

Perverse dependence on Asia

Luiz Carlos Bresser-Pereira
Folha de S. Paulo, January 16, 2012

Brazil should imitate Asian countries and adopt developmentalism with strategy without neglecting environmental protection.

In his last column, Martin Wolf mentioned the fact that, since 2007, the fast-growing Asian countries have grown by 60%, whereas rich countries have grown by 3%, and he pinned the world's economic hopes in Asia. Brazil, in the same period, grew by modest 16%. Brazilians also depend on the increase in Asian demand to achieve their growth. Brazilian economy is not stagnant as the economy of developed countries, but, in terms of growth, it is closer to them than to countries such as China and India.

Meanwhile, I see discouragement in the rich countries. Many people no longer think about growth, but just about preventing the decline of their economies. In the lecture that Robert Gordon delivered in Chicago, when he was honored with a dinner by the Economists for Peace and Security, he argued that economic development is a recent historical phenomenon of short duration. In fact, the growth rate only began to occur as of the industrial revolution, but I was surprised by his assertion that, if we take as a parameter the United States, where it started to decline in the 1970s, this rate would soon tend to zero.

Which did not seem to worry him, since the big gains brought by the economic development – the extraordinary improvement in the quality of life represented by electricity, running water in the houses, antibiotics, movies and television – happened a long time ago, and, even though technical progress is still accelerated, today it would imply a relatively small increase in that quality. This reasoning is the twin brother of the defense of “de-growth” made by a growing number of European intellectuals due to ecological reasons.

I do not agree with this stagnationist view. It is true that, in the developed countries, rich people and even a good part of middle class have little to gain – their standard of living is already very high – but what about the poor and the unemployed? Would it be enough to transfer rich people's income to the poor? Even if this were desirable, as long as a distinction was made between entrepreneurs and major rent-seekers, and the cost of redistribution would fall

on the latter, I don't think that it would be enough to guarantee an acceptable standard of living for everyone.

As for the other countries, economic development is evidently still a priority. And evidently the performance of Brazil and the other Latin-American countries is far from being acceptable, compared with the performance of the fast-growing Asian countries. Not only because growth rates are lower. But also because they are less certain, since their relative acceleration from 2004 on has been rather due to the increase in commodity prices than to the increase in investment and industrial productivity.

Asian countries are growing fast because they are developmentalist, combining entrepreneurial innovation with the control, by the State, of the poorly competitive sectors that depend on planning. As it happens with rich countries, Brazil also depends on Asian countries. But this is an perverse dependence, since they are competitors, and create demand of commodities with low value-added per capita, while destroying manufacturing industry. Rather than depending on them, we should imitate them, and adopt developmentalism with strategy. Without, of course, neglecting environmental protection.