.

IPC Director
Nanak Kakwani

Editor
Alejandro Grinspun

International Advisory Board
Oscar Altimir, CEPAL, Santiago de Chile
Giovanni A. Cornia, Università di Firenze
Nora Lustig, Universidad de las Américas, Puebla
Gita Sen, Indian Institute of Management, Bangalore
Anna Tibaijuka, UN Habitat, Nairobi
Peter Townsend, London School of Economics
Philippe van Parijs, Université de Louvain

Desktop Publisher
Roberto Astorino

Graphic Design
Design Genuíno

Front-page cover
Fernando Castro Lopes, 2002

Special thanks to Sir Hans Singer (IDS Sussex) for accepting our invitation to write the editorial page. At 94, Professor Singer remains an inspiration for everyone who works in development. We also thank Enrique Ganuza (UNDP), Stephany Griffith-Jones and Richard Jolly (IDS Sussex), Marcelo Medeiros (IPC) and, above all, Gustavo Grinspun (GC&A) for his inestimable feedback.

To Bernardo Grinspun and all the many great economists with CEPAL roots who worked so hard to deliver a better present for the region.

United Nations Development Programme
Internatinal Poverty Centre
SBS – Ed. BNDES, 10º andar
70076-900 Brasilia DF Brazil

povertycentre@undp-povertycentre.org
www.undp.org/povertycentre

Portrait of a Public Intellectual

by Fernando Henrique Cardoso,
Instituto FHC,
Brazil

Amidst a generation that left an indelible mark in Latin America's politics and economic thinking of the 1950s and 1960s, Celso Furtado stood out from his contemporaries. Like nobody else, he embodied what today is called a *public intellectual*, devoting his mind and energies to the great cause of his time — finding a path to development.

Latin America's *structuralism* was premised on the idea that under-development represented an inescapable historic condition from which the continent would not emerge in the absence of deliberate public policies. Trade relations based on the free movement of capital and goods would condemn the countries in the world's periphery to a situation of under-development.

Under the influence of Lord Keynes, it was believed that the state had a major role to play in creating the conditions that would allow countries to overcome backwardness — a negative state of things that market forces, left alone, could only worsen. In their path out of under-development, the countries from the *periphery* would not follow the same trajectory that those in the *center* of the capitalist system had in previous centuries. Development planning held the key to a different future — by preventing the inflationary and balance-of-payments crises that are typically associated with a process of structural change.

The cornerstone of *structuralist* thinking was the notion of a historic trend towards worsening terms of trade for the primary products exported by developing countries *vis-à-vis* the manufactured goods produced by industrialized countries. This observation was based on price series data elaborated by Hans Singer in the late 1940s, which gave rise to a highly influential thesis presented by Argentine economist Raúl Prebisch in a famous book of 1949 that quickly became a species of political and intellectual manifesto of Latin American *structuralism*.

More than fifty years later, it is not difficult to identify gaps in the ideas and recommendations put forward by CEPAL. It would now be unthinkable to expect the state to play the same developmental role it was attributed back then, or to argue that development requires severing the bonds that tie peripheral countries to the rest of the world economy.

More difficult, though, is to find adequate answers to the fundamental challenge posed by CEPAL — how social relations, productive structures and the terms in which the region participates in the international division of labor can be restructured so as to deliver greater socio-economic development and well-being to its people. This issue, central to Latin America's contemporary agenda, continues to elude us even if the social and economic changes experienced throughout the continent as well as in the international economy demand radically different solutions today.

Hard as it is to ignore the relevance of the question raised by CEPAL over fifty years ago, it would be even harder to understate the value of Celso Furtado's work. He did not just follow in Prebisch's footsteps but contributed greatly to the evolution of *structuralist* thinking, offering a remarkably novel interpretation of Brazil's economic history since the apogee of the single-crop model of development based on the exploitation of sugar cane. Furtado's classic *Economic Formation of Brazil*, first published in 1953 and then revised and reprinted in 1959, marks a high point in his intellectual and political journey.

Celso Furtado was perhaps Brazil's most influential economist of the last fifty years. His analyses of Brazil's economic history remain an essential reference to this day.

An ardent proponent of state-led industrialization, he not only gave an intellectual response to the challenges of his day but intervened actively in the public arena before the onset of military rule in the 1960s.

The challenges of development are qualitatively different today. But while it may be easy to dismiss some of Furtado's optimism about the possibilities of state-led, endogenous growth, it would be impossible to ignore his tremendous contributions to our self-consciousness and to the broader dialogue on development.

Much like Prebisch's seminal book did for Latin America, Furtado's knit together a number of ideas about Brazil's industrialization that had not yet found a broad, systematic interpretation. His all-encompassing analysis was solidly grounded on economic theory, yet at the same time sought to provide concrete, practical answers to the decisive policy challenges of his time. To this day, it remains an essential reference for understanding Brazil's economic history.

Based on a thorough examination of the Brazilian economy since the colonial era, Furtado was able to identify the main obstacles that were preventing the country's development in the 1950s. Of deeply Kenynesian inspiration, his analysis attributed a decisive role to the *aggregate demand* in pump-priming development in the countries of the world's periphery.

For him, Brazil was at a critical stage in the process of industrialization. The *easy* phase of import substitution was reaching its limits. Basic infrastructure was missing, heavy industry was very fragile, and there was virtually no local production of capital goods. Rising inflation, recurrent balance of payment crises and the slowing pace of growth were clear symptoms of the problems the Brazilian economy was facing at the time. These bottlenecks were the inevitable result of the exhaustion of the prevailing model of accumulation, aggravated by the political impasse over how to resolve such structural tensions.

High inflation rates were nothing but a socially perverse reflection of the huge financing effort the government had to make to push industrialization forward. In the absence of fiscal reform, it could not resort to non-inflationary means to finance the necessary investments.

The orthodox recipe of belt-tightening was no solution. Falling public investment and credit would only perpetuate the stop-and-go cycle of the economy, in which short growth spells seemed inevitably to end in inflation or balance-of-payment crises.

The only lasting solution, according to Furtado, lay in planning a new cycle of investments that would increase the economy's capacity to respond to a more diversified demand while containing the imbalances that would unavoidably occur as each sector adjusted to a new pattern of accumulation. This required a stronger state — one with greater ability to plan, finance and lead the development process.

Furtado had high confidence in Brazil's industrial prospects. At the same time, he was skeptical about the private sector's capacity to lead the process. His skepticism was not merely based on its alleged lack of entrepreneurship but also on structural factors, such as the elite's propensity to indulge in *conspicuous consumption* — particularly the land-owning elite tied to large, unproductive holdings. Furtado's opinion of private foreign capital was even more negative. He did not see a role for it other than circumscribed to *non-strategic* sectors.

> *Furtado believed Brazil was at the doorsteps of becoming a modern industrial economy — and proposed a program for crossing that threshold.*

In a fundamental way, development was a task for the state — a task that required a series of reforms to facilitate the transition to the new phase of industrialization. One was fiscal and administrative reform. Its aim would be to provide the public sector with the means and ways for leading the development process, including through increased direct taxation of incomes.

The other was agrarian reform, which would eliminate unproductive landholding and thereby promote a modern rural economy. The resulting increases in agricultural productivity and output would free labor for the growing manufacturing sector, while the reduction in the relative price of foodstuffs would improve the purchasing power of urban workers.

A large spectrum of political forces gravitated towards this ambitious agenda for national development, the small yet influential Communist Party among them. But unlike the communists, Furtado did not see *structural reform* as being part of a revolutionary discourse — a step in the transition to socialism — but as a prerequisite for democratizing capitalism. Expanding access to urban labor markets, consumption goods and a range of social rights guaranteed by the state — that is, incorporating previously excluded people as workers, consumers and citizens — was the essence of this agenda. By the same token, agrarian reform was not intended as a clean break with the past that might lead to collective forms of production.

The strength of Furtado's democratic faith and his emphasis on distributive questions set him clearly apart from certain types of *developmentalism* that would characterize some adherents of the military regime in the early years after 1964. As he saw it, the expansion of manufacturing in a peripheral country like Brazil, where a backward rural sector absorbed the bulk of the workforce, would lead to a greater concentration of incomes as the gap in returns between those still trapped in low-productivity employment and those being increasingly integrated into the modern urban economy continued to widen.

But Furtado believed that the country was at a point where further development would not be possible in the absence of a massive redistribution of income. Redistribution, therefore, was not just a moral imperative but an economic necessity of his time. This notion convinced him that Brazil would stagnate under military rule.

Inflation, structural reform, financing of development, strengthening of the state *vis-à-vis* foreign capital — these were all questions at the top of the political agenda of the day, not only in Brazil but throughout the continent.

Furtado understood the profound implications of that agenda on the existing distribution of power and wealth in Latin American societies.

In *Development and Underdevelopment*, published in 1961, he trained his eye on the conflict between an Executive branch which represented the urban vote and could become the standard-bearer of reform, and a Congress where conservative agrarian factions prevailed.

As planning minister in the early 1960s he tried hard to reconcile the ambitious goals of the reformist agenda with the short-term need to stabilize a zigzagging economy. He was perfectly conscious that economic instability could only breed a fateful spiral of social conflict and political uncertainty.

In the end, the political impasse at that critical juncture in our history was resolved at the expense of democracy. Brazil inaugurated a cycle of military rule that would spread rapidly to other countries in the region.

Contradicting Furtado's expectations, Brazil did not stagnate under the military. Led by a *deepening* of industrialization, its economy expanded in great strides even though income distribution worsened and poverty remained unreasonably high for a country where *per capita* income was rising markedly. In a seeming paradox, the authoritarian regime did not break with the model of state-led import substitution. It simply reoriented it, putting the state apparatus at the service of a quicker, more effective process of capital accumulation.

The military thus brought import substitution to a state of paroxysm. Faced with an adverse external environment characterized by financial instability and quickening technological change, Brazil — Latin America's most successful case of state-led development — plunged into a deep crisis at the start of the 1980s from which it would not recover until the mid-1990s.

With hindsight, it is obvious that Furtado erred in his prognosis of the evolution of the Brazilian economy under authoritarian rule. His confidence in the state's ability to plan and lead an endogenous process of self-reliant development was likewise exaggerated. None of this, however, diminishes the value of his work or the relevance of his analysis of that defining moment in the 1950s when the country found itself at a crossroads.

Indeed, one major gap of my generation of intellectuals has been our failure to examine the more qualitative aspects of state intervention in the region. The sad truth is that the state in Latin America has generally been inefficient and often riddled with corruption, especially under the military. Had it acted differently, as in some countries in Asia, its impact on the region's development would have been another story.

> *The state can no longer be the Deus ex machina of development, but its role is no less vital than before.*

Over the years since I joined CEPAL in 1964, Celso and I were in close touch with one another. I always admired his vast culture, his simple manners and his brilliant mind. I disagreed with him sometimes, as he did with me.

Dependency and Development in Latin America, which I published with Enzo Falleto in 1968, questions Celso's *stagnation* thesis, albeit indirectly. Unlike him, we believed that development could continue apace under military rule — even if relegated to a *dependent* status in the periphery of the capitalist system. But like him, we also believed in a more active state and a development model that would be less conditioned by the outside world.

True to his ideas, Furtado was critical of my government. He thought my policies weakened the state and undermined the economy when, in my view, we were rather rebuilding the former and resurrecting the latter from the ashes left by the collapse of the state-led development model.

Today's challenges are altogether different. Industrializing is no longer an issue. How to strengthen the capacity to innovate and compete in the global economy while reducing the extreme disparities that shame the region is at the top of Latin America's contemporary agenda. A difficult challenge, to be sure, particularly in light of the persistent asymmetries in the world economic system and the continent's poor record of investing in their people.

The state has a vital role in meeting this challenge. But unlike before, its part is not that of a development *condottièro* but of an agent capable of coordinating the long-term interests of the society it represents and ensuring the availability of public goods that the market cannot supply by itself. This is admittedly a less 'epic' role than in the past, but at once more 'sophisticated'.

Knowledge and information are now more vital to development. Distinctions between the *national* and the *supra-national* are less clear-cut than before. Businesses and civil associations have assumed greater importance in both of those spheres. Decisions that have key development implications depend more and more on nations acting in concert. And the grounds for legitimating public policy have widened alongside the expansion of democratic demands for greater accountability in the domestic and international decision-making process.

All of these changes call for a major qualitative change in the role of the state towards one that is more sophisticated than in earlier periods.

After two decades of reforms, some more successful than others, the political tensions in Latin America today are closely associated with the quest for *re*-investing the state with the capacity to coordinate and implement long-term policy agendas. This process takes time, which may conflict with society's search for immediate results.

It is a conflict that the low legitimacy of the continent's democratic institutions will not help resolve. That is one of the reasons why strengthening democratic institutions should be taken as a central dimension of present and future reform agendas.

■

by Ricardo Ffrench-Davis, Economic Commission for Latin America and the Caribbean (CEPAL)

The Need for Home-Grown Development Strategies

The uncritical adoption of the neo-liberal recipe of the Washington Consensus across Latin America has delivered little growth and no improvements in equity, but considerable disruption and volatility to the region's economies. Most unwise was the push towards full opening of the capital account.

Countries need to revisit the reforms of the 1990s, paying greater attention to their timing, sequencing and dosage. They also need to focus on the *real* economy so as to create an environment conducive to growth with equity.

Among the many insights that Celso Furtado and his fellow *structuralists* passed on to successive generations of Latin American thinkers was his admonition that countries should avoid adopting uniform policy packages that cannot be applied in economies that are structurally different. Instead, he stressed the need for countries to "craft their own development strategies". This advice, unfortunately, has not always been heeded.

There is no denying that Latin American economies were in need of reform in the 1980s. But there was something evidently wrong in the way the reforms took place. Starting in the 1990s, the region suffered a fierce homogenization under the aegis of the so-called 'Washington Consensus'. The policies that were adopted in country after country did achieve some significant results. Most managed to bring down historically high inflation rates to single digits. Public sector deficits in the five-year period that preceded the *contagion* of the East Asian crises stood at around 1.5% of GDP, which is not bad in relative terms. And the volume of exports grew vigorously, between 8% and 9% per year during the decade.

Despite these accomplishments, the net balance of the reforms of the 1990s is frustrating. After 15 long years of neo-liberal policies, massive privatization of public firms and liberalization of trade and capital markets, overall GDP growth in the region has merely averaged 2.6% per annum between 1990 and 2004. There has also been stagnation in output per worker, with greater job instability and falling average income for non-waged workers.

This worsening was partly associated with the persistence of a low investment ratio — at a time, paradoxically, when financial investment was rising — and a lack of emphasis on labor training and measures to expand access to capital markets for small and medium-scale firms. As a consequence, the distribution of opportunities as well as productivity became even more skewed than *before* the reforms — a very unfriendly environment for most firms as well as labor.

One typical feature of under-development, in fact, is the extent to which key markets are absent or incomplete. The idea that they would emerge spontaneously with sweeping liberalization is simply naïve. Years after the reforms, entire market segments that are vital for growth and equity were still not in place. Moreover, some market segments respond faster to liberalization than others. Liberalizing prematurely or too abruptly may actually disrupt markets and generate many 'losers', as evidenced by the rise in the numbers of poor people and the worsening of income distribution in the region.

Clearly, the timing, sequencing and dosage of reforms matter greatly. Yet the 'Washington Consensus' was implemented in Latin America as if the same economic laws applied everywhere. They obviously don't, especially when crucial market segments are missing or underdeveloped — or when economic agents are so diverse and heterogeneous that their capacity to respond to sudden change and instability differs widely.

What is more, the policies of the 'Washington Consensus' were enacted as if the introduction of reforms were a goal in itself, instead of an input for growth and equitable markets. It was assumed that *'more of the same'*, as long as it implied liberalizing, was always better — no matter what the speed and sequencing of reforms or the missing ingredients for making them work, such as the 'incomplete' financial markets that characterize the region.

Predictably, the outcome was not market friendly; the reforms generated very wrong macro-prices, such as outlier exchange rates, and recurrent recessions.

Forgotten along the way was the fact that Latin America's per capita GDP is only about one-fifth that of the world's more affluent economies, which in turn have an equity gap between rich and poor that is less than half as large as in the average Latin American country. Obviously, the region needs growth and equity to go together. The aim cannot be the reforms by themselves, but rather to achieve sustained growth with equity.

For this, real macroeconomic equilibria are of crucial relevance. By contrast, a fixation with low inflation at the expense of a balanced *real* economy is harmful for development. A clear example is provided by Argentina, which had negative inflation from 1995 to 2001 before its economy imploded.

Growth, in fact, requires an environment that encourages producers to accumulate factors of production, increase the quality of their output, and invest their energies and knowledge in innovation. Instead, the aggregate demand faced by Latin American firms and workers was terribly unstable throughout the 1990s. Despite low inflation and improvements in fiscal budgets, the macroeconomic framework was such that the private sector went through three stop-and-go cycles in 15 years. From the point of view of workers and entrepreneurs, the region clearly did not achieve macroeconomic balance during the period.

On the contrary, instability was rampant. Instability means lower average productivity as compared to *potential* productivity, lower profits and lower corporate savings, all of which deter capital formation and productive employment. Major corrections must be put in place in order to have markets that are friendly to producers. This is what we call a *real* macroeconomics, or 'macro-for-development'.

A macroeconomics-for-development requires a clear and systematic distinction between what is merely an economic recovery as opposed to generating additional productive capacity. Distinguishing between creating *new* capacity and using *existing* capacity should be a guiding principle for monetary, exchange rate and fiscal policy, as well as for the regulation of capital flows.

To ensure a policy environment that stimulates growth, countries must strive to get *real* macroeconomic fundamentals right. This implies a sustainable external deficit, a moderate stock of external liabilities with a low liquid share, and a reasonable matching of terms and currencies. It also means crowding in of domestic savings, limited real exchange-rate appreciation and an effective demand consistent with the production frontier, together with responsible fiscal policies and a manageable inflation rate. Achieving that seems an impossible challenge with fully open capital accounts in developing economies.

Following Celso Furtado, we must create our own development strategies, taking account of our structural heterogeneities and understanding the great opportunities and high risks offered by globalization. We need to redirect, rectify — in short, *reform* — the reforms of the last decade.

Needed are national programs of labor training, measures for strengthening key segments of the domestic capital market, incentives for innovation among small and medium firms, systematic prudential regulation of the capital account, and a greater capacity to adopt a macroeconomic framework geared to *genuine* development. These are some of the missing ingredients for a sustainable path that will deliver growth with equity.

■

Ricardo Ffrench-Davis, *Reformas en América Latina luego del fracaso del Consenso de Washington*, 2005 (*forthcoming*).

The misguided liberalization of the capital account

There is some validity to the neo-liberal argument that the full opening of the capital account may deter macroeconomic mismanagement in cases of *domestic* sources of instability, such as running large and irresponsible fiscal deficits. But the stronger truth is that unregulated financial inflows promote exchange-rate overvaluation, large external deficits and bubbles in domestic financial markets during boom years, whereas excessive punishment during crises tends to force authorities to adopt overly contractionary policies.

In practice, the opening of the capital account has meant that emerging-market economies would end up importing *external* financial instability, with capital inflows leading to a worsening of their 'macroeconomic fundamentals'. Unpredictable capital flows, in fact, have been a key factor behind the stop-and-go pattern of aggregate demand in the region. With their herd-prone behavior, financial operators have contributed to augmenting the flow of money into 'successful' countries during capital surges, thus producing steep rises in the price of financial assets and real estate as well as a sharp appreciation of the exchange rate.

This suggests a serious misunderstanding in the neo-liberal definition of 'sound fundamentals'. This mistaken definition, together with 'irrational exuberance', is what led to high positive grades for Chile just before the crisis of 1982, for Mexico and Argentina in 1994, Korea and Thailand in 1996, and all the Latin American emerging markets in 1996 and 1997. Something really *fundamental* was missing in the financial markets' evaluation of 'market fundamentals'! The sharp crises in those countries were the result of a worsening of the *real* economy, led by massive capital inflows.

The specific road taken by globalization has therefore had a curious outcome. Experts in financial intermediation — a microeconomic discipline — play a major role in determining the evolution of domestic macroeconomic equilibria and their volatility in emerging economies. This is at the core of Latin America's frustrating performance under the 'Washington Consensus'.

by José Antonio Ocampo,
Department of Economic and
Social Affairs, United Nations

Global Asymmetries and Economic Development

Fifty years after its original formulation, the essential truth of the center-periphery thesis remains intact. Huge asymmetries in the field of technology, vulnerability to external shocks and the international mobility of capital and labor continue to characterize the world economic system.

'Leveling the playing field' is not a sufficiently potent norm for redressing existing imbalances. Instead, efforts to reform the international economic system must rely on the classic principle of 'special and differentiated treatment' and the notion of 'common but differentiated responsibilities' between developed and developing countries.

The persistence and growth of large inequalities in the world economy make it useful to think of the latter as a system in which opportunities are unevenly distributed between a center and its periphery — or, perhaps more accurately, peripheries. Latin American *structuralist* thinkers, under the intellectual leadership of CEPAL, put forward this idea half a century ago, and their main thesis remains valid today.

The major implication of this analysis is that while national economic, social and institutional factors obviously matter, economic opportunities are largely determined by the position countries occupy within the world hierarchy. Fundamental international asymmetries largely explain why the global economy is *not* a 'level playing field'. Unless such asymmetries are addressed, world inequalities would be maintained or may deepen through time.

This means, in turn, that development is not a matter of going through 'stages' within a uniform pattern associated with the rise in income per capita. Development is, rather, the result of transformations in production and social structures and the application of appropriate macroeconomic, financial and social development strategies, within the constraints posed by a world hierarchical system. This was another essential insight of Latin American *structuralism*, and Celso Furtado in particular.

Global economic asymmetries are of three kinds. The first derives from the greater *macroeconomic vulnerability* of developing countries to external shocks. This vulnerability has tended to increase with the tighter integration of the world economy, and its nature has changed too. While the transmission of external shocks through trade remains important, financial shocks have come to play a more prominent role, revisiting the patterns observed during the boom and financial collapse of the 1920s and 1930s.

Macroeconomic asymmetries are associated with the fact that international currencies are the currencies of the industrial countries as well as with the lop-sided nature of capital flows and their relation to macroeconomic policy in the industrial and the developing world. Capital flows are pro-cyclical in most OECD and developing countries, but the volatility experienced by the latter is more marked.

More importantly, macroeconomic policy tends to be counter-cyclical and independent of capital flows in developed countries, while in developing countries pro-cyclical policies tend to reinforce the capital-account cycle. This indicates that industrial countries have more room for adopting counter-cyclical macroeconomic policies than developing countries do. To complicate matters, market players have come to expect and evaluate authorities on their ability to adopt such pro-cyclical stance.

The second asymmetry derives from the high concentration of *technical progress* in the developed countries. The diffusion of technical progress from the source countries to the rest of the world remains "relatively slow and uneven", according to Raúl Prebisch's classic formulation. This reflects, among other factors, the prohibitive costs of entry into the more dynamic technological activities and the rising costs of technology transfers due to the spread and strengthening of intellectual property rights. The combined effect of these factors explains why, at the global level, the productive structure has exhibited a high and persistent concentration of technical progress in the industrialized countries, which thus maintain their dominant position in the most dynamic sectors of international trade and their hegemony in the establishment of large transnational enterprises.

The third asymmetry is associated with the contrast between the *high mobility of capital* and the restrictions placed on the *international movement of labor*. This contrast is unique to the present phase of globalization, since it was not manifested in the 19th and early 20th centuries, a period characterized by large mobility of both capital and labor, or in the first 25 years after the Second World War, a period in which both factors exhibited very little mobility. Large asymmetries in the international mobility of the factors of production generate biases in the distribution of income in favor of the more mobile factors (capital and skilled labor) to the detriment of the less mobile ones (less skilled labor). It also affects relations between developed and developing countries inasmuch as the latter have a relative abundance of less skilled labor.

The need to correct the asymmetries that prevail in the international economic system has been explicitly recognized since the creation of UNCTAD in the 1960s. The commitments concerning the flow of ODA and 'special and differential treatment' for developing countries in trade issues were some of the partial, yet relatively frustrating, results of the effort to build a 'new international economic order'.

This vision has been radically eroded in recent decades and then replaced by an alternative paradigm. It maintains that the basic aim of the international economic system should be to ensure a uniform set of rules — a 'level playing field' — that allows for the efficient functioning of market forces. Bucking this trend, though, new international principles were adopted in the area of sustainable development at the outset of the 1990s, notably that which reflects the existence of 'common but differentiated responsibilities' of developed and developing countries.

In the new vision of a world economic system based on a 'level playing field', the developing countries allegedly stand to gain from the eventual dismantling of protectionism of 'sensitive' sectors in industrialized countries, the promise of an international trading system with clear and stable rules, and the design of preventive macroeconomic policies that provide a buffer against international financial volatility. The correction of the international asymmetries is recognized only in relation to the supply of ODA to the least developed countries.

While all these actions are desirable, they do not seem sufficient to deliver greater convergence in levels of development. In light of the strength of existing asymmetries, applying the same measures in very different situations can even aggravate existing inequalities.

'Leveling the playing field' may also impose restrictions on developing countries that the industrial countries never had to face in earlier periods of their history. They include standards of intellectual property protection that are those of countries that generate technology, and limitations on policy options for promoting new productive sectors for either the domestic or external market.

Thus, the concept of 'common but differentiated responsibilities' and the already classic principle of 'special and differential treatment' are more appropriate guidelines for building a more equitable global order than the norm that has guided reform efforts in recent decades.

These points suggest what the main ingredients of international economic reform *vis-à-vis* the developing countries ought to be. From a developing-country perspective, the first asymmetry implies that the essential role of the international financial institutions should be to compensate for the pro-cyclical impact of financial markets, smoothing financial booms and busts at their source through adequate regulation while giving countries a larger degree of freedom to adopt counter-cyclical macroeconomic policies. This means adequate surveillance during boom periods to avoid accumulating excessive macro-economic and financial risks, and adequate financing during crises to smooth the required adjustment in the face of 'sudden stops' of external funds.

Another equally important function is to act as a countervailing force to the concentration of credit in private capital markets, making resources available to countries and economic agents that have limited access to capital in international markets.

With respect to the second asymmetry, the multilateral trade system must ease the transfer to developing countries of the production of primary commodities, technologically mature manufacturing activities and standardized services. Above all, it should avoid erecting obstacles to such transfers through protection or subsidies. The system must also accelerate developing countries' access to technology and promote their participation in the generation of technology and the production of goods and services with high technological content.

Developing countries need to enjoy 'special and differential treatment' to help them overcome the obstacles to a dynamic transformation of their productive structures. This applies particularly to the enforcement of regimes for intellectual property protection that avoid creating excessive costs for developing countries and limiting the modalities for transfers, along with instruments to promote new exports — *infant export industries* — that increase value added and foster diversification. Clearly, this must be done in a way that avoids a sterile competition among countries to attract footloose industries.

Lastly, to overcome the third asymmetry, labor migration must be fully included in the international agenda through a globally agreed framework for migration policies and strict protection of the human and labor rights of migrants. Whether global, regional or bilateral, agreements of this kind must envisage complementary mechanisms to facilitate migration, such as the recognition of educational, professional and labor credentials, the transferability of social security benefits, and a low cost for transferring remittances.

■

José A. Ocampo and Juan Martin (eds.), *Globalization and Development: A Latin American and Caribbean Perspective*, 2003.

by Deepak Nayyar, University of Delhi, India

The Rules of the Game for Globalization

The rules governing international economic transactions impact rich and poor countries unevenly. The existing rules are unfair. But even uniform rules for unequal partners would produce unequal outcomes.

From the perspective of developing countries, such rules reduce the policy space so essential for the pursuit of national development goals. A fair, transparent and non-discriminatory system is necessary to help them become competitive players in the world stage.

Absent such correctives, the gap between rich and poor countries can only widen.

Uneven development was the kernel of the *structuralist* worldview that had Celso Furtado among its pioneers. It posited that the asymmetrical links between the industrialized countries at the *center* and the underdeveloped countries at the *periphery* of the world economy fostered development while perpetuating under-development, thus widening the gap between countries and among people. The passage of time has not quite changed this reality.

In fact, the last quarter of the 20th century witnessed an increase in economic inequalities as the income gap between rich and poor countries, rich and poor people within countries, and the rich and the poor in world population widened. The exclusion of countries and people from globalization, partly attributable to the logic of markets, is a fact of life. The problem is compounded by the unfair *rules of the game* for international economic transactions.

In a world of unequal partners, it is not surprising that the rules of the game are asymmetrical in terms of *construct* and inequitable in terms of *outcome*. The strong have the power to make the rules and the authority to implement them. In contrast, the weak can neither set nor invoke those rules. The problem, however, takes different forms.

First, there are different rules in different spheres. The most obvious example comes from the striking asymmetries that characterize the rules being set in the WTO for the international trading system. While national boundaries should not matter for trade and capital flows, they should be clearly demarcated for technology and labor flows. It follows that developing countries would provide access to their markets without matching access to technology. They would also accept capital mobility without a corresponding provision for labor mobility. The contrast between the free movement of capital and the unfree movement of labor across national boundaries lies at the heart of the inequality in the rules of the game.

Second, there are rules for some but not for others. In the WTO, for instance, major trading countries resort to a unilateral exercise of power, ignoring the rules because small countries do not have the economic strength even if they have the legal right to retaliate.

The conditions imposed by the IMF and the World Bank provide a still more familiar example. There are no rules for surplus or even deficit countries in the industrialized world, which do not borrow from the multilateral financial institutions. But the IMF and the World Bank set rules for borrowers in the developing world and the transition economies. Their conditionality is meant in principle to ensure repayment but, in practice, it imposes conditions to serve the interests of international banks that lend to those countries.

The Bretton Woods institutions, then, act as watchdogs for money-lenders in international capital markets. What is more, their stabilization and adjustment programs seek to harmonize policies and institutions across countries, in consonance with the needs of globalization.

Third, the agenda for new rules is a partisan one. Take the attempt to create a multilateral agreement on investment in the WTO, which seeks free access and national treatment for foreign investors with provisions to enforce commitments and obligations towards them. But if the proposed agreement is so concerned with the rights of foreign investors, then surely these should in turn be matched by some obligations. A ban on restrictive business practices by transnational corporations, conformity with anti-trust laws in home countries or a level playing field for domestic firms in host countries also ought to be in the picture. In any case, such an agreement should not be lodged in the WTO — nor should the issue of labor standards, which is simply not in the WTO domain.

The process of globalization is already reducing the autonomy of developing countries in the formulation of economic policies in their pursuit of development. The unfair rules further encroach on the policy space so essential for it.

The existing and prospective rules of the WTO regime allow few exceptions and provide little flexibility to countries that are latecomers to industrialization. The rules on trade make the selective protection or strategic promotion of domestic firms *vis-à-vis* foreign competition much more difficult. The tight system for the protection of intellectual property rights could preempt or stifle the development of domestic technological capabilities.

Similarly, commitments on structural reform, an integral part of stabilization and adjustment programs with the IMF and the World Bank, inevitably prescribe industrial deregulation, privatization, trade liberalization and financial deregulation. And the multilateral agreement on investment, should it materialize, would almost certainly reduce the possibilities of strategic bargaining with transnational firms.

By and large, the new regime is much stricter in terms of the law and its implementation. In comparison, there was more room for maneuver in the erstwhile GATT because of special and differential treatment for developing countries. The new regime appears *rule-based*, but the rules are not uniform. And it is not clear how or why this is better than discretion. For taken together, such rules and conditions are bound to curb the use of industrial, technology, trade and financial policy as strategic forms of intervention to foster industrialization. Of course, such state intervention was crucial for development in the success stories among late-industrializers during the second half of the 20th century.

The nature of the solution evidently depends upon the nature of the problem. Where there are different rules in different spheres, it is necessary to make the rules symmetrical across spheres. Where there are rules for some but not for others, it is necessary to ensure they are uniformly applicable to all. Where the agenda for new rules is partisan, it is imperative to redress the balance in the agenda.

But this is not all. Fair rules are necessary but not sufficient. For a game is not simply about rules, it is also about players. The rules must be such that new or latecomers to the game — the developing countries — are provided with the time and space to learn so as to become competitive players rather than push-over opponents.

There is, clearly, a pressing need for greater symmetry in the rules of the multilateral trading system embodied in the WTO. The rules of the multilateral financial institutions, implicit in IMF and World Bank conditionality, should also be reshaped so that a standardized package of policies is not imposed on countries, irrespective of time and space.

In addition, the agenda for the new rules demands careful scrutiny for it is shaped by the interests of industrialized countries while the needs of development are largely neglected. And insofar as a game is not only about fair rules but also competitive players, it is essential to revisit the existing provisions of the unequal agreement on TRIPs, which was signed at a time when most people did not understand its economic implications.

There are some spheres where there are no rules, such as international financial markets or cross-border movements of people that are not even on the agenda. The time has come to introduce rules to govern speculative financial flows constituted mostly by short-term capital movements, sensitive to exchange rates and interest rates, in search of capital gains. It is also perhaps necessary to think about a new international financial architecture in which a World Financial Authority would manage systemic risk associated with international financial liberalization, coordinate national action against market failure or abuse, and act as a regulator in international financial markets.

Latecomers to development need the time and space to become competitive.

It is likewise worth contemplating a multilateral framework for consular practices and immigration laws that would govern cross-border movements of people, akin to multilateral frameworks that exist or are sought to be created for the governance of national laws about the movement of goods, services, technology, investment and information across national boundaries. The essential aim should be to create a transparent and non-discriminatory system, based on rules rather than discretion, for people who wish to move temporarily or permanently across borders.

For countries at vastly different levels of development, there must be some flexibility, instead of complete rigidity, in the application of uniform rules. Indeed, *uniform rules* for unequal partners can only produce *unequal outcomes*. Thus, we should be concerned with the desirability of the outcomes and not with the procedural uniformity of rules.

It is, in principle, possible to formulate general rules where application is a function of country or time-specific circumstances, without resorting to exceptions. It implies a set of multilateral rules in which every country has the same rights but the obligations are a function of its level of development. Rights and obligations should not be strictly symmetrical across countries. There is, in fact, a clear need for positive discrimination in favor of countries that are latecomers to development. ■

Deepak Nayyar, "Globalization and Development Strategies", in John Toye (ed.), *Trade and Development*, 2003.

by Peter Evans,
University of California,
Berkeley, USA

The New Commons vs. The Second Enclosure Movement

Control over manufacturing industry is no longer the defining feature of the divide between the center and the periphery of the world economic system. Now development theory must turn its attention to the effects of the North's control of ideas and information.

Current debates over intellectual property rights are not just about patents and inventions. They raise questions that are fundamental to the well-being of the poor, such as how much they will pay for life-saving drugs, and fundamental to economic growth, such as how much a country must pay in royalties in order to participate in the 'information age'.

About 50 years ago, Brazilian economist Celso Furtado published a seminal book in which he outlined the evolution of Brazil's economy from the classic pattern of exporting primary products and importing manufactured goods to the emergence of a diversified economy that included the production of sophisticated manufactured products. He characterized his country's trajectory as typical of 'under-development'.

At its core, under-development implies unequal exchange. An 'underdeveloped country' is one that produces low-return products while buying goods that deliver high returns to other countries. Today, manufactured exports play a growing role in most economies of the Global South, yet developing countries are discovering that manufacturing does not mean high returns.

With the advent of information and communications technology, growth is increasingly 'bit-driven' so that rearranging strings of digital 'bits' rather than atoms is now at the high-return center of the modern economy. Indeed, appropriating the returns from ideas and images has become the new definition of the economic *core*. This shift presents a novel set of challenges to developing countries. The critical question is whether this state of affairs will help reshape or rather reinforce the North-South asymmetry of power that characterizes the global economic system.

Economic historians like Douglass North have long contended that property rights lie at the heart of the economic growth that has occurred during the last 300 years of world history. But their analysis has assumed convergence on a relatively fixed set of 'private property institutions'. The increasingly important role of ideas and images in the contemporary economy creates a basis for challenging that assumption. In particular, the *non-rival* character of intangible assets — the fact that many people can make use of an idea at the same time — opens up exciting possibilities for accelerating growth in the South.

Instead of convergence around a single model of property rights, two visions of property rights compete to determine what contemporary 'bit-driven growth' might mean for global levels of well-being.

If current efforts to preserve monopoly rights over intangible assets take over the globe's leading economic sectors, the result will be an unprecedented expansion of the profits of the Northern corporations that presently dominate global ownership of those assets and appropriate the lion's share of the returns from them. These corporations will then solidify their politically protected monopoly rights while simultaneously extending them by transforming an ever larger set of ideas, information and images — currently considered part of nature's shared cultural heritage — into politically protected private property. This process, which has been called the *second enclosure* movement, will likely be accompanied by a corresponding increase in their power to shape the political processes that determine the rules of the global economic game.

But there is a competing model emerging. In the competing vision, property rights can be restructured along the lines pioneered by the open-source software community to create a *new commons* of productive tools that allows for both a more egalitarian redistribution of intangible assets and a wider, more effective engagement of human ingenuity to create innovative solutions.

There are really two halves to the *second enclosure* movement. The defensive side seeks to intensify the enforcement of politically protected monopoly rights to exclude others from using information that has been defined as 'private property'. From the point of view of well-being in the South, efforts to enforce proprietary monopoly returns on AIDS drugs may be the most immediately threatening aspect of this agenda. The offensive side involves taking information that has been considered part of 'nature', or the common cultural and informational heritage of humankind, and transforming it into 'private property'. These efforts range from the almost ridiculous, like a Texas company patenting *basmati* rice, to agendas with implications so broad that they are hard to comprehend, such as turning sections of the human genome into 'private property'.

If both halves prevail, the second enclosure movement could result in a global redistribution of property comparable to the eradication of the commons that ushered in agrarian capitalism in Western Europe 300 years ago.

The original enclosure movement may have realigned property rights in a way that avoided the *tragedy of the commons*, setting in motion a process of growth so powerfully productivity-enhancing as to compensate for its negative distributional effects. The second enclosure movement is much less likely to have growth as a positive by-product. It is a recipe for global monopoly that is likely to stifle innovation at the same time that it concentrates wealth — an invitation to what some caution could be a *New Dark Ages*.

Given the prospect of a second enclosure movement, the *new commons* presents an attractive alternative. Its appeal lies both in the distributional implications of a new commons and its potential for raising the rate of innovation and value creation in the world.

Unlike the old commons, shared property rights do not create a problem of over-use. Expanding the number of people using the new commons does not deplete it; instead they increase its value. Making key software tools available in a new commons, where property is defined as the right to distribute these tools instead of the right to exclude others from using them, could boost global rates of innovation and redistribute income from North to South at once. The innovative potential unleashed by the new commons can be likened to what might have happened if steam engines had been available to anyone who wanted to use them during the early phases of the industrial revolution.

Expanding the new commons would be redistributive in two ways. First, by creating new competition for their products, it would reduce returns to existing owners of intellectual property in both North and South at the same time that it increases the returns to human capital by giving people more intangible assets to work with.

Second, expanding the new commons should shift the growth of assets and incomes from North to South, given that ownership of existing intangible assets — and the returns they generate — are highly concentrated in the North while workers in the South are more deprived of them than their Northern counterparts.

As the 'digital revolution' matures, how much *economic space* is each of these two ideal types destined to occupy? Neither model is likely to dominate completely. The future will be some complex combination of the two. Nonetheless, if the juggernaut of the second enclosure movement could be slowed and the space available to the new commons expanded, it would have profound effects on the welfare of the world's citizens.

The political divisions in this fight over property rights are not quite as simple as might be expected. The Northern corporate world is not completely unified. IBM, which must be considered one of the leading 'Intangible Asset Barons', has just decided to turn over 500 of its software patents to open-source developers.

The countries of the South are the natural allies of those who are on the side of the new commons in the North. It is in the collective interests of the South to push politically for changes in the global property regime and to expand the market for open-source software.

Redefining 'ownership' as the right to distribute, rather than the right to exclude, could boost innovation and redistribution on a global scale.

If there is a split among corporations and entrepreneurs in the North, and if the South has the perception and will to take advantage of it, the South could make a real difference.

Public sector technocrats in the South have seen the advantage of the new commons. Legislation backing the use of open-source software is spreading in the more technologically advanced countries of the South. It is unclear whether corporate users in the South who are not subsidiaries of Northern transnationals will be more likely to take advantage of the new commons than their counterparts in the North.

On one hand, the use of Linux is growing at 20% a year in China and two-thirds of Chinese software developers expect to be writing Linux applications. On the other hand, India's recent amendment of its patent laws to make them more compatible with WTO standards suggests that the local expansion of hi-tech industry may increase pressure for conformity to Northern property rights rather than expanding the ranks of allies of the new commons.

The evolving political economy of the contest between the new commons and the second enclosure movement is complex and difficult to analyze. It is hard to know whether support for the new commons will remain a public sector project in the South or become a politically powerful public-private coalition. The countries of the South will need a new incarnation of Celso Furtado to provide analytical insight and clear advice to policy makers.

■

Peter Evans, "The New Commons vs. The Second Enclosure Movement", *Studies in Comparative International Development* (forthcoming).

IN TRIBUTE

The Case for Being a Pedantic Utopian

by Paul Streeten, Boston University, USA

In a world divided between *pedantic* technicians who think they have all the answers and *utopian* reformers who believe theirs is the only vision possible, there are exceptional individuals who can marry vision and method and put them both to work — and with excellent results.

Celso Furtado was one such individual, and we shall miss him so.

Many types of new international or global institutions have been proposed, such as a global central bank, a global investment trust that would recycle current account surpluses to capital-starved countries, a global income tax, a global environmental protection agency, a global competition policy, a global energy policy, an agency concerned with international migration, and so on. Two types of objection can be made to these proposals for institutional reform and innovation in the area of international cooperation — one on grounds of desirability, the other on grounds of feasibility.

First, it may be said that creative institutions are not designed on a drawing board but are the spontaneous responses to challenging situations. Designed institutions, such as the League of Nations, the World Economic Conference of 1933, the International Trade Charter, the Special Drawing Rights and others all failed, while the multinational corporation, the Eurocurrency market, the globalization of the 24-hour capital market and the swap arrangements between central banks, none of which sprang from grand designs, are considerable successes. The Bretton Woods institutions and, to some extent, the United Nations are the exception, but they were born after a world war and the complete breakdown of a previous order.

My reply would be that these spontaneous institutions themselves need designed institutions to regulate them. The debt crisis was a direct result of the unregulated recycling of OPEC surpluses by greedy lenders to profligate borrowers. Had something like an International Investment Trust that would have recycled the money from the oil surpluses on acceptable terms to carefully selected projects and countries been in place in the 1970s, we would have been spared many of the present pains. So much then suffices in reply to the charge that the proposals are undesirable.

A different criticism is that, though desirable, designed institutions are not feasible. They are utterly unrealistic and utopian, and the political constraints too severe. There are five replies to such criticisms, in defense of utopian proposals.

First, utopian thinking can be useful as a framework for analysis. Just as physicists assume an atmospheric vacuum for some purposes, so policy analysts can assume a political vacuum from which they can start afresh. The physicists' assumption plainly would not be useful for the design of parachutes, but can serve other purposes well. Similarly, when thinking of tomorrow's problems, utopianism is not helpful. But for long-term strategic purposes, it is essential.

Second, the utopian vision gives a sense of direction, which can get lost in approaches that are preoccupied with the feasible. In a world that is regarded as the second-best of all feasible worlds, everything becomes a necessary constraint. All vision is lost.

Third, excessive concern with the feasible tends to reinforce the *status quo*. In negotiations, such concern strengthens the hand of those opposed to any reform. Unless the case for change can be represented in the same detail as the case for no change, it tends to be lost.

Fourth, it is sometimes the case that the conjuncture of circumstances changes quite suddenly and the constellation of forces, unexpectedly, turns out to be favorable to even radical innovation. Unless we are prepared with a carefully worked out, detailed plan that yesterday could have appeared utterly utopian, the reformers will lose out by default. Nobody would have expected the end of communism in Central and Eastern Europe, the disappearance of the Soviet Union, the unification of Germany, the break-up of Yugoslavia, the marketization of China, the end of apartheid in South Africa or the spread of democracy in West Asia and North Africa.

Fifth, the utopian reformers themselves can constitute a pressure group, countervailing the self-interested pressures of the obstructionist groups. Ideas thought to be utopian have become realistic at moments in history when large numbers of people support them, and those in power have to yield to their demands. The demand for ending slavery or the women's or the environmental movements are historical examples.

It is for these five reasons that utopians should not be discouraged from formulating their proposals and from thinking the unthinkable, unencumbered by the inhibitions and obstacles of political constraints. They should elaborate them in the same detail that the defenders of the *status quo* devote to its elaboration and celebration. Utopianism and idealism will then turn out to be the most realistic vision.

It is well-known that there are three types of economist: those who can count and those who can't. But being only able to count up to two, I want to distinguish between two types of people. Let us call them, for want of a better name, the *Pedants* and the *Utopians*. The Pedants or technicians are those who know all the details about the way things are and are working; they know them so well that they have acquired an emotional vested interest in keeping them this way. I have come across such characters in the British civil service, in the bureaucracy of the World Bank, and elsewhere. They are admirable people but they are conservative — and not good agents of reform.

On the other hand there are the Utopians, the idealists, the visionaries who dare think the unthinkable. They are also admirable, many of them young people. But they lack the attention to detail that the Pedants have. When the day of the revolution comes, they will have entered it on the wrong date in their diaries and fail to turn up — or, if they do turn up, they will be by mistake on the wrong side of the barricades.

What we need is a marriage between the Pedants and the Utopians, between the technicians who pay attention to the details and the idealists who have the vision of a better future. There will be tensions in combining the two, but they will be creative tensions. We need Pedantic Utopians or Utopian Pedants who will work out in considerable detail the ideal world and ways of getting to it, and promote the good cause with informed fantasy. Otherwise, when the opportunity arises, we shall miss it for lack of preparedness and lose out to the opponents of reform, to those who want to preserve the *status quo*.

I first met Celso Furtado in 1963 when he was in charge of SUDENE, the government agency he helped create in order to overcome the backwardness of his native region, Brazil's drought-ridden Northeast. From there he went on to become his country's first Planning Minister, where he developed a Triennial Development Plan that was a last-ditch attempt at combining economic stability and development within the confines of a democratic system in the throes of disintegration. But the opponents of reform got the upper hand, and the *coup* of 1964 would condemn Furtado to an academic life in exile.

From the moment we met I was deeply impressed by Celso's vision, integrity and strength. He was a man of both intellect and passion. His passion was to transform the archaic social relations and productive structures of underdeveloped countries so as to create the conditions for self-reliant development and greater well-being for their excluded masses. To this passion he applied analytic rigor and ingenuity. His body of work is a living testament to this unusual combination of idealism and method.

I have been in touch with Furtado ever since, admiring both his mind and his commitment. Celso, indeed, was one among those rare creatures that appear only once in a while — a Pedantic Utopian *par excellence*. ■

There are certain moments in time when an unexpected turn of events renders yesterday's utopian proposals into today's only feasible ones.

International Poverty Centre
SBS – Ed. BNDES, 10º andar
70076-900 Brasilia DF
Brazil

povertycentre@undp-povertycentre.org
www.undp.org/povertycentre
Telephone +55 61 2105 5000

April 2005