

The Politics of Globalization and Social Change

Doutoramento Honoris Causa
University of Montreal

Montreal (Canada), April 15th, 2005.

Ladies and Gentleman,

This is the second time I come to the University of Montreal in two consecutive days.

Yesterday I delivered a conference in the Fonds Gérard-Parizeu series of lectures. It was a long analysis of the evolution of North-South relations, maybe too long considering that time is the rarest of commodities for all of us nowadays.

Today I return to be awarded the Doctorat Honoris Causa by the University.

It is such a special occasion for me. I am so honored to be here today that let me thank you all from the outset. I promise you that I will give a much shorter lecture today.

Montreal occupies a very special place in my academic life. I have always found here fellow Social Scientists ready to engage in a fruitful discussion, at least for me, on issues dear to my thinking on the possibilities for development in poor countries, especially in my own region, Latin America.

This is the case of Professors Louis Maheu and Arnaud Sales, both present here and who were kind enough to extend me the invitation to come to Montreal. I am fully aware that I have been granted this award for my academic track record and contribution rather than for any possible achievements as President of Brazil.

I will therefore, in my speech, try to recapture some of my writings and look at them with a new light, under the title "The Politics of Globalization and Social Change".

My name has been associated, together with other scientists in Latin America, with the so-called Dependency Theory, conceived originally, in the sixties, as a possible structural framework to explain the conditions for economic development in the periphery of capitalism, namely in Latin America.

The best-known piece of work on this question is the book entitled "Dependency and Development in Latin America", which I wrote in collaboration with Enzo Faletto in the mid-sixties.

The development dimension of the book never received as much attention as the dependency elements.

Dependency was widely perceived to be the true novelty and the real contribution of the book to sociological thought. That may be true. But dependency also became at the time, to our surprise, a kind of fashionable word occasionally abused and misused in intellectual circles, eventually being capable of explaining very little.

This leaves me today with a strange sensation that the book was only partially understood at the time, for the development of Latin America was and is in fact the crux of the matter.

I will spare you any attempt at resurrecting or justifying the Dependency Theory this afternoon. But I do wish to recall some of the assumptions and the historical conditions on which the book was based, if only to re-examine them today with the benefit of hindsight and to update some of those assumptions, relating them to my analysis of the politics of globalization and social change today.

Development and Globalization

Underlying the book was the assumption that full integration into the world economy was not entirely desirable.

There was, as I have already noted elsewhere, a “psychological fear” of the outside world, possibly linked to the theory of imperialism.

The whole emphasis on import-substitution and on the protection of the domestic market spoke eloquently of this fear of the outside.

It is true that, for countries such as Brazil, one of the few in the South that has a sizeable domestic market, plans for development on the basis of organic growth in the internal market looked a real possibility.

And so it did, quite successfully, for some decades.

On the other hand, a protected and big market was seen as an incentive good enough to attract foreign investment in the industrial sector.

At that time, globalization in the industrial sector meant essentially local production of previously imported finished goods. Either a good was produced locally or imported. Import tariffs were high for intermediate goods, which could not travel with the low costs with which they can be transported today.

Globalization had not reached, in brief, the point where any industrial good, especially those with higher value-added, may have its components produced in several locations, and final assembly takes place in a certain country based on considerations that have little to do with domestic market potential.

At the same time, international capital markets in the mid-sixties were relatively unsophisticated, flows largely

controlled. Globalization was very far from reaching the point where free movement of capital is a daily routine.

Development was therefore possible, within the limits of the periphery of capitalism, based essentially on import-substitution strategies aimed at industrializing the economic base of countries in Latin America.

This model provided the engine for growth for a certain period of time, but reached its limits with the transformation of modes of production globally in the eighties and nineties.

Higher levels of technology applied to production methods made it imperative for developing economies both to invest in education and to integrate their industries more deeply into the world economy.

World trade has outpaced the growth of world GDP for the past twenty years. Countries unable to become integrated fully and successfully into world trade and financial flows have lagged behind.

A first wave of Asian tigers did so and some of them crossed the threshold of development. Other countries, such as China and India, have been following the same path over the past ten years or so. Latin American biggest economies embarked late in the process, Brazil only after the stabilization of the economy in 1994. African countries, with the notable exception of South Africa, were never capable of developing the capacity to compete successfully in the world economy. The impact of globalization was paradoxical vis à vis the "Dependency Theory".

On the one hand, it increased the level of "dependency" of all developing countries on the world economy. On the other, this higher "dependency", so to speak, proved largely beneficial to several countries in the South while rendering them more exposed to external crises.

A first lesson to be learned from the Dependency Theory is thus the fact that there is no place in today's world for that "fear of the outside world" which I had referred to earlier on.

That fear might be understandable in the light of the circumstances of the time the book was written, but today the development of poor countries is necessarily linked to deeper levels of integration into the world economy.

Development and Democracy

We strongly believed, at the time we wrote "Dependency and Development in Latin America", Enzo Faletto and I, that the State was capable of not only shaping progress, but also providing the stimulus for it.

The all-embracing State was needed to plan, to devise strategies within the plan, to implement measures within the strategies. The State was seen as an autonomous force that needed to be ever more strengthened.

All of this was to be implemented without listening too much, if at all, to other players in civil society.

I can recognize an authoritarian twist in that view, which was again a reflection of the times. That situation has changed drastically on several grounds.

Firstly, the State has failed repeatedly in its planning of development strategies, in its direct participation in productive activities.

It has made mistakes in the management of public finances in several countries in Latin America, sometimes going bankrupt and losing any capacity to manage long term strategies.

Secondly, the State has channelled scarce resources to investment in dubious projects that might be better employed in providing good services to the population in areas such as education, health and urban housing, to name only a few.

Thirdly, legitimacy for Government actions has been increasingly derived from managerial and administrative capacity to deliver public goods expected by the population.

Promising without delivering has become intolerable for populations that are more aware than ever that they are paying ultimately for any waste of resources by the governmental machinery. Societies in Latin America have become more democratic.

In the dynamics of contemporary mass democracies, major decisions are taken as the result of a complex deliberation process in which the State is one player among others, such as the private sector, civil society, NGOs and the mass media.

Consumers, citizens and taxpayers shape public policy as much as Governments do. "Dependency and Development in Latin America" did not recognize fully the force of democracy as a factor in the conceptual framework of development, as a value in its own right.

Its notion of development was based solely on economic growth, as if material progress alone would have a levelling impact on the living standards of all and could provide the answers to all demands of society.

Today, the concept of development is much more sophisticated than the one we based our book on. It encompasses dimensions such as quality of life, income equality, protection of the environment and democratic values and processes of deliberation.

Had this expanded definition of development been available at the time, the contents of the book might have been much different.

But this is only a hypothetical possibility that is not worth exploring now. What is necessary for me to stress

at this stage is simply that the current notion of development seems, by adding democratic values and new dimensions to economic growth, to be indeed conducive to social transformation.

Economic growth alone does not necessarily lead to the same outcome, as we saw in Brazil during the years of the so-called economic miracle in the seventies, in which high rates of economic growth co-existed with arguably deteriorating levels of development.

Conclusion

I had stated in my initial remarks that I should be very brief in my speech this afternoon. I will try to keep my promise, and now I come to my final comments.

The possibilities for development and social change are today closely associated, in most poor countries, with two factors that were not completely discernible at the time I wrote the work that is recognized by many as my most important academic legacy.

These factors are the need for full integration into the world economy and for deep democratic practices. Without them, there can be hardly human advancement and social transformation.

This is crystal clear not only to the Professor that is being honored by the University, but also to the former President.

I thank you.