



Antônio Barros de Castro in the 1980s.
(Photo courtesy of Lavinia Barros de Castro.)

ANTÔNIO BARROS DE CASTRO

Remembering an Economic Visionary

by Peter Evans

Antônio Barros de Castro was a master economist whose work has powerful implications, not just for our understanding of Brazilian development, but also for our understanding of the current global political economy and the policy responses appropriate to this new context. Castro's arguments were consistently models of analytical rigor. He was a learned scholar, with a vast reservoir of historical evidence always at his fingertips, but never an ivory tower intellectual. Castro's broad vision and extraordinary analytical capacities enabled him to hone concrete proposals that were credible, compelling and feasible. Such a combination is hard to find in any discipline and, sadly, particularly difficult to find in the ranks of the contemporary economics profession.

Comparisons with Albert Hirschman immediately come to mind. Hirschman is the archetype of an economist able to combine a grasp of the empirical reality of Latin America with supple theoretical skills to produce path-breaking, policy-relevant visions of the process of development. Castro's intellectual style was quite different from Hirschman's, but they shared some key traits. Both were deeply committed to figuring out what was happening "on the ground" and learning from it; both were also theoretically ambitious, determined to force an unruly concrete reality to yield useful general lessons. Both loved scholarship, while assuming that research and analysis could and should inform politics and policy choices. Both shared what Hirschman called "a passion for the possible." At a time when the world is desperate for intellectual leadership that can cogently and credibly construct bold but realistic proposals for dealing with our globalized economy, Barros de Castro's untimely death is hard to bear.

Castro was a citizen of the world, fiercely devoted to contributing to the future of Brazil. He lived, studied, worked and taught for substantial periods in France, Chile, the United Kingdom and the United States. While he always located his thinking within a global perspective, the economic growth of Brazil was his passion. Looking back over his career, it is clear that Castro was fortunate to have been Brazilian. Even though he suffered from exclusion during the military regime (along with most progressive intellectuals), Brazil provided him with a

setting in which his practical and theoretical bents could flourish in tandem, feeding each other, especially once democratization took hold in the 1980s.

The return of developmentalism to a prominent place in Brazilian politics at the turn of the millennium presented Castro with new opportunities for praxis. The Banco Nacional de Desenvolvimento Econômico e Social (National Bank for Social and Economic Development, BNDES) offered a particularly felicitous institutional base. Castro served as president of the BNDES in 1992-93 and was director of planning and a key advisor to the Bank during most of the Lula government. His role at the BNDES put Castro exactly at the intersection that he considered most essential to Brazil's development: the engagement of public policy with the logic of corporate investment decisions.

From the very beginning of his career, Castro was convinced that investors' willingness to put their capital into changes that would transform the organization of production was one of the central keys to development. He first explored this issue in his doctoral research, conducted during the military regime, by investigating the unlikely terrain of slavery and the organization of production in sugar mills and plantations in colonial Brazil. In his time with the BNDES, his preoccupation with transformative investment decisions focused on a very different set of objects — modern Brazilian industrial corporations facing global competition. The question, however, remained the same: Under what circumstances were these enterprises likely to make investments that would really transform production, organizationally and technologically?

For Castro, finding an answer to this question started with understanding the logic of the market. He knew too much and had studied the process of industrialization in Brazil and around the world too closely to overestimate the extent to which national policy could override the exigencies imposed on firms by global capitalism. But he also saw plenty of room for agency in restructuring the connection between the logic of the market and investment decisions and, consequently, a potentially crucial role for intelligent public policy. His carefully calibrated assessment of when and how the state might play a developmental role was one of the hallmarks of Castro's work.

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Castro's appreciation of the state's role in promoting industrial transformation wasn't simply a product of his experiences at the BNDES. Rather, his interest in working with the BNDES arose from his earlier analysis of the role of the state in the process of Brazilian industrialization. One of Castro's most important contributions to development debates in Brazil was his 1985 book *A Economia Brasileira em Marcha Forçada*, which credited the industrial policy of the Geisel administration (1974-79) with laying the essential foundation for Brazil's industrial diversification in the 1980s. As Albert Hirschman (1987:15) pointed out, Castro's thesis was doubly iconoclastic. On the one hand, he was against the global orthodoxy that "getting the prices right" was the key to development. On the other hand, he was going against his progressive friends, who were loath to give any credit to policies initiated under the military. (This is, of course, typical of Castro's determined concentration on grounding his analytical positions in the historical record, regardless of conventional wisdom.) It is no wonder that the first posthumous collection of his essays is called *The Nonconformist* (Castro and Barros de Castro, 2011).

Working with the BNDES may not have been the source of Castro's theoretical vision of the role of industrial policy, but it was a perfect place to simultaneously test and try to implement his ideas. In Castro's view, any good company always has a set of plans that are "in the desk drawer." The ideas "in the drawer" are ones that the company considers potentially profitable, and probably feasible, but still a bit too risky to be an appropriate use of scarce capital. They are the ones most likely to move the company in transformative directions, but they are unlikely to be implemented. In this vision, an entrepreneurial public-sector institution like the BNDES can change the equation and, by shifting the calculus of individual companies, have an effect on the overall trajectory of industrial development. It is no wonder that Castro enjoyed his work with the BNDES.

In recent years, Castro focused more and more on what he called the "Sinocentric global economy." As always, his approach was to combine analysis with action. He wrote a series of articles and organized conferences aimed at developing a clear analytical vision of the implications of China's growing importance in the global economy. At the same time, he provided intellectual leadership to

An abandoned factory, Yorkshire, England.



Photo by Tom Blackwell.



Image courtesy of the Michael MacStems Collection.

A Chevrolet ad from the heyday of American manufacturing.

organizations like the Instituto de Estudos Brasil-China (Institute of Brazil-China Studies, IBRACH) and the Conselho Empresarial Brasil-China (Brazil-China Business Council, CEBC), which were engaged in finding concrete strategies for taking advantage of the opportunities that China's growth created for Brazil.

Barros de Castro's analysis of the Sinocentric global economy is worth delving into in some detail, both because it provides a recent example of his impressive analytical talents and because it illustrates the importance of his work for economists and policymakers, not only in other developing countries but in the Global North as well. Castro's 2012 working paper for UC Berkeley's Center for Latin American Studies "In the Chinese Mirror" provides an excellent window onto his recent thinking, and I will draw heavily on it here.

Consistent with his prior work, Castro began with a long-term, historical perspective and moved from there to concrete, contemporary implications. Castro started from the incontrovertible observation that the characteristics of the nation that is politically and economically hegemonic in a given era shape the set

of opportunities available to other, less economically and politically powerful countries. Thus, in a world in which the expansion of a nascent capitalism was led by the Netherlands, the set of opportunities available to other countries was different than the opportunities that would become available to these countries once global leadership had passed to England.

More interesting, from Castro's point of view, was the change in the opportunity set created by the transition from British to American hegemony. Britain was, in its heyday, a powerful exporter of manufactured goods, shrinking the opportunities available to would-be competitors in this realm. At the same time, the growth of the British economy generated market opportunities for other countries. Britain was a small country that had already largely exhausted its own natural resources by the time it became a manufacturing power. So, as the 19th century progressed, British hegemony created the opportunity for outward-oriented growth for raw materials exporters around the world, with Latin America being a principle beneficiary. Castro illustrated this point with the case of Argentina, whose exports of beef and wheat allowed its

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citizens to achieve one of the highest per capita incomes in the world by the time British hegemony collapsed.

The United States was different. While it dominated mid-20th-century manufacturing in key sectors like the auto industry, the country's larger internal market made it less dependent on manufactured exports to drive its growth. At the same time, it was a continental nation, richly endowed with agricultural land and a wide range of natural resources. While these endowments did not stop American companies from exploiting natural resources in other locales, U.S. hegemony was not the bonanza for natural resource exporters that Britain's had been. As Castro noted, Argentina was one of the losers in this shift, along with Australia and New Zealand. However, the point of this analysis is not that hegemony is destiny for other countries. Instead, for Castro, the effects of hegemonic shifts are contingent on strategic response: "[T]he result of these shifts is not predetermined, and the choices made by policymakers and business owners (including non-reaction and paralysis) may be decisive." (Barros de Castro 2012, 2) It was the strategic possibilities opened up by China's growth that fascinated Castro.

China, as a potential hegemon, is different from either Britain or the United States. First of all, the growth of its manufacturing capacity has a different character than the manufacturing role of either Britain or the United States. Rather than initially dominating in leading sectors — e.g., textiles for Britain, autos for the U.S. — China's rise was fueled not so much on the basis of technological superiority but on the basis of more efficient production or assembly of labor-intensive goods, such as apparel, toys and, later, consumer electronics. Of course, the Chinese manufacturing sector is changing rapidly. Thus, Castro points out that "businesses and economies that try to reposition themselves following China's bursting onto the scene must understand from the beginning that opportunities and threats will frequently be redefined, and that they will therefore have to shoot at moving targets." (Barros de Castro 2012, 4) Nonetheless, unlike Britain or the United States, China is not at the leading edge of most industrial technologies, and this opens up a different set of opportunities for other countries that have relatively deep experience in manufacturing.

In another key respect, the opportunities created by the Sinocentric world economy resemble those that emerged under British hegemony. Like Britain, and in contrast to the United States, China's resource endowments were quickly outpaced by the needs of its economy almost as soon as sustained, rapid growth took hold. In the first decade of the 21st century, China's voracious appetite for agricultural and mineral inputs has more than replicated the British-



Photo by Dionicia Ramos.

Antônio Barros de Castro at Berkeley, 2003.

driven, late-19th-century commodity boom, reversing the tendency of commodity prices to fall relative to the prices of manufactured goods that had prevailed during the period of U.S. hegemony. Here again, China's rise has created a new set of economic opportunities. These opportunities have sparked a new round of growth in Africa, as well as benefitting Brazil and other Latin American countries.

Finally, of course, China differs fundamentally from both Britain and the United States in terms of the potential global impact of its domestic market. Britain was densely populated but tiny; the United States was large but sparsely populated. In both cases, their populations were a fraction of China's current one-sixth share of the world's population. Thus, China's climbing per capita consumption represents a much greater opportunity for other countries.

Analyzing the complex vector of global economic opportunity that China's rise has created in combination with the threat posed by China to large swaths of the manufacturing industry around the world was precisely the project that Castro was focused on at the time of his death. Trying to figure out what Brazil's optimal strategy might be was, of course, his principle preoccupation, but his analytical insights are eminently "borrowable" by those interested in other national contexts.



Photo by Zhang chi sd – Imaginechina/Associated Press.

Crowds at a job fair in Weifang, China, February 2012.

Castro's first point is a general one. When the threats and opportunities presented by the global economy are in a period of transition, the "strategies of transformation" require concerted, coordinated action. Ad hoc moves on the part of individual enterprises are unlikely to suffice. As he put it, "[A] strategy of transformation makes a difference to the extent that it glimpses opportunities that can only be reached through cooperative and concentrated efforts in the quest for a lucid vision of the future." (Barros de Castro 2012, 13). Thus, "the interplay of public and private efforts becomes highly important." (Barros de Castro 2012, 14).

With regard to sectoral specifics, Castro's position is nuanced. After noting the superficial attractiveness of the thesis that Brazil should complement China's putative role as "the world's factory" by trying to play the role of "the world's farm," Castro concludes that this "makes no sense" as a defining vision (Barros de Castro 2012, 16). Instead, he argues, competition from China, which initially appeared to be devastating to Brazilian industry, has in fact stimulated the growth of Brazil's domestic market, which has in turn created new opportunities for capital investment (Barros de

Castro 2012, 16). While he agreed that taking advantage of Brazil's industrial capacity requires specialization, he abjured the construction of a specific formula for specialization, suggesting that, rather than focusing on specific products, it makes sense to look for "broad fields of specialization," complexes of interconnected and technologically interrelated production, with the chain of production relating to bioenergy being a possible example of such a "strategic front."

Castro did not pretend to have a blueprint for dealing with the transformation of the world economy. Nonetheless, his vision presents a refreshing contrast to that of his confreres based in the Global North. Policymakers and opinion leaders in the United States are happy to use "unfair" competition from China as yet another excuse for America's generation-long inability to improve the living standards of average citizens. Even progressive economists of extraordinary intellectual accomplishment and talent like Paul Krugman are more inclined to rail against China's efforts to keep its currency overvalued than to think about how the United States might best adapt its economic strategy to a Sinocentric global economy. A positive, creative response to current

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global realities of the sort that Castro offered is almost completely lacking.

Castro may have been fiercely focused on the strategic possibilities that the contemporary global political economy opened for Brazil, but the lines of analysis that he pioneered have equal relevance for any country interested in confronting global challenges to national well-being. As Brazilians mourn the fact that they will no longer be able to draw on Barros de Castro's brilliant contributions to development theory and practice, policymakers and economists in North America and Europe should mourn their lack of comparable intellectual figures. Even more important, as they struggle to right their floundering political economies, they would do well to undertake a careful reading of Barros de Castro's work. The United States may not have its own Castro, but that shouldn't prevent us from making use of the insights he offered.

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Photo by Ji-Hoong Ng.