



Development, progress and economic growth

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1. Introduction

Progress was originally an idea and an aspiration of the 18th century, and development was an idea and a project of the 20th century that has continued into the 21st century. In the Enlightenment the philosophers realized that the ideal of reason prevailing over tradition and religion was something that had ceased to be utopian and could be achieved;¹ in the 19th century, the development of science and technology strengthened the idea of progress, that Auguste Comte defined as the fundamental rule of society, whereas socialist intellectuals and workers called for progress, which they identified with democracy and socialism. But in the first part of the 20th century, the two world wars and Nazism were a regression towards barbarism that made the idea of progress wane out. Yet, with the end of the war and the creation of the United Nations, there was the acknowledgement of how backward most countries had become in relation to a few industrialized countries, and the idea of development emerged as the new designation for progress, now with a strong economic bias. In the following 60 years, the achievements did not fulfill the great hopes, but almost all countries experienced substantial improvement in their standards of living, what confirmed that development was possible. But new problems emerged. For a time the fear was the end of the modern civilization by a nuclear war; more recently, the real challenge that humanity faces is the global warming in consequence mainly of the greenhouse effect. Progress has been challenged again. I know how complex and contradictory this issue is, but I have always believed in progress or in development, not as the

¹ As Ionel Cioară (2010, 14) remarked „in the 18th century the confidence in a social progress resulting from human decisions becomes a revenant feature utopia“.

endless improvement of the human conditions, but as the progressive achievement of the political objectives that modern societies set for themselves. Maybe I am wrong. In this chapter, I will discuss the theme, relating progress to development and both to economic growth.

2. *A modern concept*

There is an ancient intellectual tradition that associates the idea of progress with the advent of Christianity. Progress would be the Christian promise of the *millennium*, in so far as Christianity, with its idea of the salvation in the end of times, or with the idea of the „city of God“ would have replaced the view dominant in the antiquity that empires or civilizations were characterized by a cyclical movement of prosperity and decadence. One distinguished defender of this view is Robert Nisbet (1994, xi), who affirms

„the idea of progress is not exclusively modern, born of the Enlightenment, but one that goes back to the ancient Greek and Romans and most specifically to St. Augustine and a very long, continuous line of his followers over the centuries“.

It is true that the Greek ideal was Aristotle's „good life“ to be achieved collectively in the polis; the Roman ideal was similar: the construction of the republic. The Greek democracy and the Roman republic were major political achievements, but they were not consistent with the economic and social conditions of the time, and were soon abandoned. Christians, led by St. Augustine, saw progress as the realization of the „city of God“, but this view has little relation to what we mean by progress. For the Greeks, the good life and the public interest were to be achieved here and now, while for the Christians the objective was salvation. In both cases the idea of progress understood as a *historical* process was absent.

Actually, the idea of progress was born from a strongly anti-religious Enlightenment. If just one claim would define the 18th century's philosophers, it would be the claim for the secularization of the state – the separation of religion from the state. One thing is the idea of providence, another, the idea of progress. Progress and development are modern concepts; they date from the capitalist revolution. Progress is a concept of the 18th century Enlightenment, when France and England were engaged in their capitalist revolution; development, a concept of the post-World War II. The Enlightenment philosophers viewed progress as the advance of reason over religion. In his classical work

on the theme, J.B. Bury (1920, Introduction) firmly associated the idea of progress with modern times, and defined the idea of progress:

„This idea means that civilization has moved, is moving and will move in the desirable direction.“

Today, I propose that *development or progress is the historical process through which national societies achieve their political objectives of security, freedom, material improvement, reduction of social injustice, and protection of the environment*; or, in other words, development is the gradual achievement of the corresponding rights that modern societies defined for themselves as human rights: the civil rights, or the basic liberties that characterize the rule of law; the political rights, the universal right of elect and being elected to government; the social rights, the basic rights oriented to social justice; and the republican rights, the rights to the *res publica* or the public patrimony (including the natural environment), the right that the public patrimony is utilized for public purposes or in light of the public interest. Instead, Amartya Sen (1998) defined development as freedom and as the increase of human capabilities. Identifying development with freedom implies an excessive amplification of the concept of freedom; to associate it with access to health care, to education, to basic material needs, and with participation in the life of the community is more reasonable, in so far that these capabilities are positively associated with the achievement of the shared political objectives of modern societies.

For the Enlightenment philosophers, the key to progress was the advancement of reason and of science; it was the search for rational foundations for morality instead of traditional or religious foundations; it is the progress of science and of society. We learn, for instance, from Condorcet (1793, 81, my translation), who, writing during the French Revolution just before he was condemned to death by the Terror, claims that

„the perfectibility of man is actually unlimited; that the progress of such perfectibility, from now independent of the powers that searched to stop it, has no other end than the duration of the earth“.

But already at that time progress was not just the advancement of reason and science; it was also improvement of standards of living. It was not by chance that Turgot, an economist, one of the physiocrats, may be viewed as the founder of the idea of progress. On that matter, Condorcet (1793, 281, my translation) was quite clear: the progress of the industries and of the well-being of each generation results „either of their own progresses, either of the

conservation of the goods of previous industries“. Later, in the mid-19th century, Auguste Comte (1844, 154, 156, my translation) transformed the progress into a dogma, and defined it as „the continuous progression towards a determined objective [...] the continuous improvement not only of our condition, but also and mainly of our nature“.

3. *The idea and the reality of progress*

I understand that the concepts of progress and development are equivalent, but they have different origins and connotations. Development is associated with economic development or economic growth; it involves structural change, and is always referred to a given nation state, whereas progress is an universal concept. Progress is generally viewed as an ideal, as the permanent improvement of knowledge, whereas development is more often viewed as a historical process. The idea of progress dates from the Enlightenment, whereas the idea of development dates from World War II. It was only after the national and industrial revolutions had taken place in each country, beginning with Britain, that economic development or economic growth materialized, but only after World War II that it became an universal objective. As Ignacy Sachs (2009, 8) observed,

„at the starting point, economic growth served as a proxy for development. Then, other dimensions were gradually added to the concept, leading to a litany of adjectives [...]. I work today with the concept of socially inclusive, environmentally sustainable and economically sustained development.“

In discussing progress or development we should distinguish the *idea* of progress from the *reality* of progress or development. Today, the battle for the idea of progress – for the rational foundation of science and of morality – is essentially won. Religious fundamentalisms are still present in the modern world, but they are marginal; religion is restricted to private life; political regimes have become secular, as the church has been separated from the state. The battle for the reality of progress has also advanced, but it is far from being won. The *idea* of progress depends on the reasonable or judicious advancement of reason; the *reality* of development depends, on the one side, on overcoming ignorance, intolerance and oppression, and on the other, on improving well-being, on reducing political and economic inequality, and on protecting the environment. There has been substantial advance in the political aspects of progress, and in fighting absolute poverty, but economic basic needs are still far from being satisfied; economic inequality and to a lesser

extent, political inequality remain extremely high; nature is far from being properly protected. Reason was able to defeat superstition and religion, but not to defeat basic scarcity and privilege.

4. *A social construction*

Progress or development is always the outcome of a social *construction*, but the road to it is far from being peaceful and linear; it is a process of trial and error in which agents lack the ability to foresee with reasonable precision the consequences of their actions; it is an essentially conflictual process at the individual, group and social class levels, which is resolved either by the use of force, or through social and political compromise. This conflict may assume a mild and positive form when expressed in competition, but it is often the outcome of domination, and expresses itself in exploitation and revolt. Marx emphasized the class struggle as the fundamental engine of history, but his contention was only partially true because class struggle did not prove to be as *decisive* as he expected – it was unable to achieve the transition from capitalism to socialism. On the other hand, class coalitions involving compromise and cooperation between segments of social classes proved effective in generating development. In the distant past, the mercantilist alliance between the court nobility and the high bourgeoisie against the landed or feudal aristocracy was the first example of a developmental class coalition; after World War II, the Fordist association of business entrepreneurs, workers and public bureaucracy was another example; recently, the association of rentier capitalists (the upper and middle classes) and the financiers who manage their wealth has amounted to a neoliberal, reactionary class coalition. Whereas developmental class coalitions proved to be effective in producing fast economic growth, class struggle proved to be effective in achieving democracy and reducing political and economic inequality.

The history of mankind since the Capitalist Revolution has been the history of this complex and conflictual, but *rational*, social construction. Rational, first, because since its first manifestation (mercantilist capitalism) social agents sought the appropriate means to achieve their value-determined objectives, in so far that they identified profit as the objective of economic activity and the accumulation of capital incorporating technical progress as the adequate means to achieve it; and second, because it also involved bureaucratization in Weberian terms, beginning with the state organization, and continuing with the business and the non-profit organizations aimed at increasing their administrative effectiveness and efficiency.

Development is neither linear nor predetermined. Regression is always possible, as we saw in Germany with Nazism and in the United States after the September 11, 2001 terrorist attack. But, unlike ancient civilizations, which underwent periods of prosperity followed by decay and extinction, our capitalist civilization does not seem fated for decay, but for permanent change and renovation. The hegemonic country may change: it was Britain in the 19th century; since the beginning of the 20th century it has been the United States; and in the future it may possibly be China. But when this eventually will happen the world will not go back to the old Chinese civilization but will continue with the capitalist civilization. Only vestiges of Chinese civilization remain; China is today a capitalist society.

We only are able to understand progress or development when we realize that capitalism is not one among several civilizations, as were the Chinese, the Egyptian, the Persian, and the Maya civilizations, but is a universal civilization. Originally, it was the Greco–Roman civilization, which, first, changed into the Christian civilization, second, into Western civilization, and today, after the capitalist revolution, has become the *universal* civilization – the civilization that embraces the whole earth. Only one major civilization is resisting it, namely the Arab civilization; but, although the Arab civilization will retain some of its characteristics, above all its religion, as did the other civilizations, I am persuaded that its integration into capitalist civilization will only be a matter of time.

5. *The critics of progress*

In the 19th century there was little doubt about the reality of progress, but the irrationality and major regression represented by the two world wars, fascism and Nazism, and the worst moments of communism made leading intellectuals doubt or even deny that progress had occurred. Critical theory, as expounded in Horkheimer and Adorno's *Dialectic of Enlightenment* (1944), dramatically rejected the idea and the reality of progress, but later on Adorno offered a more nuanced and dialectical approach.² Before that, Georges Sorel (1908, 8) denounced „the illusion of progress“. According to him, progress

² Adorno (1969, 226) in the short text „Progress“ relates progress to the development of reason, much in the line with the Enlightenment, but with a sound dialectic bias: „The disruptive trend of progress is not limited to be the other of the expansive movement of nature – its abstract negation –, but the domination of nature by itself gives rise to the development of reason“.

would be „the ideology of the victors“ – an ideology that based on the reality of progress, which legitimated the exploitation that characterizes capitalism. According to him,

„all the ideas related to progress get mixed in a singular manner [...]. One of the tasks of contemporary socialism is to demolish this scaffolding of conventional lies“ (Sorel 1908, 276, my translation).

Marx firmly believed in progress, but Walter Benjamin had a pessimistic view of progress, that he associated with the *Angel of History* which leaves behind him a succession of ruins. But Alfredo Bosi (2010, 127, my translation and emphasis) remarked that in the core of Benjamin's utopic dimension there is „the dramatic relation of the present with the past, but *with the eyes towards the future*“. Discussing the vision of Adorno on the idea of progress after his book with Horkheimer, particularly Adorno's 1969 conference on progress, Michael Löwy and Eleni Varikas (1992, 207, my translation and emphasis) come to the conclusion that

„more than a hesitation between a positive and a negative appraisal, what emerges from his writings is a true *dialectics of progress* [...] which implies a critical point of view of the idea of progress *without removing it from the conceptual horizon*“.³

On the right, the idea of progress was also criticized by liberal philosophers like Isaiah Berlin, who argued that it would be behind the modern utopias, which he connected with totalitarian regimes. To Berlin (1959, 52) the idea of progress was associated with socialism and to the idea that he most criticized – „the view that the light of truth, *lumen naturale*, is everywhere and always the same“. The conservative vision appears also in an encompassing review of the „sense of progress“ by Pierre-André Taguieff (2004). Having in mind Marx's historical materialism, he criticizes the rejection of the past and the idea of the existence of a sense of history that would characterize the idea of progress. For him it is required

„to rethink in normative terms the idea of progress, i.e., to think, all at once, out of the influence of the necessitarian vision and out of the monistic scheme of a linear evolution, so, beyond the utopian revolutionary ideology of the total break with the past“ (Taguieff 2004, 332, my translation).

³ For Gilberto Dupas (2007, 73, my translation), progress is „the dominant discourse of global elites“.

And also in Ionel Cioară (2010, 15) who sees „the idea of progress and increasing happiness as an expression of a fanatic believe in reason“, which would have open room for totalitarianism. Christopher Lasch (1991, 41) says that the

„utopian views of the future were definitively discredited by their association with totalitarian movements that came to power in the thirties [...]. Fascists and communists replaced supernatural explanations of history with secular explanations, but they clung to the apocalyptic fantasy that a final, decisive struggle would establish absolute justice and perfect contentment.“

Nevertheless, the idea of progress is resilient. The explanation that Lasch (1991, 42) finds for this fact is that the belief in progress would be „an antidote to despair“, and he quotes Sidney Pollard who argued that „the only possible alternative to the belief in progress would be total despair“. Following this line of thought Lasch (1991, 81) ends up by proposing the awkward substitution of hope for progress:

„hope does not demand a belief in progress. It demands a belief in justice: a conviction that the wicked will suffer, that wrongs will be made right, that the underlying order of things is not flouted with impunity“.

A usual critique of the idea of progress consists in attributing to its defenders the belief that the improving of standards of living or the increase in consumption would be endless. Lasch (1991, 78), for instance, asserts that

„the concept of progress can be defended against intelligent criticism only by postulating an indefinite expansion of desires, a steady rise in the general standards of comfort, and the incorporation of the masses into the culture of abundance“.

In fact, in the United States, this idea prospered for some time, as we saw in Walt Whitman Rostow's „Manifesto“ (1960), but it is absurd to identify progress with consumerism. There is an economic limit to consumption, which was already overcome by far by the world economic elites, but there is a mass of people that does not have access to minimal standards of living. Material progress, economic growth only makes sense if it is deemed to increase the standards of living of the poor. The problem is that in capitalism it is impossible to increase substantially the standards of living of the poor without increasing the income (and the consumption) of the rich. The idea of

re-distributing wealth, instead of increasing it, is attractive; yet, it is not viable in political terms, and it would not be sufficient to assure the level of consumption demanded by the poor. The distribution of income in capitalist societies is very resilient to change; it only can be achieved in marginal terms, by increasing the revenues of the poor more than the revenue of the rich. Business entrepreneurs require a satisfying rate of profit to invest. The educated professional class requires that their salaries correspond to the labor value involved in forming professionals. The only group that could be a source of income to be transferred to the poor would be the rents of rentier capitalists, but we know how associated with the financiers and politically strong they are.

I am sympathetic with eminent social critics like Christopher Lasch, but it is difficult to me to accept their pessimism. The reason why the idea of progress is resilient is not that it is an alternative to despair. It is not that after the „death of God“, people need a utopia that the idea of progress would supply. The inverse reasoning makes more sense: reasonable utopias are instrumental to the reality of progress. The idea of progress is resilient because progress has been taking place in the world since the capitalist revolution. The 1914-1945 period was an exception. It was a major historical regression, which derived from the deep resentment of a country like Germany, which was in the forefront of the European civilization in the 18th century, but its lack of political unity made it backward when England and France had their industrial revolutions. Thus, while these two countries progressed to major modern empires in the second part of 19th century, Germany was making at that time its industrial revolution. When it completed it and became also powerful, the mismatch between this power and the number of colonies was a major reason for the first war. Nazism and the second war resulted from the resentment of having lost the first war.

Since the 1990s the critique, resumed in a new basis, has not been so much of progress, but of economic development. A group of academics associated, on the one hand, with cultural studies and, on the other, with environmental protection, has openly fought against the idea of economic development and, in particular, the reality of economic development. I refer, for instance, to the views of Majid Rahnema (1997), who compiled *The Post Development Reader*. According to him,

„development has been, since the beginning, nothing but a deceitful mirage. It acted as a factor of division, of exclusion and discrimination rather than of liberation of any kind“ (Rahnema 1997, X).

To come to such a radical conclusion the author assumes an idealist pre-capitalist society where equality, freedom and reasonable well-being would prevail, and expresses indignation with the costs involved in the transition to capitalism – costs well-known since, among others, the classical work by Engels (1844). It is difficult to me to understand growth as „hell“, as one of the defenders of the „décroissance“ (negative growth) as Serge Latouche (2006, 39, my translation) does, because

„our society associated its destiny to an organization founded in the unlimited accumulation [...]. In the moment that growth slows down or stops, it is the crisis, even panic“.

But there is a possible clue for the increasing disinterest if not criticism of economic development in rich countries. As Wilkinson and Pickett (2010) remarked, as economic growth advances, the gains in terms of standards of living go dramatically down. There is a kind of ceiling to standards of living. Taking health and life expectation as parameters,

„among poor countries, life expectancy increases rapidly during the early stages of economic development, but then, starting among the middle-income countries, the rate of improvement slows down [...]. As countries get richer, further increases in average living standards do less and less for health“ (Wilkinson/Pickett 2010, 6).

6. *Two arguments*

Thus, sometime in the future economic development will come to an end. But we are far from this moment, as poverty remains high, even in rich countries. I am more interested in the reality of progress or development and its association with economic growth. I am interested in rejecting the idea that progress is a myth, that humanity did not experience progress. I will not discuss this empirical problem offering empirical data, but I will offer two simple arguments. First, the continuous spread of capitalism, in so far as peripheral nations struggle to emulate the culture of the more advanced countries, demonstrates that progress is something that people strongly *seek* – and do not tell me that they do that by submitting to the ideological hegemony of the economic and political elites who are interested in growth. As, for instance, immigration to rich countries shows, the poor from poor countries emigrate because their conditions in their original countries are not sustainable. Critics say that such conditions turned bad because developing countries were also

victim of the idea of growth or modernization. But this is not true. In the moment that a traditional or either a primitive society enters in contact with capitalist societies, they realize how worse their destiny is, and soon fight for achieving economic development. After World War II, it became clear that the world was divided into developed and underdeveloped countries. Developed countries enjoyed higher standards of living, had made their transition to democracy, and offered limited but effective protection for labor. First, they industrialized; second, they turned democratic; third, they reduced, although modestly, economic inequalities by increasing wages with productivity and by establishing a large welfare state; fourth, in the last quarter of the 20th century, despite the neoliberal hegemony and the increase of inequality, developed countries began to protect systematically the environment. Since World War II, the peoples in the underdeveloped countries who were able to organize themselves as autonomous nations have followed the footprints of the developed countries; some also have industrialized and improved their standards of living.

A second, related, argument is that in the last three hundred years, people gradually realized that they were able to set political objectives for themselves and use their state as an *instrument* to achieve them. Taking the more developed countries as a reference, they adopted, first, the goals of security and individual liberty to be assured by the liberal state; second, economic well-being to be achieved by the developmental state; third, social justice to be achieved by the welfare or social state, and, possibly, by the socialist state; and finally, protection of the environment to be achieved by the republican state – a state able to protect itself and the public patrimony from constant attempts to capture it. These are political objectives, which were adopted collectively by the exercise of *politics*, whose main instrument of collective action was *the state*, that is, the legal system and the organization that guarantees it. Within this framework people in modern societies are in one way or another engaged in a social construction; every day they are building their nation, their civil society and their state. They are seeking human development or progress. And, in the long term, they are having some success in their endeavors. Taking an interval of 50 years as a parameter, we can ask ourselves whether, in each period, the countries that were able to complete their capitalist revolutions advanced in terms of security, individual freedom, economic well-being, economic equality, and protection of the environment. And our answer will probably be that, with one or two countries as exceptions, the social construction that characterized a three-hundred-year period since the introduction of capitalism produced progress or development. The

improvement in the quality of life brought by steam and internal combustion engines, electricity, water supply to homes, sewage systems, vaccines antibiotics and curative medicine makes people not want to return to the past. Conservatives may honor the past more than progressives do, but they are happy with the material progress achieved, and use it as an ideological weapon to justify the ruling order.

7. *The key role of economic development*

In this social construction economic development or economic growth plays a key role. We have known since Marx that the economic infrastructure and the political superstructure, or, as I prefer to say, the economic instance, the institutional *sensu stricto* or normative instance, and the ideological or cultural *instances* of society are interdependent and change in a contradictory or dialectic way. Marx saw the economic instance as the determining mover of society, but, after his and Engels's time, men increased their knowledge on how societies change, and on what is the role of ideas and institutions in the changing process, on the one hand. On the other hand, they continuously made more capable the main institution that regulates or coordinates modern societies: the state. The consequence of this double improvement – more knowledge and a more capable state – made history less determined by the economy, and increased people's control over their destiny. It is essentially for this reason that I say that men and women are involved in a social construction in modern societies; they are engaged in promoting progress or development.

Economic growth, which is also the outcome of a social construction, remains today the key cause of development or progress. Why? A first, more simple answer to this question is that men and women spend most of their time working to achieve greater economic security and better standards of living. They spend much less time fighting for political, social, and environmental goals that have essentially been achieved. A second argument is that all the other main political objectives that modern societies set for themselves depend on the existence of an economic *surplus* which, in ancient times, was the outcome of pure imperial extortion, because technical progress was inexistent and there was no increase of the economic surplus. Since the capitalist revolution, the economic surplus has assumed the character of profit to be achieved in the market, thus being the outcome of economic development. Primitive societies did not produce an economic surplus, and for that reason

there was no domination; all lived at the subsistence level. The moment that modest technological progress – the discovery of agriculture in the hydrographic basins – allowed for the production of a surplus domination appeared, as a small group appropriated this surplus by military force and the legitimization of religion. Within this historical framework, domination and exploitation depended essentially on the military and religious power of the dominant group. Things changed with the emergence of capitalism. Now, the appropriation of the economic surplus ceased to depend on the use of sheer force but was achieved as a result of market exchanges. Such a major change could be completed only when a country underwent its industrial and capitalist revolution. At a later moment, with the second industrial revolution and the organizational revolution, capitalism changed into a techno-bureaucratic system, in which the appropriation of the economic surplus continued to depend on the ownership of capital, but now depended also on knowledge and continued to be achieved in the market. With the capitalist revolution, domination and exploitation continued to play their roles, but the appropriation of the economic surplus did not require the direct use of violence. Profits, high salaries and bonuses were realized in the market through the exchange of equivalent values. This is not the moment to discuss the political struggles that took place, and continue to take place, over this unfair form of income distribution according to ownership of capital and knowledge. I want just to remark that the belief that distributing income according to knowledge is fair is only meritocratic ideology.

What I want to signal by bringing the concept of economic surplus to the fore is the key role of the production of the economic surplus in the achievement of the other four political objectives in the capitalist civilization in which we live. They all depend on economic growth and the resulting production of a surplus. First, let us consider security: the more developed a country is, the more capable will be the state and the more secure society will be. With the exception of the United States, where the level of imprisonment is extremely high, rich societies are also secure societies. The same is true in relation to individual freedom, which liberalism claims is asserted against the state, but which actually depends on an effective police force and an effective justice system that only a capable state can provide. The same holds also for social justice, though again with the exception of the United States: developed countries have achieved greater equality and a more developed welfare state than poor countries. And the same is true with respect to the protection of the environment. Rich countries used to exploit nature more than poor countries did, but today they show that they are able to protect it in a substan-

tially more effective way than poor countries. In all these four cases the assurance, respectively, of civil rights (security and freedom), social rights (social justice) and republican rights (the public patrimony including the natural patrimony) depends on the existence of a capable and legitimate state able to tax the private sector. The protection of rights is so expensive that only rich countries are able to reasonably guarantee them. Liberals used to argue that only social rights were expensive, but Holmes and Sunstein (1999) have demonstrated that this is simply not true – security and liberties are equally expensive. And I would also include the protection of the environment. Thus, besides assuring a decent standard of living for all, even in countries that manifest high economic inequality, economic development is essential for the achievement of the other political objectives or human rights in so far as only a developed country is able to generate the tax revenues required to meet the cost of citizens' rights.

8. *Economic development or economic growth*

Given the strategic role of *economic* development or growth in creating the economic surplus that progress requires, I must *define* it. Economic development is the historical process of capital accumulation incorporating technical knowledge that increases the standard of living of the population. It is a historical process that emerges when a country undergoes its national and industrial revolution, and, in this way, completes its capitalist revolution. Understanding economic growth is facilitated by adopting structural, Schumpeterian, Keynesian, and new-developmental perspectives; a *structural* perspective, because economic development involves change in the three instances of society – *direct* change in the economic instance, and indirect changes in the normative and the cultural instances; a *Schumpeterian* perspective, because the role of the innovative business entrepreneur is as important as the role of the state in generating economic growth; a *Keynesian* perspective, because it is not enough to analyze economic development on the supply side. For sure, countries grow only if they educate their people, promote science and technology, make use of some industrial policy, and invest in infrastructure. But, except for the last of these, in national societies that seek growth, these activities are daily endeavors of millions of people. Besides investing in infrastructure, government is supposed to create investment opportunities for business enterprises by adopting macroeconomic policies to sustain *demand*. And, finally, a *new-developmental* perspective is required, because in devel-

oping countries sufficient aggregate demand is not enough to motivate business enterprises to invest; it is also necessary that competent business enterprises have *access* to demand, which is not guaranteed because developing countries face a tendency to the cyclical and chronic overvaluation of the exchange rate.⁴ Unlike in developed countries, in developing countries well-educated people, innovative entrepreneurs, efficient business enterprises and sustained demand are not sufficient conditions for investment and growth. Given the tendency to the cyclical and chronic overvaluation of their exchange rates, economic policies are also required to neutralize such a tendency and to ensure that the national currency floats around its *competitive* equilibrium – the „industrial equilibrium“ – which is the one that connects the competent business enterprises to demand.

Economic development starts only when a people becomes a *nation* and achieves its national and industrial revolution, in short, its capitalist revolution. It is only from then on that the systematic improvement in people's standard of living takes place. Only after the capitalist revolution it is possible to discuss economic development in the strict sense of the term, because only from this moment on technical progress does occur in a fast and *self-sustained way*, insofar as the reinvestment of profits with the incorporation of increasingly efficient and sophisticated technologies becomes a necessary condition for the survival of the business enterprise (Celso Furtado 1961, chapter 3).

9. *Necessary and unnecessary distinctions*

In the economic literature economic development and economic growth are normally used as synonyms. Yet, some economists distinguish economic development (which would involve structural change) from economic growth (which would not). I believe that, given the previous discussion, such a distinction makes little sense. The cases where there is growth of income per capita without structural change are the *exception* rather than the rule. The countries in which this distinction could possibly make sense are those where the modern sector of the economy is an enclave; countries that export oil and fail to neutralize their Dutch disease could be seen as examples. But even

⁴ I first proposed and analyzed the tendency to cyclical and chronic overvaluation of the exchange rate in Bresser-Pereira (2009); in Bresser-Pereira (2014), I first discussed the issue of access to demand.

these countries experience some structural change and some increase in standards of living.

Some economists require more than just structural change and improvement of the standards of living to characterize economic development; they require additionally that inequality diminishes. But this view also makes little sense to me. Would we say that in the first part of the 19th century there was no economic development in Britain, or that after 1980 there was no economic development in China? These two periods are essential when we think of economic development, but they were accompanied by income concentration, while poverty was reduced. As Priewe and Herr (2005, 22, 33) observed in a careful analysis of historical data,

„poverty eradication requires higher GDP growth [...], a meaningful and analytically consistent differentiation between poverty-reducing overall growth (or growth as such) and pro-poor growth is hardly possible“.

What makes sense is not the distinction between economic development and economic growth, but the distinction between economic growth (or economic development) on the one hand, and development or progress on the other. Economic growth may sometimes be unjust, may sometimes be offensive to nature; development by definition cannot, because for the achievement of development it is not enough to improve living standards; it is necessary also to observe some advance in the other four political objectives. It is true that the five objectives are not fully compatible; they often conflict. This is particularly true in relation to economic growth, which in the long term is a necessary condition for achieving the other objectives, but in the short term often conflicts with them. That is why *compromise* – the fundamental principle of politics – is inevitable.

Would it be possible to measure development or progress? I do not think so. Economic growth is usually measured by adopting the increase of income per capita as parameter, but even such measurement is often contested. What is to say of measuring development without adjectives? Acknowledging the limitations of such a measure, the United Nations, with the participation of Amartya Sen, developed the concept of „human development“ some time ago, which measures progress by adopting two social parameters besides the growth of income per capita, namely life expectancy and education. But, as was predictable, given the close relationship between the three instances of society, the three variables proved to be closely correlated – which means that the United Nations' index is not a real gauge of development or progress. More recently, in 2008, on the initiative of the French government, the

Commission on the Measurement of Economic Performance and Social Progress (or the Stiglitz-Sen-Fitoussi Commission) was created. It presented its final report in the following year, but it did not arrive to operational conclusion.⁵

10. Conclusion

Armed with this definition of economic development or economic growth, let us return to its relation to development or progress – to the achievement of the five main political objectives that modernity has set for itself. I argued in this chapter that the historical process of development began with the Enlightenment's idea of progress and the advancement of science, while the historical process of economic growth began with the industrial revolution and the advancement of technology, and was characterized by increasing living standards. Thus, both were the outcome of the capitalist revolution. After the first countries (Britain, France, Belgium), each other country that was able to modernize or complete its capitalist revolution also experienced growth and progress.

I defined economic growth as the increase in standards of living caused by capital accumulation with the incorporation of technical progress, and development as the advancement of modern societies toward its five self-defined political objectives: security, freedom, economic well-being, social justice and protection of the environment. Thus, we can distinguish forms of development: economic, political, social and environmental development. I argued that the first form of development, the economic, was the more strategic, but they are all interdependent, and it is impossible to say which is the most important.

In my definition of development I did not include the achievement of *happiness*, because this is not a political objective – it is not something that can be achieved collectively. Happiness is a state of mind; it is contentment with ourselves which comes and goes incessantly throughout our lives. Researchers have been trying to measure happiness, but if it is difficult to measure economic growth, let alone progress, what to say of happiness? Yet one thing that emerges from such research is that poor people tend to be less happy or more unhappy, but once their basic needs are satisfied, happiness loses any relationship with economic development. This makes sense. Like personal

⁵ For the final report and on the debates on the day it was officially presented, see <http://www.stiglitz-sen-fitoussi.fr>.

realization, happiness is an individual achievement that requires certain basic material conditions to be met, but not great wealth. Such a finding supports the moral condemnation of consumerism, but, given the difficulty of distributing income evenly, much more economic development will be required to enable everyone to achieve the reasonable minimum of living conditions, and more moral progress will be required for men and women to change their values and discover other forms of personal realization than becoming wealthy and powerful.

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