

# **Celso Monteiro Furtado: Global Capitalism and Independence of National States**

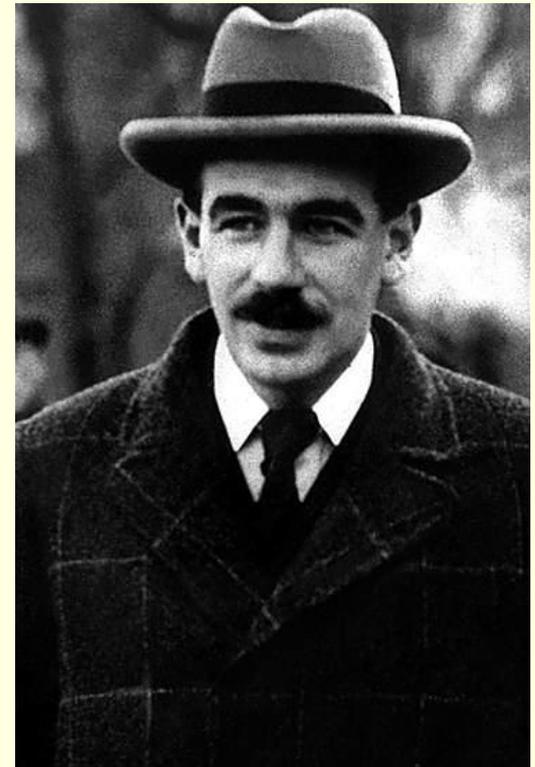
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Greed and envy demand continuous and limitless economic growth of a material kind, without proper regard for conservation, and this type of growth cannot possibly fit into a finite environment.

*(Ernest Schumacher, Small is Beautiful: Economics as if People Mattered , 1973)*

When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. ...

But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not.



**John Maynard Keynes,**  
*Economic Possibilities for  
our Grandchildren, (1930)*

# The necessity for the change of the present economic paradigm – paradigm of growth

Industrial revolution -

- capital concentration,
- financial markets,
- economic growth,
- ... globalization



Twenty-first century events lead mankind to realize that the way chosen by the last century, has been dangerous and threatening for its future. The growth paradigm, based on greed and envy, has proven to be outdated and inappropriate for its time.

# Celso Monteiro Furtado

(Pombal, July 26, 1920 – Rio de Janeiro, November 20, 2004)

The myth of economic development versus the need natural resources for economic processes: it's a myth to think that economic development, and its benefits, will some day reach everyone in the world if the model of economic development does not change.



# Global Capitalism (1998),

translation: Jorge Navarrete, ©1999, Fondo de Cultura Economica, Mexico

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Today no one can dismiss the fantastic concentration of power that is embodied in what are called financial markets, dominated by exchange speculation. With the advance of globalization, those markets are now the most profitable. Therefore, and increasingly, the distribution of world income responds to virtual operations performed in the financial sector. This is the clearest manifestation of an emerging reality well described as *global capitalism*, the precursor of a future world system of power.

# Economic Growth and Welfare

from Chapter VII “The cultural dimension of development”, C.M.Furtado

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...the conviction that increase in material wealth does not always translate into improvement in the quality of life. I do not refer to the fact that, in countries of high *per capita* income, there continue to exist considerable population groups who do not attain satisfaction of their basic necessities, but more to the existence of population groups who, despite enjoying significant improvements in their material levels of existence, continue to be prisoners of very narrow cultural molds.

Indeed, experience clearly shows that augmentation in the material levels of life is not necessarily accompanied by improvements in the richness of cultural life and, more likely, reproduces the social stratification existing in the past.

# The first phase of the growth paradigm

from Chapter II “The New Capitalism”, C.M.Furtado

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It is known that during a first period, enterprises in the nations that headed the Industrial Revolution forced the opening of external markets, which explains the imperialist offensive that occurred throughout the 19th century. Nevertheless, the true motor of that economic growth was not so much the dynamism of exports, but instead the amplification of internal markets, derived from the increased buying power of the wage earning population. ...

The explanation for this historical picture is found in the advance of new social forces, which appear at the same time as the process of urbanization generated by industrialization itself. The evolution of the system of power, a consequence of the action of organized workers, carried with it the elevation of real salaries and obliged governments to adopt protectionist policies to defend their respective internal markets. In this fashion, and starting at that moment, the motor for growth was the amplification of the internal market, with a subsidiary contribution from exports.

# The second phase of the growth paradigm

from Chapter II “The New Capitalism”, C.M.Furtado

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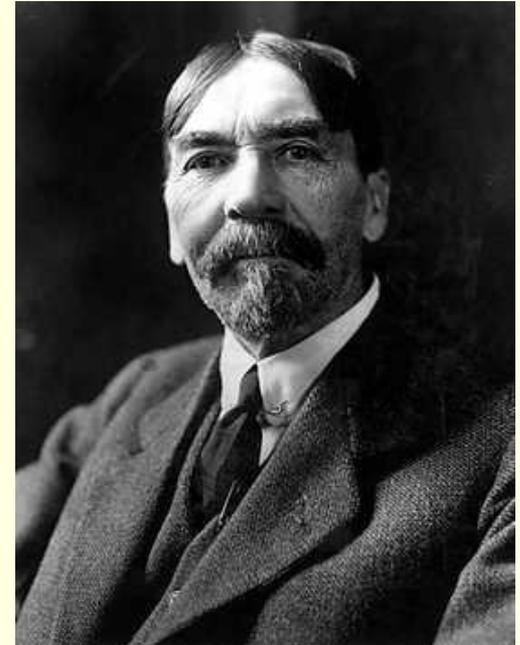
In the degree to which enterprises globalize, to the degree in which they escape the regulatory action of the State, they tend to support themselves more in external markets to sustain their growth. Simultaneously, the initiatives of the businessmen tend to escape control by the political segment. They return in this way to the original model of capitalism, whose dynamism was based on exports and in external investments.

In sum, the tripod that gave sustenance to the power system of the nation-states is found clearly destabilized, to the detriment of organized workers and in favor of the businesses that control the technological innovations. The equilibrium that the regulatory action of the public authority guaranteed in the past no longer exists. The foregoing explains the reduction in the wage earners' share of the national income in every country, independently of their rates of growth.

# What are the reasons for the increasing weakness of the society?

“Institutions are habitual methods of carrying on the life process of the community.” (*T. Veblen*)

Society is weakened by the loss of institutions – virtues. It is beneficial for the international financial capital – the main power of the global capitalism.



**Thorstein Veblen**  
*The Theory of the Leisure Class,*  
(1899)

# War against the virtues

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The real values of life:

- God
- Family
- Nation
- Nature
- Labour

are substituted by “common European values”.

There is only one true common European value – Christianity.

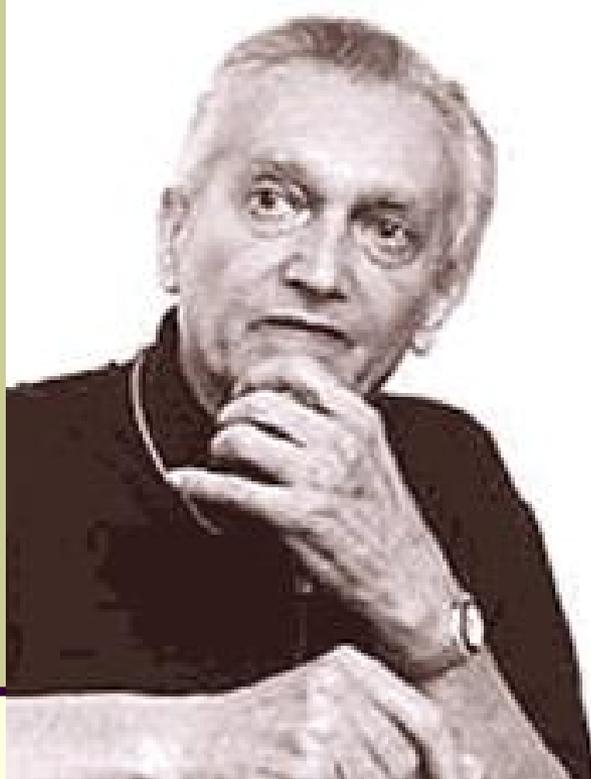
The surrogate values:

- Money
- Sex
- Multiculturalism
- Innovations
- Business

These values are on purpose imposed on society.

# Function of the nation-state

from Preface to “Global Capitalism”, C.M.Furtado



The role that will correspond to the nation-states in this new political design should be a cause of concern, since the distribution of income generated in ever more interrelated productive systems will depend on it.

# Is Latvia an exception?

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## **The basic principles of the governments of Latvia in the present and recent past:**

- Latvia is a good place for business, only the people bother
- Figures are more important than people
- Foreigners are more important than the people of Latvia
- Latvia can be better sold in euros than in lats
- Growth is more important than welfare

# The localization of economy - independent national states

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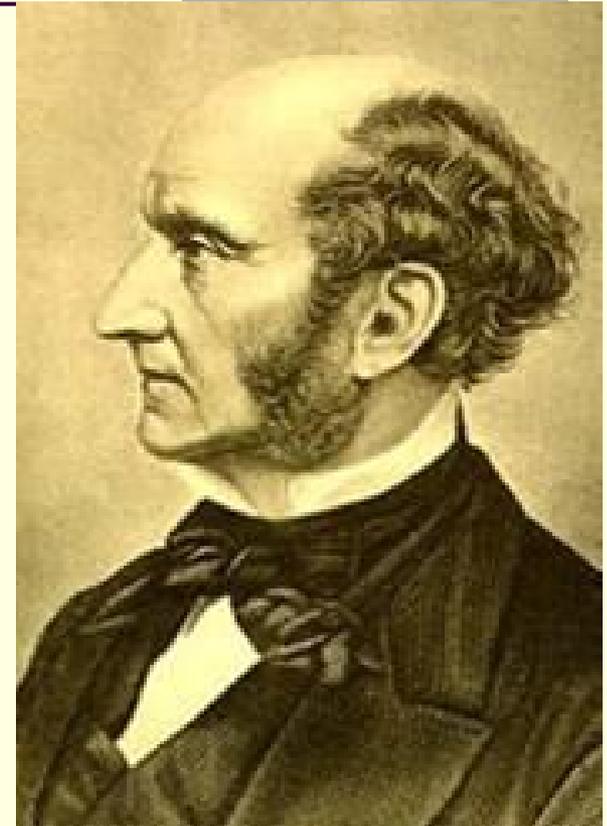
Every nation must be able to develop on its own, without help from outside. All vital products must be produced within its own country. Only in this case the state can be truly independent. Any country whose economy is dependent on other countries is not only vulnerable to crises, but also can become a victim of various types of extortion. And vice versa - a truly independent country can build healthy trade relations with other countries by exchanging the surplus of production and specific products, but maintaining economic independence and without being under the yoke of debt.

The main benefit of such independent national states will be the possibility to strengthen the society by re-establishing the virtues, which will be based on true human values.

We have created an economy which has ended up running counter to the values on which it was nominally based, and to its own objectives.

*(N.Sarkozy, speech in WEF, Davos, January 27, 2010)*

I confess I am not charmed with the ideal of life held out by those who think that the normal state of human beings is that of struggling to get on; that the trampling, crushing, elbowing, and treading on each other's heels, which form the existing type of social life, are the most desirable lot of human kind, or anything but the disagreeable symptoms of one of the phases of industrial progress.



**John Stuart Mill**, *Principles of Political Economy*, Book IV, Chapter VI, “Of the Stationary State”, (1848)