

A CRITIQUE OF BRAZILIAN POLITICAL ECONOMY

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The paper traces the debates within the left- and right-wings of Brazilian political economy from the 1960s to the present day, relating them to changes in political and economic conditions. It attempts to show that many of the positions held by economists in the 1970s resemble those held by earlier theorists in that the majority make stagnationist and under-consumptionist assumptions. The paper is a critique and does not attempt to propose a systematic alternative explanation.

INTRODUCTION

The main aim of our work will be to reconstruct the debates and polemics between the major currents of interpretation of Brazilian economy from the beginning of the '60s until the present day. The intention will be a) to try to regroup the diverse analyses according to certain theoretical themes; and b) to establish the relationship between 'new' and old analyses, since very often recent approaches are no more than old theses in new forms. The importance of this task should not be underestimated, especially since we are still living out the political consequences of mistaken analyses (dating from the end of the '50s and the beginning of the '60s) with regard to key questions: the concrete interests of different social classes, the relation between specific forms of exercise of state power, the predominance of capitalist production, and other related issues.

In the beginning of the '60s, because of a reduction of scientific theory to the level of ready recipes, discussion turned around the 'revolutionary role' of the industrial bourgeoisie, and the 'feudal' barriers supposedly present in the agrarian structure. Many writers began from the premise that every bourgeoisie is the same, and that every bourgeois revolution has as its model that realised in France in 1789. From this arose the

illusion, transformed into an unchallenged fact, that the Brazilian bourgeoisie was 'predestined' to lead a national democratic form of capitalist development. On this basis the alliance proposed was of the type: 'it's for the workers to sow, and for the bourgeoisie to reap'.

Once the military government was established, postponing for the time being the 'national democratic project', the problematic moved to the question of the impossibility of a renewal of capitalist growth. Defeated by the facts, the theorists of the opposition concluded that everything was not lost since 'inevitable' economic stagnation would lead to the automatic defeat of the regime. But instead of being smashed, Brazilian capitalism put paid to these stagnationist theories by flourishing in unheard of fashion between 1968-74. In fact capital accumulation during this period was to demonstrate an even higher capacity than that of previous cycles, favouring a significant expansion of monopoly capital.

When the initial confusion had passed, the critics of the system buried their catastrophism and devoted themselves to an analysis of the 'inhuman' income concentration, with a tendency to focus on the social problems of the country from an ethical standpoint. While the apologists of the system lost no time in chanting the praises of the 'Brazilian miracle', the opposition began to produce more objective interpretations of Brazilian social reality which were able to draw on the experiences furnished by the social struggles in the country and give a new perspective to them.

THE ORTHODOX ANALYSIS

A first current of interpretation, which we will call orthodox, was for a long time an influence on important sectors of our society. Among its main exponents were Nelson Werneck Sodre from whose vast theoretical output we have selected his most recent book, *History of the Brazilian Bourgeoisie*, and Alberto Passos Guimarães, who wrote *Four Centuries of the Latifundio*. We can summarise the typical orthodox analysis in the following manner: the principal contradiction which exists in Brazilian society is that which opposes the latifundio, which is allied to foreign interests, to the rest of society—the workers of city and countryside, the industrial bourgeoisie etc. For capitalism to expand and fulfill its 'historic tasks' it must break with the restraints holding back the full establishment of capitalist relations of production. This means the elimination of the latifundio (the feudal remains) and the expulsion of imperialism. The analysis bases itself on the premise that 'the contradiction with the latifundio is the oldest one which the Brazilian bourgeoisie knows' and that 'the development of the bourgeoisie demands the liquidation of the latifundio' (Sodre, N. W., p. 343). Furthermore 'in the contradiction with the latifundio, taken on its own, the bourgeoisie is allied with the proletariat (...) and with the peasant'. (op. cit. p. 344).

From this type of reasoning come the conceptions that there exist 'tasks specific to the bourgeois revolution' (Quartim, 1971); that the 'national bourgeoisie' is objectively interested in exploiting the national market, and therefore in the elimination of imperialist monopolies over this market; that to accomplish 'these historic tasks' the bourgeoisie needs

democracy as a means of widening its political base in the struggle against the enemies of the nation (the latifundio and imperialism).

PROBLEMS WITH THE ORTHODOX ANALYSIS

Firstly, the orthodox analysis is a mechanistic vision of the relation between capitalist production and political regime. It doesn't see that capitalist development is subject to laws and to a dynamic which has no necessary historic correspondence with democracy. To assume the existence of an intrinsic relation between 'bourgeoisie' and 'democracy', and to imagine that bourgeois domination implies a commitment to a democratic regime is an error with well known consequences. In other words, within the capitalist system, the concept of 'democracy' only qualifies the subject 'bourgeois' when other classes and sectors with a real interest in democracy succeed in winning a bigger participation within the political regime.

A second problem stems from its narrow conception of the relation between social classes and 'objective historic interests'; in this case, the idea that the bourgeoisie, in the abstract, always has a nationalist vocation. In this way the Brazilian bourgeoisie is attributed with an attachment to national capitalist development. The whole analysis develops as if the industrial bourgeoisie (equal to the national bourgeoisie) could only survive if it smashed its 'enemies' (the latifundist-imperialist alliance) which prevent the development of an internal market for its products (through maintaining the rural population under pre-capitalist relations of exploitation). On this basis, Brazilian capitalism would only become really viable through a balanced national development (forgetting the option of association with foreign capital which was already clearly visible for those not blinded by pre-established schemes), and for this very reason the Brazilian bourgeoisie's potential for nationalism was exaggerated.

Thirdly, the idea that the latifundio is still the principal barrier to the economic development of the country is one of the theoretical pillars of 'orthodox' analysis. Equally for Werneck Sodre, as for Passos Guimarães and Mauricio Vinhas, the misery of the rural population (the consequence of the latifundist-imperialist alliance), is the great block to the expansion of the internal market which is erected as the condition *sine qua non* for capitalist development. Vinhas even comes to identify capitalism with economic development *tout court*, as is clear in the arguments he uses in the polemic with Caio Prado:

'But what kind of country is Brazil? In line with the works prior to 'Revolution' of the author referred to, Brazil is a dependent, underdeveloped country. How then does he now consider the country capitalist? Was there a revolution in the country which changed the character of the social economic and political structure, and took Brazil out of the underdeveloped world?' (Vinhas, 1968, p. 7.)

Vinhas here denies the very existence of the bourgeois transformation of Brazilian society. The history of Brazil becomes reduced to the proble-

matic of the 'agrarian-peasant structure', to the latifundio and 'backward relations of production' (op. cit. p. 244). The strangulation of the internal market, a result of the 'agrarian-peasant structure' of the country is, again, the basic barrier to the expansion of capitalism.

THE REFUTATION OF FEUDALISM AND THE 'NATIONAL BOURGEOISIE'

In 1966, with the publication of *The Brazilian Revolution*, Caio Prado Jr., fanned the flames of the political discussion on the nature of Brazilian society and the character of its social transformations. Widening the polemic begun with the publication of 'The Progress of the Agrarian Question in Brazil' (*Revista Brasileira*, February 1964)[1], Prado asserted that it was a great mistake to conceive of the existence of feudal relations of production in the Brazilian countryside. This hypothesis arises from the mechanical transposition to Brazil of capitalism's phases of development in the advanced countries. Prado counterposes to this a detailed analysis of the relations of production found in the Brazilian countryside (share-cropping, labour services, the 'barracao' system[2]), trying to show that all, or almost all of these are no more than *capitalist relations of production*. Since capitalist relations dominate within agriculture (and therefore relations of wage labour), it seemed logical to Prado that the rural worker should direct his struggle differently from that of the peasant (who on this view was on the point of extinction), namely towards an improvement in salaries rather than demands related to ownership of the land as the 'orthodox' analysis wanted.

While one cannot deny the aptness of Caio Prado's critique of the 'orthodox' analysis of successive stages, and the undeniable richness of his sketch of Brazilian agriculture, it would seem that he exaggerated in seeing there almost exclusively capitalist relations. Even while convincingly demonstrating the nonexistence of feudal relations, he ends by reducing all the innumerable pre-capitalist relations of production which abound in Brazilian agriculture to capitalist relations. It is difficult to accept that share-cropping, for instance, where the worker keeps a part of the production and is therefore paid 'in kind', is practically the same as salaried labour.

On the other hand the same vehemence which was employed in the critique of the 'feudal thesis' is repeated in the refutation of the 'national bourgeoisie'. For Prado, instead of there being contradictions between a 'national bourgeoisie' and a coalition of imperialism with the feudal latifundists, there is a harmony of interests among the dominant classes as a whole; that is, the industrial bourgeoisie (whether native or foreign), along with the commercial and financial bourgeoisie are composed of individuals within the same category, be their activities urban or rural:

'They are all bourgeois men of affairs and capitalists—in its specific, accepted, social and economic sense—who only differ from each other in the field and size of their businesses' (Prado, 1966, p. 106).

And instead of conflict, there is *association* between the *native bourgeoisie* and the '*imperialist firms*' opening up an interrelation of interests at the level of the whole order and relegating to a secondary plane sporadic cases of conflicts between them. In this case too Prado asserts the opposite of the 'orthodox' position. If the latter exaggerated the contradictions between the so called 'national bourgeoisie' and foreign monopoly capital, Prado in his turn eliminates these contradictions at a stroke. However, we should not play down the so called secondary contradictions, and the agreements (or disagreements) which these produce within the dominant classes, on pain of making an incorrect evaluation of the political regimes established in the country.

THE LIMITS OF DEVELOPMENT IN 'UNDERDEVELOPMENT'

In his article 'Contradictions and Conflicts in Contemporary Brazil', published abroad in 1965 and in Brazil in 1968 (Marini, 1968), Ruy Mauro Marini considers Brazil to be essentially a capitalist country. But while Prado sees the country continuing to be a mere supplier of raw materials (agricultural products, minerals etc.) at cheap prices for the hegemonic centres, Marini's view is that in the middle of the '60s industrial accumulation is already dominant. But since this period, industrial development was being held back by the agricultural structure of the country. On the one hand there is a supposed exhaustion of the internal market for industrial goods which comes up against the *backward agrarian structure* holding down the majority of the peasants in a situation of under-employment and misery, in no condition to consume industrial products; on the other, agricultural production is no longer meeting the increased urban demand, thus creating a rise in prices for agricultural products and causing a transfer of income from the urban to the rural sector. In the face of this, a reactivation of the economy (which from '62-'67 remained in crisis) would demand a widening of the internal market for industrial products, and an increase in agricultural productivity and production through *agrarian reform*.

STRANGULATION OF THE INTERNAL MARKET AND BRAZILIAN SUBIMPERIALISM

If no agrarian reform was carried out, an alternative which remained would be to channel Brazilian industrial production to countries less developed than Brazil. In this way Brazil could engage in an expansion oriented to her less fortunate continental neighbours, along imperialist lines.

As regards the *strangulation of the internal market*, we should point out that almost all the authors mentioned so far, as well as the great majority of thinkers in opposition to the 'establishment', shared this view. Although this strangulation was conceived in different forms (accounting for the difference in solution), we can see here a general acceptance of the *under-consumptionist theses*, developed at the turn of the century by Rosa Luxemburg along with various reformists, who from different standpoints,

tried to elaborate a critique of the marxist schemes of reproduction. Schematically, underconsumptionist theses assert that capitalist production is inevitably caught up in a fundamental contradiction. To the extent that it expands at the expense of the pauperisation of the working class, capitalist production, even with rising profits, deprives itself of the principal consumer market for its goods. In order to overcome this block on expansion, capitals are forced to leave their countries or the capitalist regions of these countries in search of consumer markets in pre-capitalist regions or countries. This is an underconsumptionist explanation of imperialism (in this respect Rosa Luxemburg (1951) was criticised by Lenin principally in *The Development of Capitalism in Russia*, Lenin).[3]

Returning to underconsumptionism in Brazil however, the thesis is based on the false premise that the popular classes constitute the bulk of the consumer market, when in fact it is made up largely by the capitalist class itself (whether under the form of demand for capital goods, or for consumer durables) and by the wealthiest section of the middle class. In the Brazilian case it was precisely the great concentration of income, seen by the various interpretations under consideration as the scaffold of capitalism in the country, which offered not only an enviable rate of profit, but also the conditions for creating a small (numerically) but efficient (in volume of resources) consumer market for consumer durables. If we are to accept under-consumptionist interpretations, the measures taken by post '64 governments should have brought capitalism to bankruptcy, since they were based on a greater concentration of income through the policy of wage restraint.

THE DEVELOPMENT OF UNDERDEVELOPMENT

While also being one of the precursors of the critique of the feudal thesis (see 'Brazilian Agriculture: Capitalism and the Myth of Feudalism') Andre Gunder Frank is notable for his analysis of the relation between development and underdevelopment. Starting from the premise that feudal relations do not, and never did, exist in Brazilian agriculture, he tries to show that underdevelopment is the inevitable consequence of the exploitative relationship established between advanced or metropolitan countries and backward or satellite countries. For Frank development feeds on underdevelopment, meaning that the metropolitan countries systematically appropriate the surplus produced by the super exploitation of the workers in the satellites, transferring all the potential for accumulation from the latter to the metropolises. Furthermore, the metropolis produces a whole series of distortions within the satellite schema. In the Brazilian case therefore, we would have the expropriating development poles (the Centre-South for example) and the expropriated poles of under development. Adding to this the fact that those countries which embark on import substitution industrialisation, particularly in the case of consumer durables, simply increase the need to import intermediary and capital goods for the establishment of new production units.

Because of this, industrialisation in satellite countries like Brazil can never succeed in taking off as long as they remain integrated into the capi-

talist system, either because of the constant expropriation of its surplus, or the narrowness of its consumer market, which is the other side of the coin of the super exploitation of labour indispensable for the extraction of large quantities of surplus. Agriculture in its turn would be underdeveloped because it was expropriated both by external and internal metropoli. The great concentration in landownership forces the masses of rural inhabitants to submit themselves to the domination of the landowners who are thus able to keep down wages. It is on this basis that the theses of the super exploitation of labour is developed. In the works of Frank this does not appear in an explicit form, and it was Marini who developed the argument in detail in 'The Dialectics of Dependency: The Export Economy'. According to Marini, in the last seventy years there has been a great increase in the world supply of foodstuffs and raw materials, the principal commodities produced by the underdeveloped countries, while at the same time there has been a fall in their prices. As against this, the prices of industrial products produced by the developed countries remained stable or at the most suffered a slight fall. This has produced a deterioration in the terms of trade prejudicial to primary products.

UNDERDEVELOPMENT AND SUPEREXPLOITATION

How do we explain the increase in the supply of primary products in spite of the depression in their prices? According to Marini, the producers of primary goods increased the volume of commodities exported to offset the decline in profits involved in foreign trade, and also increased the exploitation of the workers as a way of increasing the mass of profits produced. Marini and Frank therefore come to similar conclusions with respect to the economic and political situation in Brazil. For both, the limits which national development encounters, do not come from pre-capitalist barriers, but are inherent in the very development of capitalism on a world scale. However, it is not capitalism or the 'national bourgeoisie' which offers a way out of underdevelopment, but a radical transformation which would eliminate capitalism itself.

One cannot help noting that the interpretations outlined here, with greater or less emphasis, are rooted in the old cepaline[4] theses initially set out by Prebisch at the end of the '40s. These deal with the 'deterioration in the terms of trade' for the products of underdeveloped countries, which result in laws of unequal exchange. But while these theses had some explanatory power when it was a question of the transfer of surplus (or better, of value) to the developed countries in the form of the exchange of commodities, they become meaningless when the role of countries like Brazil is redefined within the international division of labour of world capitalism. Even in the '50s, when foreign companies were boldly establishing themselves on Brazilian territory and began to produce for the internal market remitting their profits abroad, and relegating the transfer of surplus through exchange of commodities to a secondary plane, a large part of the anti-establishment analysis insisted on seeing the laws of unequal exchange as the principal form of imperialist activity.

DEVELOPMENT WITH DEPENDENCY

One of the first steps in the direction of a break with the cephaline theses and with stagnationist perspectives was the work of F. H. Cardoso and E. Faletto: *Dependency and Development in Latin America*. This work, which although written in '66/'67 was only published in Brazil in '70, aimed to provide a critique of those analyses which explain the dynamism of underdeveloped societies through external factors. Instead of being mere appendices of imperialism, these societies must be understood principally on the basis of the internal dynamic of the accumulation of capital, which reflects the specificity of the class struggle within the country. According to these authors, the concept of underdevelopment as it is normally used, has become sclerosed, since it refers to a type of economic structure where the primary sector predominates, where there is little differentiation of the productive structure, and above all where the external market predominates over the internal. This 'underdevelopment' therefore refers to the period in which the country was a mere supplier of agricultural products, when the bulk of its production was destined for the external market, and when it could be said that imperialism dictated 'from outside' the dynamic of our development. However with the predominance of industrial accumulation, a new type of relation is established between the internal economy and the hegemonic centres of the world market. Now the imperialist firms invest directly in industrial production within the country and for internal consumption. In this way a gradual transformation of the capitalist accumulation cycle occurs, where the bulk of production of commodities is realised (consumed) in the internal market. The Brazilian economy therefore ceases to be turned towards the *external market*.

Cardoso and Faletto had a clearer vision of the transformations which were occurring in certain Latin American countries than their contemporaries, not only in the way they defined the new character of dependency, but also in ignoring underconsumptionist theses. They had already become aware that capitalism could develop in the peripheral economies even with income concentration, since the realisation or sale of commodities depended in great measure on consumption by the firms themselves (capitalist consumption).

EFFICIENT AGRICULTURE

In his *Seven Essays on the Brazilian Economy* (Castro, 1969), Antonio Barros de Castro refutes the feudal thesis together with others which claim that agriculture is an obstacle to industrialisation in Brazil. Basing himself on the works of Delfim Netto (1966) and Ruy Miller Paiva (Paiva, 1966), Castro outlines the principal tasks which agriculture must fulfil to permit industrialisation. Among these he singles out the creation and expansion of a surplus in foodstuffs and raw materials, the freeing of labour, and the transfer of capital. His conclusion is that these conditions are being fulfilled, opposing therefore the currents of interpretation

already mentioned as well as the analysis of Werner Baer, an author very much respected by the establishment (see Baer, 1966).

In spite of his very rich analysis which provides us with a good panorama of the various theses on Brazilian agriculture, Castro does not examine to see if one of the primordial conditions for industrial accumulation is being accomplished: the cheapening of the cost of reproduction of the labour force. It is necessary therefore to inquire if the foodstuffs for the working class are being produced with greater productivity, that is if they are increasingly cheaper, which would allow for a decline in wages (or in other words each worker would need a smaller wage to feed himself, or reproduce his labour power), and consequently for an increase in the rate of profit. It must not be forgotten that capital, in its monopoly phase, accumulates principally on the basis of relative surplus value, and this exists in a close relationship with the lowering of the costs of reproduction of labour power.

THE CONTRIBUTION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA

For approximately the last thirty years CEPAL has been providing analyses and proposing solutions for the economic problems of Latin America, and influencing, to a greater or lesser degree, political currents and parties of the Latin American left. The historical balance sheet of CEPAL's activities therefore is extremely complex even when restricted exclusively to its influence in the Brazilian case. Celso Furtado, Conceicao Tavares, Barros de Castro and Carlos Lessa, to name only the most well known all belong to the ranks of CEPAL. To the extent that there doesn't exist, even among these economists, a complete harmony of points of view concerning the theoretical understanding of Brazilian capitalist development (although we can find a similar theoretical structure in the great majority of cases), it would be improper to aim for a definitive settling of accounts with what is called 'Cepaline theory'. We will limit ourselves therefore to synthesising what we consider to be the principal theses of CEPAL, and its possible errors. We will take into account critiques which have been previously formulated with regard to cepaline thought, adding the proviso that many of its ex-followers—as is the case of C. Tavares and Furtado—have already, through partial reformulation of their theoretical suppositions, made their self-criticism.

The central theses of Cepaline thought applied to the Brazilian case

The First Thesis: The industrialisation of the country is the result of the 'process of import substitution'; or rather the internal production of commodities which up to then were imported and whose access was made difficult by problems related to 'external strangulation'.

'The process of economic development in the recent period is due basically to the impulse provided by restrictions on the external sector', Conceicao Tavares says in 'The Rise and Decline of the Process of Import Substitution in Brasil' written in 1963 (an article in a collection edited by Zahov (1972)). In general this strangulation is explained in terms of the

consequences of the 1929 depression and the two world wars on the Latin-American economies, such as the 'deficit in the balance of payments', 'the fall in the price of primary products on the international market', and the 'contraction of exports of primary products' (see *El Pensamiento de CEPAL*, 1969, p. 165).

'The lack of dynamism of the export sector, in particular with the onset of the great depression, gave way to efforts to reorientate economic activity. This largely took the form of import substitution, assured through the reservation of the market on the basis of tariff and exchange protection.' (Tavares, op. cit. p. 67.)

Second thesis: To the extent that the import substitution process continues and a range of more sophisticated commodities comes to be produced internally, the country's pattern of imports is also modified in a way which indicates that import substitution will encounter certain barriers and will not succeed in transforming underdeveloped into developed self-sustained economies. (In other words with industrialisation having as its axis the dynamic of internal capital accumulation).

'Import substitution', therefore, 'in spite of representing a fundamental dynamic factor in national development (. . .) had practically no influence at all on the diversification of Latin American exports' (*El Pensamiento*, p. 168). This fact prevented these countries from resolving their balance of payments problems since 'on the one side exports suffered considerable losses through the fall in the exchange relation and the capacity for foreign buying stagnated or grew very slowly'. On the other, although the policy of import substitution had modified the pattern of imports, the total volume of imports increased given the very logic of the substitution process, and along with it the need for foreign currency, making the national economy more vulnerable to the problem of external equilibrium and producing what CEPAL called the 'chronic disequilibrium in the balance of payments' (*El Pensamiento* . . . p. 173).

Third Thesis: This external imbalance—the principal barrier in the transition to 'self-sustained development'—is explained in the final analysis, by the international division of labour which discriminates against countries exporting primary products.

The theory of the 'deterioration in the terms of trade' which underlies this thinking, is the common denominator of 'Cepaline theory' and the bulk of so-called 'theories of dependency'. Briefly it refers to the process of the deterioration in the terms of trade between the products exported by the Latin American countries and those of the developed capitalist countries. As a result the former countries are not able to count on the necessary mass of foreign exchange which would allow the complete development of the process of import substitution. In an effort to overcome this situation, CEPAL ends by falling into a 'reformist' position, according to Francisco de Oliveira's expression (*Estudos CEBRAP*, No. 2, p. 6):

'Prebisch hopes that the industrialised countries might "reform" their

behaviour, increasing their payments for agricultural products bought in Latin America and lowering the price of the industrial goods which they sell, which is in essence the spirit of the UNCTAD conferences'.

The proposal for 'regional integration as the instrument of national development' is formulated within the same line of reasoning; in other words a third world variant which proposes a 'Latin American community' as a pressure force over against the 'developed countries'. In this sense the Andine and the Alalo Pacts are no more than the products of the great Cepaline illusion which, in ethical sounding formulas aim to reform the world. The ineffectiveness of Cepaline theory in practice, reflects the limits inherent in any analysis which does not take into account the real character of the capitalist system and of imperialism.

Fourth Thesis: The Latin American economies have a 'structural dualism' (or a series of dualisms) which need to be overcome if industrialisation is to develop in a complete and harmonious fashion.

For example, Conceicao Tavares, analysing the Brazilian case argues that 'the process of economic development was unbalanced essentially on three convergent levels: sectoral, regional and social' (Tavares *op. cit.* p. 108). In other words: the sectoral imbalance refers to the differences which exist between the rates of growth and productivity between the primary sector (agriculture) and the secondary sector (industry); the regional imbalance refers to the marked differences between the Centre-South and the North of the country; and the social disequilibrium refers to the regressive distribution of the national income.

'The increase in regional inequalities corresponds to the natural tendency for a concentration of economic activity at the polarised region of the system, aggravated by an economic policy of incentives to industrialisation which in practice corresponds to a transfer of income from the less developed to the more developed regions.' (Tavares, *op. cit.* p. 106.)

We see therefore that, in its essentials, the explanation of regional disequilibrium also derives from the 'deterioration in the terms of trade' problematic in the same way that it is applied to relations between countries.

Social disequilibrium, according to the analysis of Conceicao Tavares is 'a new facet of a profound economic disequilibrium (*op. cit.* p. 107):

'Making use of the image of the pyramid which seems suggestive to us, we can visualise the worsening of the structural dualism of the Brazilian economy through the evolution of successive pyramids whose upper areas correspond to the capitalist 'sector' with the base being the "underdeveloped sector"' (*op. cit.* p. 111).

Fifth Thesis: The narrowness of the internal market is a barrier to the development of industrial capital accumulation.

The theory of the pyramid as it is formulated by Conceicao Tavares

results in the well known problematic that the narrowness of the internal market acts as a barrier to the expansion of capitalism. So, in the work already mentioned, this author argues that the style of development adopted by the Brazilian economy:

'beyond bringing with it a growing inequality extremely unfavourable to the population which is not incorporated into the process, puts at risk the very dynamic of the capitalist sector since the absolute growth of the internal market which eventually might occur within the sector itself is insufficient to guarantee the maintenance and acceleration of the recent industrial expansion which in great part has occurred at the expense of reserves in the import substitution market' (op. cit. p. 113).

Viewing the logic of capitalist production through the bias of the Keynesian theory of effective demand, Conceicao Tavares reduces the problem of capitalist expansion to the simple question of underconsumption, confusing an ethical vision with the real barriers which confront expanded capitalist reproduction (which are fundamentally about the tendency for the rate of profit to fall). In other words, she replaces the scientific analysis of capitalist production with an 'adjectival' analysis in which the concepts in the final analysis end up being 'the good', 'the just' and the 'desirable'.

As with the other underconsumptionists earlier referred to, Conceicao Tavares locates the root of the question of the internal market in the agrarian structure, and in this way she allies herself with the economists who consider that agriculture is not fulfilling its function in the process of capitalist development:

'The impossibility, in the near future, of incorporating increasing layers of the population into the consumer market results from the fact that the agrarian productive structure, which corresponds to the base of the pyramid, has remained unaltered' (op. cit. p. 113).

Agrarian reform, therefore, is seen as the most important of the 'basic reforms' put forward by CEPAL, since on this depends the absorption of production from the industrial sector. Or, in the words of Conceicao Tavares:

'It is in this sense that the realisation of an agrarian reform which does not liberate too much labour, and increases productivity per head through increasing yields per hectare, has a strictly economic justification because it establishes the bases for a future mass consumption, which is the basic characteristic of developed capitalist society' (op. cit. p. 113).

It is interesting to note that eight years later, Conceicao Tavares, coming closer to an analysis which is able to grasp the uneven and combined development of Brazilian capitalism, says:

'marginality, structural unemployment, underconsumption etc. do not in themselves necessarily imply fundamental problems for the dynamic of the capitalist economy, as opposed for instance to problems related to the absorption of savings, opportunities for investments etc.' (Tavares, (1971) p. 157).

What is curious is that this observation, correct in its essentials, is not made in the form of a self-criticism, but primarily aimed at demolishing what the author calls the 'Celsio Furtado' model, which as we have seen was also the 'Conceicao Tavares model' for many years.

Sixth Thesis: Economic stagnation is the inevitable result of the style of development peculiar to the Latin American economies.

This thesis is the logical consequence of the Cepaline analytic focus, and in the final analysis, implies defending the concept of the inviability of capitalist development in the Latin American economies, if profound transformations in the economic structure of these countries do not occur. These transformations are basically concerned with *broadening the internal market* for industrial products. For CEPAL the problematic of the 'realisation of commodities' is placed as the central contradiction of capitalist production, just as it is presented in the theses of the under-consumptionists.

Celso Furtado was undoubtedly the most brilliant defender of stagnationism. As the author of *The Economic Formation of Brazil*, Furtado has always influenced the oppositionist currents in the country, which explains to a great extent the wide diffusion of his stagnationist theses especially in the period 1963-9. In his *Underdevelopment and Stagnation in Latin America*, Furtado asserts that 'the analysis of the Latin American historical process brings one to the conclusion that, once *laissez faire* is abandoned, the economies of the region tend towards stagnation' (p. 14), and he alerts to the need for 'effective planning' and for a 'redefinition of State functions which can only be carried out with the help of very broad political movements, capable of altering the current bases of the structure of power' (op. cit. p. 15). Furtado was so sure of the inevitability of stagnation (if the 'structural reforms' as they were called did not occur), that in June 1968 he made two speeches before the Economic Commission of the Chamber of Deputies in which he presented his 'project for Brazil' as the saving formula against the 'paralysis which is transforming the present decade into one of the most prolonged crises of our modern economic history'. Ironically Furtado prophesied the imminent catastrophe of the Brazilian economy just in the year which marked the blossoming of the 'miracle'.

THE IMPLANTATION OF ECONOMIC PRAGMATISM

Up until the end of '68 the critics of the regime shared the same general belief that the economic system would not emerge from the crisis, they saw stagnation as inevitable, and concluded that only profound politico-economic transformations would resolve the impasse. Capitalism

would have to adopt a style of national democratic development, or it was fated to become unviable in our country. The expansion cycle which began in '68 forced a theoretical reformulation of articles by Francisco Oliveira, Conceicao Tavares and others, as we will see later.

At the same time industrialists, bankers and other men of business formed the *National Association of Economic and Social Programming* (ANPES), and made clear that:

'the word "programming" instead of planning, indicates that the contribution of private initiative cannot realistically go beyond that of formulating a vision of the perspective for the Brazilian economy, (. . .) *without in any way aiming at a form of global planning which would not be compatible with the social political and economic organisation of the country.*' (our emphasis.)

A number of economists, led by the then professor of the Economic Faculty of the University of Sao Paulo, Delfim Netto, took it upon themselves to propose (and a few years later to put into practice) a series of adjustments to the economic structure. In this way, the series 'ANPES Studies' was born, and the first number was entitled *Some Aspects of Brazilian Inflation* (October, 1965). The interest of this book lies in the fact that while not sharing entirely either the 'structuralist' or the 'monetarist' theses, the 'pragmatists' explain Brazilian inflation in terms of four variables: 'the deficits of the public sector and the manner of financing it; cost pressures derived from wage readjustments; cost pressures derived from exchange devaluations; and pressures derived from the private sector of the economy' (pp. 16-16).

The formulas discovered by the technocrats for stimulating capitalism in the country (and whose consequences are well known to all) were the following: an increase in the cost of public services, the emission of letters of credit for deficit financing, mini-exchange devaluations, and, most important, the policy of screwing down wages. Furthermore, when they later became advisors and executives (Delfim Netto rose to the ministry of the Treasury in the government of Costa Silva in 1967) the Brazilian 'pragmatists' stimulated to the utmost the opening of the economy to foreign capitals, encouraged the process of capital concentration, generously subsidised the consumer durable industries, and made the 'Brazilian miracle' possible. By 1973 at the end of the Medici government, the purchasing power of the minimum salary relative to 1959 had declined by almost 60%.

Stagnation was not inevitable

From about 1970, when the Brazilian economy gave significant proof that the crisis had been overcome, and that accumulation was expanding at a high rate, the axis of debate between the defenders and the critics of the *status quo* moved to the question of the *social price* which the country was paying for the style of capitalist development which was being stimulated. In other words, there was no longer room to proclaim the inevitable stagnation, but it was possible to shift the debate to the serious deepening

of the social contradictions which followed from the hegemony of monopoly accumulation.

For most of the consistent opponents to the regime, the renewal of productive expansion served to bury some of the economic theses which had been the source of the very mistaken political projects. For instance, the orthodox view that the fall of the Goulart government in 1964 would mean the victory of the most backward forces in society, especially the latifundists, collapsed. According to this point of view the process of industrialisation in the country would find itself severely threatened, because it was the forces who opposed its advance which had been victorious in the March 31 period. Time was to prove this analysis to be mistaken and unable to discern the real victors. It revealed the undeniable supremacy of the most 'advanced' fraction of industrial capital: monopoly capital. In summary, the economy of the country was placed at the service of the interests of national and foreign monopoly capital in such a way that the political regime installed is unthinkable without the maintenance of this social base. As in other parts of the world, monopoly accumulation can be realised even under more democratic regimes, but the current political regime cannot survive without the presence and the support of monopoly capital.

The need to overcome the errors of the past produced a process of theoretical reformulation which has still not been fully completed. Critical thought had for a long time been trapped in the straightjacket of pre-established theoretical schemas, held back by the poverty of a politico-theoretical practice which consisted in trying to adapt, for Brazil, analyses which were relevant to other societies and other historical periods; in short scientific theory had been reduced to a series of models and dogmas. Given the importance of 'Cepaline theories' to the errors of the more serious opposition, it was inevitable that part of the process of self criticism should begin with them.

THE CRITIQUE OF THE DUALIST REASONING

Among the essays produced in the early years of the '70s, the 'Critique of Dualist Reasoning' by Francisco 'Chico' de Oliveira (Estudos CEBRAP, no 2) had a great impact. Oliveira insisted on the need for a complete break with the 'CEPAL model' and insisted that:

'At the theoretical level the concept of underdevelopment understood as a singular historico-economic formation polarised around a formal opposition between a modern and a backward sector cannot be defended as a specific concept. This type of dualism can be encountered not only in almost all systems, but in almost every period also. On the other hand, this opposition is, in the majority of cases, a mere formal opposition. In fact the real process involves a symbiosis and an organic inter-relation, a unity of opposites in which the so-called 'modern' sector grows and feeds on the existence of the 'backward' sector, if one wants to keep that terminology' (p. 8).

'On the practical plane' continues Oliveira:

'the rupture with the theory of underdevelopment cannot help but be radical. Curiously, though not paradoxically, it was its pre-eminence in the last decades which contributed for the fact that no theory was formed with regard to capitalism in Brazil, thereby accomplishing the important ideological function of marginalising questions like: who benefits from capitalist economic development in Brazil? (...) The theory of underdevelopment therefore was the ideology specific to the so-called populist period; if today it no longer fulfils this role it is because class hegemony is asserted in such a way that a mask is no longer necessary' (p. 9).

When Oliveira affirms that 'underdevelopment' is precisely a 'product of the expansion of capitalism' he shares a thesis accepted by many Cepaline thinkers, but he differs with the latter in concluding that the logic of accumulation is predominantly *internal* to the system, or in his words 'it concerns the opposition between internal social classes'. In defending the primacy of the contradiction capital-labour, Chico is also refuting the 'orthodox analysis' which gives priority to the contradiction between nations ('neo-colonial' countries versus imperialist), but he does this from a different perspective than other critics of 'orthodoxy' such as Gunder Frank for example (who falls into the vicious circle of the 'development of underdevelopment'). However from the point of view of political consequences Chico's and Gunder Frank's analysis hold significant analogies: the incorrect understanding of the real meaning of the 'populist period', and the underplaying of the 'national question' (understood as the concrete evaluation of the relations between the hegemonic capitalist countries and 'backward' capitalist countries).

In asserting that 'the theory of underdevelopment is, therefore, the ideology proper to the so-called 'populist period' Chico means that the CEPAL analyses, in extolling 'development' provided the substratum for a political tactic of the bourgeoisie: to present its own particular interests (the accumulation of capital) as the general interest of the nation, and therefore camouflaging the principal contradiction of the society. Everything happens as if the populist period was simply a 'mask' behind which the bourgeoisie hid its real interests. It is clear that the dominant interests in the 'populist period' are those of the industrial bourgeoisie. Having granted this, from the point of view of the working class the domination of capital does not always occur in the same way: the level or organisation of this class for instance has a decisive impact on the conditions in which labour power is sold. So when Chico de Oliveira states, in his analysis of the evolution of the minimum salary from 1944 to 1968, that 'it is difficult not to draw the conclusion that the general characteristic of the period is *the increase in the rate of exploitation of labour* which was only counteracted when the political power of the working class weighed decisively' (p. 48), it is worth asking if it could have been different. In fact, it is the political power of the working class which conditions the bargaining power of this class, and the great difference between the populist

period and the regime established in 1964 is summed up exactly in this factor: that is in the concrete possibilities of the working class defending its living and working conditions. A periodisation such as that used by Chico, therefore, in which he dates the third phase in the movement of the real minimum wage as that beginning 'in 1958 (and) characterised by the decline of the real minimum wage, a tendency which is worsened after '64', suffers the serious inconvenience of confusing very different historical periods; from 1958 to '64, while the real wage might have suffered a relative decline in its purchasing power, the workers (as happened in 1961) had a much greater capacity to struggle for its recuperation; but in the period after '64 the tendency to a deterioration of the real wage was imposed as the rule. Not to draw this distinction, therefore implies that nothing much changed from the point of view of the workers from 1958 to 1968.

A second observation which should be made concerns the form in which Chico de Oliveira settles his accounts with the 'theory of dependency'. As the 'essential point of his analysis there is the conception that:

'... taking the insertion and the affiliation of the Brazilian economy into the capitalist system as a *given*, its structural transformation, in the framework of the post-'30s process, comes to be predominantly a possibility *defined within itself*; that is, the existing relation of forces contain in themselves the possibility for the global restructuring of the system, deepening the capitalist structure, *even when the schema of the international division of labour* within the world capitalist system itself was unfavourable. In this lies a basic differentiation from the basic thesis of dependency which only saw this as a possibility when there was synchrony between the internal and the external movements, (p. 23).

Formulated in this way, the thesis of Chico de Oliveira has the merit of emphasising the importance of the internal process of capital accumulation, a process not to be understood as the mere result of a 'breach' in the world capitalist system, or as a reflection of the 'new policy' of imperialism. However, he privileges internal accumulation to such an extent that he ends by forgetting the concrete historical conditions in which this accumulation occurs. Chico de Oliveira, therefore, is led to under estimate the specific insertion of Brazil into the international capitalist system, simplifying the problematic of the 'internal axis of accumulation' through underplaying the weight of the 'external' (foreign capital, imperialism etc.) in the dynamic of capital accumulation in our country.

The capitalist mode of production has for long been dominant in Brazil, but this does not prevent the specific insertion of our country into the world capitalist system (in its double aspect of integration and subordination), overdetermining the dynamic of internal capital accumulation, or rather informing *this very dynamic*. In this sense it is sufficient to remember the great mass of surplus value which is internally created and yet goes to swell the capital of the head office (in the case of direct investments) or the big international financial groups (in the case of loans). [5]

THE APOLOGISTS OF THE BRAZILIAN MODEL: OR HOW THE ENDS JUSTIFY THE MEANS.

In his introduction to *Brazil 2002*, the present minister of the exchequer, Mario Henrique Simonsen, exuded an optimism which subsequent events would force him to deny. This book, which was largely written in the middle of 1972, takes up theses developed by the same author in his *Brazil 2001*, a work which 'tried to instill a little more optimism in our analysts' in a period when 'the futurology of pessimism reigns among us'. According to Simonsen, the growth of the economy in the period '68-'72 opened up a new economic panorama in which themes discussed up to 1968 'such as the structuralist thesis of Brazilian stagnation, or the debate about planning and the market regime' had 'fallen from fashion' (op. cit. pp. 7-8).

Simonsen's confident assertions appeared to be justified. As he himself said 'the explosive growth of Brazil's real product as from 1968 left the structuralists speechless, with many of them forced to go on and recant' (op. cit. p. 63). Furthermore the opponents of bourgeois political economy were wrong to be motivated by 'ethical reasons'. In Simonsen's words:

'Without going to the root of the question it is easy to see various points where marxists and structuralists go wrong. In the first place, the idea that an income redistribution in favour of the poorest classes would increase the dimensions of the market has to be qualified sectorally: a transfer from the richest 20% to the poorest 80% would probably increase the demand for foodstuffs, but it would diminish that for cars: the result of a rapid redistribution would perhaps only be to generate inflation in the food sector and excess capacity in the car industry' (op. cit. p. 64).

Beginning his argument in a very significant fashion ('Without going to the root of the question . . .'), Simonsen presents one of the most commonplace theses of the ideologues of the 'Brazilian model': the economy has laws which ignore ethics. But the point is that these economic laws, contrary to what such ideologues might think, are not valid for just any mode of production, but are relevant simply to capitalist development (and even more than this simply to Brazilian capitalist development). In addition, the author's argument is extremely weak: no one denies that a more equitable division of income would influence the type of 'demand' on the market. What is necessary is that the minimum salary should reach European or North American indices so that the worker is able to be a consumer for the car industry. In Brazil, any increase in the minimum salary has to be used for essential expenditures, such as food. But what it is necessary to prove—and no miracle is invented for this—is that economic development demands that the car industry has all the priorities.

The 'cake theory' corresponds to another thesis of Simonsen, as can be seen in the final sentence of his chapter 'Income Distribution and Economic Development':

'And when the cake is small one can only repeat the old saying "nothing is gained by distributing misery before the riches are created"'.¹

However the real problem is less that of distributing the misery than the creation of wealth: the politico-ideological currents criticised by Simonsen point to *more secure and less painful forms of creating wealth*. In other words they defend a road in which the means ('a planned economy') are coherent with the ends (social well being), and the well known 'cake' would grow harmoniously without producing indigestion in the greedier stomachs while others are submitted to forced starvation.

A rapid interval

While the critiques of the 'Brazilian model' of development were principally based on the problem of the sharp accentuation of the concentration of income, (even such authors as Chico de Oliveira, Singer, Conceicao Tavares, etc., who make broader critiques emphasise this question), the apologia for the 'model' rests on 'pragmatic realism'. In other words, the defenders of the *status quo* do not deny the misery, the lowering of the real minimum salary etc., but they justify the official political economy with the argument that 'the facts are hard ones and we must confront them as such'. In this vein Delfim Netto in a famous interview recalled the misery of the English working class in the last century, saying that, relatively, Brazilian misery was on a smaller scale. Others accentuate 'educational inequalities', arguing that the problem is not that the wages policy compresses the level of the real wage, but that a large part of the working class suffers 'educational deficiencies' and for this reason receive small wages. However they forget the simple fact that wages are fixed institutionally according to laborious mathematical calculations which do not manage to conceal the evidence of the workers' loss of purchasing power. Carlos Langoni, professor of the Fundacao Getulio Vargas also distinguished himself with this line of reasoning.

Parallel to this, courses in economics multiplied throughout the country: and those who didn't master 'economic technique' weren't in the reckoning'. The high point of professional accomplishment was to belong to the cadres of the 'ministers' and secretaries' incubator, namely the Institute for Economic Research (IPE) at the University of Sao Paulo. Raised to power at the hands of minister Delfim Netto (who in his turn enjoyed and continues to enjoy the complete confidence of important sectors of the Sao Paulo business community), the IPE economists (the vanguard of the country's economic technocracy) came to occupy the highest posts in the secretaryships of the State, in the Ministries, the State enterprises etc., and disputed for their weight in gold from private firms. Their theoretical production was distinguished by its 'sounding box' style, in other words, it was for the Minister above to speak and for those below to test it out. For masochists who enjoy passing the time deciphering econometric formulas we recommend the works of A. Celso Pastore, E. Pereira de Carvalho, Odroaldo Moura, etc., published in the *Revista Brasileira de Economia, Pesquisa e Planejamento Economico, Conjuntura*

Economica, etc. However, given that the 'theoretical offsprings of the Brazilian miracle' did not manage to elaborate any more complete contribution than those of their intellectual patrons, we will return to Simonsen.

THE NEW BRAZILIAN ECONOMY

In 1974 a collection of articles by Mario H. Simonsen and Roberto Campos were published under the above title. In fact the title suggests much more than the book actually contains. The 'New Economy' is no more than the old marginalist theory applied to justify and extol the so called 'Brazilian model of development', interspersed with recipes and advice on how to achieve economic development:

'Apart from the binomio savings-market, there is one fundamental requirement for an economy where the free enterprise enjoys an important role: the confidence of the investors. (...) In part this climate of confidence (sic) is the result of the recent growth of the real product of the surplus in the balance of payments (sic), the reduction in the rhythm of inflation (...) To a great extent, however, it is the product of a politically stable regime, which established development as the priority of political economy, and which consolidated a good system of partnership between private national firms, state firms, and the foreign enterprise' (p. 20, Simonsen's article).

'The excellent performance in the growth rate of the Brazilian economy in the period 1968-73, which exceeded that of any previous period, provokes a questioning not only as to the economic but also the politico-social conditions for this fast growth'. Simonsen proclaims in Chapter Three of the *New Brazilian Economy* (p. 39). And he takes it upon himself to clarify that 'the first of the ingredients' which were lacking in the earlier period of our history was 'a satisfactory degree of *political stability*' which from '64 was achieved 'under a regime, which some political scientists describe as "modernising authoritarianism", which already delineated subsystems—including political parties, interest groups etc. (...)—which are however subject to the temporary limiting of the level of their autonomy' (p. 41). It is this political stability which has permitted an 'ideological disintoxication, and allowed for a greater rationality in the behaviour of the Brazilian model, together with better conditions of "sustainability"' (p. 78). In this way, the face of the great controversies over the style of political economy to be adopted, 'pragmatism' imposed its hegemony.

As far as the 'monetarist' or the 'structuralist' analysis of the inflationary process is concerned, therefore, the post-'64 regime gave 'importance to the traditional anti-inflationary methods of monetary and fiscal control, without however carrying out a strictly orthodox approach, since it accepted gradualism and maintained control of prices and salaries' (but, we might add, there was much more of the latter than the former). This same pragmatism guided the regime on the national question, or in Simonsen's words on 'the controversy between "nationalists" and the supporters

of "an open economy"' (p. 73). There are numerous examples of this new attitude taken in regard to foreign capitals. For instance Simonsen recalls:

'(that) within this line, Petrobras made two pragmatic openings in relation to the private sector: in the recent period it directed itself to association with foreign firms for the exploration of oil abroad (and after this, we have the contracts of risk, carrying on the same 'pragmatic' line—G.M. M.M.), and at home, it has come to have *minority participation* (our emphasis) in petro-chemical firms, in associations with national and foreign firms, and in certain instances with international finance agencies' (p. 74).

Furthermore:

'in August of 1964 the most negative clause in the law on profit remittances which limited transferrable profits to a percentage of the original capital, was liberalised to include remittances on the profits reinvested for effective incorporation into the capital' (p. 75).

Another controversy concerned 'the growing participation of multinational companies in economic activity' and 'the fear that indebtedness and the emphasis given to exporting as the dynamic factor in growth amounted to a "model of dependent development"'. Now, 'as regards the multinationals' continues Simonsen, 'the Brazilian attitude has always been more open and relaxed (sic) than that of other countries in development', and 'the "nationalist" preoccupation that openness to foreign capital (. . .) would condemn us to a dependent development, appears entirely unfounded' (p. 76). He then goes on to enumerate everything that appears to him advantageous in the opening of the Brazilian economy to foreign capitals, and concludes: 'These positive results' (it is interesting that he is speaking of foreign exchange, increase in reserves etc.) 'have led to a rapid softening of the "nationalist's" opposition to the option provided by the "open economy"' (p. 77). Let us add that it is probably not the 'positive results' which have led to a strengthening of the ties with foreign capital, simply because, as is public and notorious, the foreign debt is already above the level of 28 billion dollars (the positive results, therefore, only exist for foreign capital).

Finally, the last controversy, analysed by Simonsen in the chapter in question, refers to the 'productionist' versus the 'distributionist' orientation. Simonsen, following a method employed throughout his work, attributes to his opponents such a poverty of reasoning that the contest becomes too obvious and easy. That is, everything is presented as if the 'productionists' (among whom he situates himself), were preoccupied with increasing national production while the 'distributionists' were no more than an irresponsible gang pushing for 'wage prodigality' (p. 7). In this way he leaves to one side, once again, the basic question which is none other than deciding the *best manner to create wealth*. On the one side there exist those who want to make social well-being the lever for the development of the productive forces, and because of this, defend economic planning

under the control of the direct producers as the most efficient instrument for achieving this objective. For others, as is the case of Simonsen, it doesn't matter if there is a waste of social resources, or if there is anarchy in production, and a heavy price to be paid by the majority of the population, so long as capital accumulation is maintained. It is a matter therefore of two perspectives which are irreconcilable both at the level of means and final objectives.

NEW CRITICAL INTERPRETATIONS

The renewal of capital accumulation, once the recession of '62-'7 was overcome, was accompanied by a change in the problematic vis-a-vis the Brazilian reality. The axis of discussion, which principally during the first years of the '60s had turned around the question of the limits of capitalist accumulation, or of economic development, came to be gradually displaced towards that of *income distribution*. Stagnationist theses therefore are now substituted for explanations as to how the so called Brazilian 'model' had managed to overcome the apparently irremovable barriers to development. In practice it was a certain time before the currents of interpretation which had sworn that Brazilian development was stumbling up against the narrow limits of the internal market, recovered their wind sufficiently to adventure on new interpretations. It was only in the first years of the '70s, when the new cycle of accumulation was already entering its descendent phase, that a number of works emerged on income distribution in Brazil.

However, while the problematic was different (from problems of stagnation to those of distribution), the prevailing theoretical focus in the approach to both problems remained essentially the same (we are referring naturally to the currents critical of the *status quo*). Underconsumptionist hypotheses, which had underpinned the stagnationist diagnoses, instead of being substituted by more effective approaches, were simply reformulated to adapt to the new circumstances. Rather than recognise that the error of the stagnationist conclusions lay precisely in the undue dissociation of the processes of production and consumption (where this latter, instead of being determined by production, appears as an 'independent variable'), certain currents of critical thought preoccupied themselves with explaining how the supplementary demand had been created which had helped to free the Brazilian 'model' from the crisis of '62-'67. It is easy to demonstrate that 'effective demand' continues to be the privileged parameter in assessing the possibilities and limits of capital accumulation in Brazil. This time, however, the 'new' underconsumptionist analyses appropriate an argument, which if not new in the developed countries reached Latin American intellectual centres (principally through Escolatina de Santiago) only in the late '60s and early '70s. In this way the analyses of Kalecki and de Steindl were transplanted to the Latin American reality principally by means of the work of Maria de Conceicao Tavares.

Celso Furtado and the analysis of the Brazilian 'model'

While remaining on the margin of the innovations introduced by

Kalecki into the underconsumptionist analysis, Celso Furtado in 'Analysis of the Brazilian "Model"' (Furtado, 1972), produced one of the most complete and one of the first accounts of Brazilian reality in the '70s from the point of view of the problems of consumption.

Underdevelopment for Furtado, instead of being a given form of the accumulation of capital, 'presents itself from the beginning as a transformation in the patterns of consumption (even if such a transformation only affects a minority of the population in the area in question) without there being a concomitant transformation in the techniques of production' (p. 9). According to this view then, the dynamic of the process of transformation depends on the modification in patterns of consumption, and not on the accumulation of capital through diversification of investments, new productive techniques, a new stage in the concentration of capital, in short, from changes in the relations of production. Furthermore, 'the Brazilian industrial structure had to adapt itself from the beginning to a profile of demand characterised by a considerable unevenness between the patterns of consumption of the masses and those of a tiny minority of the population' (p. 30), whose high income consumption accompanied the evolution of the middle- and high-income groups of the richest nations. So Brazilian industry, which from the beginning was structured by the concentration of income, was, according to Furtado, confronted by the beginning of the '60s with an insufficient consumer market.

Given that the most dynamic sector of the Brazilian industry (that which produced consumer durables), according to Furtado did not find enough consumers for its products, the solution to a renewal of the industrialisation process lay in the broadening of the consumer market for consumer durables. For this to occur it was necessary that 'growth should not only privilege a minority of owners of capital goods but a broader social group capable of forming a market of adequate proportions for consumer durables' (op.cit. p. 41). It was for this reason Furtado claimed, that fiscal, credit and political economy mechanisms were operated in such a way as to produce a substantial increase in income for a privileged sector of the middle class. This supposed transfer of income was achieved through the mediation of loans 'which implied subsidies for consumption', or through transfers to this privileged middle class of credit and property bonds, thus assuring it a more solid patrimony and the perspective of greater future income.

On this view, the government apparatus was supposed to have used its considerable resources to guarantee higher incomes for the top layer of the middle class, giving preference to them even above the capitalists themselves (in terms of accumulation) in the most dynamic sector of the industrial structure. Policies were implemented to 1) neutralise the effects of inflation on the savings of the middle class (through monetary correction on financial applications etc.) 2) orientate credit in order to privilege the buyers of consumer durables *rather than their producers*; 3) organise the financial market, including forcing the opening up of business capital, so that the savings of the middle class could be transformed into finance bonds able to generate a flow of real income, which would allow the demand for consumer durables to be broadened. (Furtado, 1972, p. 43).

There was, from 1968 onwards, a restructuring of the national financial system with the purpose of directing a part of the country's savings towards the financing of durable consumer goods. Along with this the government stimulated the channelling of a part of the savings of the upper middle class to the acquisition of property and credit bonds. However it is difficult to demonstrate, as Furtado tries to do, that these measures implied an increase in the income of the upper layer of the middle class. Monetary correction on loan applications at most neutralised the effects of inflation without bringing therefore any transfer of income, while credit, offered freely to the middle class 'rewarded' (to use Furtado's term) the buyers of consumer durables with extortionate interest rates, which enriched only the financial system and the industries of consumer durables. Lastly, the transfer of property bonds to the middle class was aimed at broadening the capital or the potential for accumulation by the big firms though the absorption of yet one more slice of the national savings, and in no way ensured for this middle class 'a more solid patrimony or a greater perspective of future income'. For the rest it is only necessary to look at the low returns (or rather the losses) which these bonds incur, to be clear about whom they benefit. We can conclude then that there was no transfer of income for the privileged strata of the middle class, at least through the mechanisms pointed to by Furtado.

We must emphasise that we are not denying the process of a concentration of income in Brazil, but we do say that it has not been provoked by the transfer of income to the middle class through the mechanisms of political economy. The reality is that income concentration derived directly from the dynamic of capital accumulation, which benefitted from the severe restraint on the wages of the lowest strata of the population, and increased the wages of what is known as qualified labour (the middle class), as a result of the great demand for high level technicians (due to the implication of a large number of technologically sophisticated firms). However for Furtado, the process of accumulation itself, as it occurs in our country, is not able to create sufficient demand to absorb the growing production, making it necessary for the State to create a supplementary demand through increasing the income of the middle class. From which it is deduced that without this extra demand, capital accumulation in the country would run up against a crisis of underconsumption. But, since in practice such a transfer of income did not occur, we must conclude that it was the process of accumulation itself which generated the demand it required.

Maria de Conceicao Tavares

Despite her adoption of Kaleckian arguments, Tavares' position still resembles the one she held in her earlier stagnationist works. This is clear from her article 'Income Distribution, Accumulation and Patterns of Industrialisation' (Zahar, 1975). Even after some critical insights in this direction (for instance her critique of Furtado's stagnationist theses) she returns to the underconsumptionist positions. In her view capital accumulation sees itself continually threatened with a production of commodities greater than society's capacity to consume.[6] However, in the developed

countries this problem of realisation has been aided through a great expansion in the production of luxury goods (directed to capitalist and not wage consumption); but this does not occur in the under-developed countries, where the expansion of production for capitalist consumption, apart from not resolving the supposed problem of realisation, introduced into these countries 'a particular contradicton beyond the general wages/profits contradiction: that of workers' consumption *versus* capitalist consumption' (op. cit. p. 39).

For Tavares, using a two sector economic model (D1 which produces capital goods and D3 producing popular consumer goods)[7] a 'dynamic interdependence' is established in which there is no interest in lowering salaries to the minimum since these make up the demand for the sector producing consumer goods. However this 'dynamic interdependence' between Depts 1 and 3 can be broken to the extent that a sector producing consumer goods for the capitalist class[8] comes to be established and to lead the process of capitalist accumulation (this corresponds to Dept 2 for Tavares):

'In this case a *growing antagonism* can develop between wages and the rate of accumulation which takes the form of an *opposition between workers' and capitalists' consumption*' (op. cit. p. 51, emphasis ours).

From this it follows that before the introduction of consumer goods for the capitalist class, there was no increasing antagonism between salaries and the rate of accumulation, since the capitalists need the demand of wage workers to sell their production and therefore would not be interested in lowering the wages of these latter. According to Tavares higher salaries would imply a higher rate of accumulation. In these conditions, properly speaking, there does not exist a contradiction between profits and salaries since both are complementary: to have profits it is necessary to sell commodities. At this point it is worth asking if Tavares is aiming at a historical regression to some initial period of capitalism (before the introduction of consumer durables production) but if so she has failed to locate this Eden where the complementarity of wages and profits is established.

As is well known, and fully documented since the beginnings of capitalism, the owners of the means of production were engaged in increasing their rates of profitability, trying to extend the working day or lower the workers' salaries. So, either the capitalists did not realise that acting in this manner would be prejudicial since they would be left without buyers for their products, or the demand for commodities did not depend on the wage levels of the poorest layers of the population. The facts force us to opt for the second hypothesis, since capitalist production continued expanding particularly in periods of wage declines. This is due in the first place to the fact that the expansion of production in itself incorporates continually new layers of the population in a way which widens the consumer market for popular goods, in spite of possible decreases in wages. In the second place, capital accumulation tends to depend less on popular consumption as an increasing mechanisation of production occurs

(a larger quantity of machines and equipment—constant capital—in relation to labour power). This means a growing demand for capital goods, increasing the participation of capitalist productive consumption (consumption by the firms themselves) in the total consumption of the capitalist countries. Wage increases, when they occur, far from reflecting capital's preoccupation in guaranteeing a level of consumption, are a result of the struggle which the working class undertakes through its trade unions, parties etc. and are the victories of this class over the capitalists.

According to Tavares' reasoning, the expansion of the consumer goods sector for the capitalists produces a growing antagonism between wages and profits because realisation comes to depend more and more on capitalist consumption and can forego the demand represented by wage workers. It is on this basis that the contradiction wages/profits assumes the character of an opposition between workers' consumption and capitalists' consumption since 'the capitalists' consumption has to increase at the expense of the growth in the workers' consumption in order to maintain the same rate of accumulation' (op. cit. p. 51). Once again she runs the risk of ignoring the wages/profits contradiction (or in the class relations which this expresses) in favour of a new contradiction (wage workers consumption versus the capitalist's consumption), which would appear to establish a new keynote for social relations. At the maximum, the class struggle becomes reduced to the struggle for consumption, and it is sufficient to increase the workers' consumption gradually in order to dissolve class antagonism. Moreover such a development can be fitted perfectly into Tavares' analytical model, particularly from the point at which technical progress increases productivity in such a way that 'surplus' is increased without lowering and even with an increase in wages. It appears to be a matter of increasing productivity, which in its turn would increase relative surplus value and allow, at the same time, an increase in profits and wages.

If the overall rate of surplus value increased however, that is, if exploitation was increased (a greater part of the product of the workers' labour being appropriated free by the owners of the means of production), this would imply a sharpening in the contradictions between the classes (although there may have been some small increases in wages). So, even though the workers end up appropriating a small part of the increase in their productivity (through wage increases), the lion's part always goes to the capitalists.

Since the rate of exploitation derives from the relation between necessary labour (for the reproduction of the workers) and surplus labour (the period in which they work for nothing for the capitalists), the rise in productivity in the economic sectors which produce goods consumed by the workers allows for a decline in necessary labour time since the workers now need less money to buy subsistence goods. So, if for an eight hour day the worker worked four hours reproducing himself and four hours for the capitalist, an increase in productivity would alter this relation. In such a situation it may only require three hours for the worker's reproduction and the remaining five hours would be entirely for the capitalists. The rate of surplus value (or the rate of exploitation) would change from 4/4

(where the numerator is surplus labour and the denominator necessary labour) to $5/3$, without altering the real wage (which corresponds not to a monetary value but to the real quantity of products which can be bought). It should be noted that even if the capitalist only appropriates 4.5 hours of labour, thus allowing for a real increase in wages, the rate of exploitation will have increased to $4.5/3.5$. It is therefore dangerous to analyse the class struggle in terms of relations of consumption, because one can arrive at the false impression that antagonisms become cooled down when there is an increase in workers' consumption, whereas in fact these may have increased as in the example mentioned above.

Paul Singer and the classical view of income concentration

In 'Development and Income Distribution in Brazil' (in Zahar, 1975), [9] Paul Singer tries to show the close relations which exist between income concentration, rate of exploitation and capital accumulation:

'the motor of development (capitalist) is capital accumulation and this depends above all on the rate of exploitation, or rather the division between the necessary and the surplus product. The necessary product goes to ensuring the reproduction of the labour force. The surplus serves for the consumption of the non-producers and for accumulation' (op. cit. p. 75).

We see from this that the so-called effective demand of an economic system is not restricted to the workers' consumption but counts also on the consumption of the 'non-producers' and renewal and expansion of the productive process itself. Singer continues:

'The acceleration of development (capitalist) is necessarily conditioned by the increase in the rate of exploitation, which inevitably results in a concentration of income. This is a proposition which can be applied generically to the capitalist countries, the workers movement has managed to resist the increase in the rate of exploitation, which forces the system to speed up technological innovations' (op. cit. p. 77).

When these innovations are exported to countries like Brazil they produce a demand for more specialised labour. Qualified labour is scarce in the country, so a privileged sector of the middle class is created, made up of technicians, administrators and bureaucrats in general, who constitute a perfect market for consumer durables.

Here the difference in analysis as compared with Tavares and Furtado, becomes clear. While the latter postulate an income concentration as an exogenous process, that is, produced on the margin of the production process (an artificial concentration of income created by the State), for Singer this income concentration occurs in Brazil as a direct consequence of the productive process. Reformulating an argument developed in 'The Brazilian Miracle: Causes and Consequences' (Singer, 1972), he argues that

the manner of implantation of monopoly accumulation in Brazil, with the arrival of foreign firms based on a high technological sophistication, produces the necessary demand for the realisation of surplus value. Such an explanation obviously does not exclude the possibility of State intervention (as in fact normally occurs) to broaden and to contain demand through credit policies (freeing credits, manipulation of interest rates etc.). But we should note that it is not a question of a transfer of income except in the rare cases in which inflation is lower than the interest rates) but rather of postponement of repayment or compulsory loans which have also to be repaid.

The concentration of income in Brazil is for Singer pre-eminently political, especially since '64, when the weakening of the workers' political strength led to a redistribution of income in favour of the highest sectors of the Brazilian social pyramid. It is not that Furtado and Tavares forget this fact, but for them it does not constitute the only, and perhaps not even the most important, cause of income concentration.

A superficial reading of Singer's analysis could confuse it with Langoni's approach in 'Income Distribution and Economic Development in Brazil' (Langoni, 1972). However behind the similarities a profound gulf separates the two interpretations. For Langoni, a kind of *eminence grise* of the establishment when it comes to income concentration, the regressive division of income is due exclusively to economic factors, that is to the fact that in Brazil, there is an excess of poorly qualified labour with a low level of education in a market which has a great demand for qualified labour. In these conditions the greater supply of unqualified labour in relation to demand produces low salaries, while the demand for qualified labour over and above its availability produces privileged salaries for a section of the middle class. To the extent therefore that there is an increase in the Educational level of the lowest sections of the population there will *automatically* be an increase in their salaries as a result of market laws.[10] As is clear, Langoni has not noticed that within monopoly capitalism, the automatic functioning of the market has been replaced by monopoly administered prices and by the heavy participation of the State in the economic field; so his reasoning may be valid for some society in the last century, in the phase of capitalist free competition, but never for the Brazil of today where the salaries of the working masses are so severely controlled by official wage policies. So Singer's position agrees with Langoni's reasoning as regards the technocrats', bureaucrats' and administrators' salaries, whose scarcity on the Brazilian market has given them high salaries, but he criticises the latter's conclusions with respect to unqualified labour. The political and social elements—the degree of political organisation of the workers, the political nature of the regime etc. are for Singer the essential factors in determining the price of labour power. It cannot be forgotten that in the last instance it is the State which fixes the standard of living of the working class through the determination of the minimum wage, along with wage readjustments.

Translator: John Wilkinson

FOOTNOTES

- 1 This was to have a number of repercussions in articles in the *Revista Civilizacao Brasileira*, see especially Tavares (1967), and in the journal *Teoria e Pratica*, see Fausto (1968).
- 2 The 'barracao' system is that of indebtedness to the farm shop used as a mechanism of control over labour.
- 3 In his work on imperialism, see Lenin((), where he was less preoccupied with the consumer market than with the rise of the rate of profit which could be obtained by imperialist countries abroad.
- 4 CEPAL are the Portuguese initials of the United Nations' Economic Commission for Latin America.
- 5 The economic crisis through which the country is currently passing as this 'relative decapitalisation'—which affects the rate of social profit—as one of its essential explanatory elements.
- 6 This occurs because the productivity of labour power tends to increase more rapidly than salaries, so that the expansion of the consumer market is slower than the internal accumulation in each sector.
- 7 With Dept. 2 producing capitalist consumer goods excluded.
- 8 Broadly equivalent to consumer durable sector.
- 9 The article was first published in *Debate e Critica*, Vol. I, n, 1, 1973.
- 10 Langoni tries to prove his hypotheses by showing the narrow correlation between level of education and low income, the lower the level of education, the lower the income of the population. However, not only is it clear that in Brazil educational opportunities and the teaching structure are essentially selective, but authors such as Pedro Malan and John Wells also contest Langoni's conclusions purely within the statistical context. In a review of Langoni's book (in *Pesquisa e Planejamento Economico*, Dec 1973) they argue that the empirical data used in the book leaves doubts as to the strict correlation which might exist between income distribution and educational level. 'In effect, of the increase in total variation of income between 1960 and '70 which is 'explained' by the variable of education, 35% is due simply to changes in the relative incomes between different levels of education, and given level of education. Therefore education is an important explanatory variable, principally due to the increased differentiation of income between individuals with the *same* level of education' (p. 1.111).

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