

A DEVELOPMENT PHILOSOPHY FOR A BRAZILIAN BUSINESS SCHOOL

Luiz Carlos Bresser-Pereira

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The process of economic development of a country is the result of the interaction of a series of interdependent variables. These variables can be located in five basic areas: the economic structure, the level of knowledge, the social structure, the value and belief system, and the personality of men. Although somewhat arbitrary, we believe that this classification helps the understanding of the process of economic growth. By economic structure we mean the whole system of utilization of human and non-human resources, the process of accumulation of capital and organization of work in order to produce and distribute goods and services. The level of knowledge is, to a certain extent, an aspect of the economic structure, since we are thinking specially about technological knowledge, about knowledge that is applied to production. The social structure comprehends all the formal and informal social institutions which men form in order to achieve their economic as well as non economic goals. The value and belief system is directly related to what men consider true or false, good or bad, just or unjust, according to their goals or against them. By personality of men we mean the characteristics that make men, for instance, strongly achievement oriented or not. Actually this last area could be considered as part of the fourth one, but we think that it is worthwhile to consider it as a separated area. The process of promoting the economic development of a country is one of intervening in one or all these areas. The more common ways of intervention that correspond to each of these five areas are: in the economic structure: promotion of savings and realization of investments so that the marginal social productivity be maximized,

the achievement of an optimum combination of existing resources and technology, the control of foreign trade, taxation, control of the money supply, etc.; in the level of knowledge: education, research, and importation of foreign technology; in the social structure: maintenance of order and respect for the law, promotion of social mobility, change in the political leadership of the country etc.; in the personality of men: essentially by changing the way parents educate their children.

One of the preferred areas for intervention in order to promote economic development is the area of education. This paper is interested in this area in a very particular way. In 1954, a first school of business administration was organized in São Paulo. In this paper we will try to demonstrate (a) that this School was created with the objective of promoting the economic development of the country, (b) that this objective is not being well achieved because the present philosophy of the School is not entirely adapted to the requirements of the economic growth of the country. Out of such assumptions, we will propose (a) a general redefinition of the objectives of the School, and (b) some specific measures to adapt the curriculum of the School to this proposed philosophy.

BACKGROUND

The School of Business Administration of São Paulo was created as a result of a joint effort of the Getulio Vargas Foundation and the International Cooperation Administration (ICA) of the American administration, which contracted with Michigan State University to participate in the project. The timing for the organization of this School in São Paulo was very good. There is an endless discussion about which of the variables which can influence the process of growth starts it. Is it education? Or the appearance of investment opportunities linked with the existence of savings to finance this investment? Or the development of new technological inventions? Or the emergence of a class of entrepreneurs? Or a change in the value system of the people? Or a political revolution? Or some kind of stimulus originated from abroad? There is no definite answer to this question. In relation to some specific areas, however, we can have some more definite ideas. It is the case of the teaching of business administration. It only becomes a real need and then is able to make a real contribution to the further

development of a given society when this society already reached a certain minimum degree of economic growth. In other words, a school of business administration probably will not be an efficient instrument for starting the process of industrialization of a country. In this early stage of development, technical schools, engineering schools, among others, will probably be more helpful. If a school of business could create entrepreneurs it would be different. But it cannot. The maximum it can do, as we will see later, is to train potential entrepreneurs. Most of its students, however, probably will not have the inner qualities of an entrepreneur. It is more realistic to expect that, even if a school of business gives special attention to developing entrepreneurship, it will train most of all professional administrators, managers. Now, during the early stages of development the demand for professional managers in the private enterprises is quite limited. The enterprises are too small. The entrepreneurs, which frequently have technical skills, will perform the administrative jobs also. Besides, the administrative tasks will be quite simple. In the cases where private administrators are necessary, it will be cheaper to improvise administrators from engineers, lawyers, economists, liberal arts majors and also people who do not have college degree, than to create a school of business. After a country reaches a certain degree of industrialization, however, the business community begins to feel need for professional managers, for people with no other specialization than the one of rationalizing and directing the behavior of other people in the enterprises. In this moment the creation of a school of business will contribute efficiently to the continuity of the process of economic development of the country.

It seems that this fact was well understood by the Getulio Vargas Foundation, when it decided to create the School of Business Administration of São Paulo, taking advantage of the interest of ICA for the project. In 1954 Brazil was quite clearly taking off. As a matter of fact, since 1930 the country underwent a deep process of economic and social change. The Revolution of 1930 took out the political leadership of the country from the old oligarchy of coffee planters. The lack of foreign exchange during the great depression of the thirties opened opportunity for investments in manufacturing, having as basis the savings and the internal market that the large exportations of coffee had permitted to develop before 1930. World War II worked as a strong stimulus to the process of industrialization. From 1945 to 1954 the rate of growth of national income was 6.2%, and the average growth per capita was

3.8%¹, so that, in 1954, Brazil had substituted practically all its importations of manufactured consumption goods, with exception of automobiles and a few luxury items, and large investments were being made in the iron, oil, and machine tool industries. At that time the participation of coffee in the formation of national income was around just 5%, so that the fluctuations of the world economy, and particularly of the American economy, did not reflect anymore so strongly in the Brazilian economy. As a peripheral economy to the economies of the industrialized countries, the fluctuations of the Brazilian economy were not a result of its own internal dynamics, of cyclical disequilibria between aggregate demand and supply which occurred within its internal market, but just reflections of the import decisions taking place abroad. Now the dynamic center of the Brazilian economy was being internalized, a large manufacturing industry had been established, deep changes in the social structure of the country had happened, a middle class was growing rapidly in the urban centers, the desire for industrialization and higher standards of living was increasingly being added to the value system of the people. At this moment, if the Brazilian economy had not yet achieved the stage of sustained growth, it was near it. At this moment the creation of a school of business administration come to attend an actual and pressing need of the Brazilian business community. If we can consider some kinds of expenditures with education as investments and others as consumption, to organize a school of business at that occasion, in São Paulo (where most of the industrialization took place) was certainly an investment, a highly productive investment, which would contribute to economic development of the country quite clearly.

Such contribution to the economic development of the country was the specific objectives of both the Getulio Vargas Foundation and ICA. The first is a quasi-public foundation, organized in 1944 with the broad objective of studying and promoting the economic development of the country; ICA is one of the branches of the American government specifically engaged in the promotion of economic development in the underdeveloped areas. The contribution of the School to the economic development of Brazil, however, has been till now what we call an implicit contribution. It has the same nature of the contributions that all other organizations that perform some necessary functions within a country. In other words, the contribution that an elementary school, or a steel mill, or a

¹ Source: Instituto Brasileiro de Economia.

engineering school, or the School of Business Administration of São Paulo make to the economic development of Brazil is just a function of the amount of human and non-human resources invested in each of these organizations. A natural question, then, arises: is there any alternative to the school; can it achieve more fully than it is now doing the goals of both the Getulio Vargas Foundation and ICA? It is the content of this paper that it can, and it is this idea that we are going to develop in the following pages.

THE PROPOSAL

We say that an organization makes an explicit contribution to the economic development of a country when it states as one of its objectives the promotion of such development. According to this definition, the Banco de Desenvolvimento Econômico, or the Instituto Brasileiro de Economia of the Getulio Vargas Foundation, or the group that writes the magazine *Desenvolvimento e Conjuntura*, are organizations in this category. Naturally, the simple statement in the bylaws of an organization that one of its goals is to contribute to the economic development of the country is not enough. Its members must be really concerned with the problem. Since this condition is fulfilled, we can say that the organization is contributing explicitly to economic development of the country. This does not mean, however, that the organizations that do not fulfill these requirements do not contribute to economic development. The only thing that can be said about this is that an organization that, by the nature of its operations, could have as explicit objective the promotion of economic development (for instance, a college of Economics, in Brazil, today) and does not have it, is not maximizing its contribution.

The School of Business Administration of São Paulo is within that last category. Its contribution to the economic development of Brazil is only implicit, although it could and should be explicit. The present goals of the School are to train business leaders and to conduct research in the area of business administration, so that the objectives of the business enterprises (profit or whatever they are) are more efficiently achieved. The philosophy behind this objective is simple. The business enterprises are one of the major agents in the promotion of economic development of a country. As long as the business enterprises are being

successful, are developing and increasing production, the economic development of the country is being enhanced. Since the School is contributing to the success of the enterprises, its social function is fulfilled.

May be this philosophy would be acceptable today in a country such as the United States. The challenge that the American society faces today is not primarily the one of economic development. At least the American people and most of American intellectuals do not seem primarily concerned with such problem. It is explainable, therefore, that the American business schools are not explicitly interested in economic development. In Brazil, however, the situation is different. The major problem that the Brazilian society faces today is the one of developing its economy. Therefore, all the opportunities to promote this development that are lost must be considered a waste. And if we accept for granted the idea that it is enough to promote the success of the enterprise to achieve automatically the economic development of the country we will be incurring waste, we will not be maximizing social gains, not because this idea is unacceptable, but because it is not always acceptable. There are exceptions to the general rule. It is true that the business enterprises are a major agent in the economic development of a country, but this does not mean that private profits are always equal to social profit. This does not mean that what is good for a private enterprise will necessarily be good for the country as a whole.

In some cases we may say that an enterprise is successful and yet holds back the economic development of the country. The more common case, however, is of the enterprise that is successful but does not contribute as much as it could to the economic growth of the country. How to classify a specific enterprise in one of these two categories is a difficult problem. But, if the enterprise is successful (a) in spite of wasting scarce natural resources, or (b) because is engaged in unlawful procedures, or (c) because it obtained special and unreasonable advantages from the government, or (d) because it is engaged in monopolistic activities so that its efficiency cannot be determined by the market forces, or (e) because it produces and or promotes the consumption of luxury goods (we are thinking in underdeveloped countries, where savings cannot be considered as a residual from investment, where larger savings constitute a definite condition for economic development), or (f) because the other competitors are also wasting resources and producing inefficiently – if one of these

conditions occurs it is quite possible that this enterprise is either holding back or not contributing as much as it could to the economic development of the country.

The redefinition of the objectives of the School we are proposing takes this fact in consideration. According to this redefinition, the objectives of the School would be “to train business leaders and to conduct research in the area of business administration and its relations with the structure of Brazilian economy, so that the objectives of the business enterprises and the economic development of the country are more efficiently achieved”. We know that this objective is already implicit in the old definition. But if we make it explicit, it will become much more operational. In order that the objectives of the school are achieved the relations between business administration and the economic development of Brazil will have to be always present to the minds of the faculty and the students.

There are other reasons to demand such concern from the School. We already presented general argument for that, i.e., the School was created by two organizations directly engaged in the promotion of economic development, which is the major challenge Brazil faces today. Besides this general argument, there are four specific arguments in favor of my proposition. The first was already stated: private profit may be larger than social profit. The second argument is that an enterprise can contribute highly for the economic development of the country although does not have conditions to be privately successful. In the public utility area especially this circumstance is very common. To detect these cases and to find a solution for them would be one of the objectives of the School. The third argument is particularly relevant: the private objectives of the business enterprises will be better achieved if the executive has a clear idea of the relations between his business and the process of economic development of the country. This fact will be quite clear when we present the several areas where the teaching of business should be explicitly related to the problem of economic development. Now we will just make this broad generalization: the business enterprise is successful as long as it is able to adapt itself to the changing requirements of its environment, to the process of economic development that his country is undergoing. The fourth argument has to do with the non-business activities of the executive: Brazilian industrialists are today one of the single groups that hold more power in the country. Individually or through their associations they are able to exert a large influence in the economic policies of the federal and

state governments. Although the pattern of economic development that Brazil is undergoing is primarily a capitalist pattern, the government has played a very important role in it. Since the revolution of 1930 we may say that the influence of the industrialists in the policies of the government has been consistently increasing, in detriment of the power of the planters and the merchants tied to the external market. So, a better understanding of the process of economic development of the country will enable the new industrial elite to exert their power in a more efficient way.

WHO TO TRAIN?

In our redefinition of the objectives of the School, one point is not clear. We say “to train business leaders” This is too vague. There are many ways to classify business leaders. I want to speak just about one classification which divides business leaders into managers and entrepreneurs. The entrepreneur is the man who initiates the enterprises, who innovates, who invests his own capital or the capital of the capitalists in new operations, who takes the major risks. He is normally self-employed, and is a major factor in the economic development of a country. The manager is the professional administrator, the high level bureaucrat, the employee of the big organization who co-ordinates and supervises in rational terms the enterprise. He does not bear the risk of the operations; he has a career, and risks only his own job. He is a dominant figure in highly developed societies, as the United States, where professional administrators are required to manage the large scale organizations. In the United States a school of business has as objective to train business managers. Opportunity for entrepreneurship in the United States is much smaller than opportunity to be a manager in an existing organization. Besides, entrepreneurship is generally exerted by the professional managers when they reach the top of the enterprise. In Brazil this is not so. The opportunities for junior executives are not so large as in the United States. On the other hand the opportunity for organizing new enterprises using relatively small amounts of capital is still reasonably large.

So, we propose that the School of Business Administration of São Paulo specify as its objective to train business managers and entrepreneurs. Since the role of the entrepreneur is so

important in the promotion of the economic development of the country, this second proposal is quite tied to the first. We said before that a school of business cannot create entrepreneurs, but can train them. This means that the entrepreneur is supposed to have some personality traits which he has already acquired when he enters the school. The education he receives in his family probably plays a major role in shaping these personality traits, this “achievement orientation”, as McClelland calls it. But, as long as a person already has these traits, it is possible to make them operational through professional training. In the stage of economic development that Brazil is today, a school of business is ideally fitted to perform this function of training potential entrepreneurs. Certainly entrepreneurs will arise from other types of colleges. And some will not have a college education. But the role of a school of business can be very large in this field.

Naturally, in order to adapt the school to this second redefinition of its objectives some changes would be necessary. I will write about them in detail when we present the specific changes in the curriculum that we think should be made. The general idea, however, is to give more importance to the organization, financing and administering of new small and medium size new business enterprises. The studies of business administration are generally concerned with large and medium size organizations. The principles that orient the administration of a large organization are frequently quite different from the ones that orient the administration of small organizations. The problem of financing and organizing a new small enterprise does not call the attention of the present studies of business administration in the industrialized countries so much as it would be interesting in the underdeveloped countries. So, only in this area there is a large amount of work to be done. We are proposing that the School take part of the responsibility adapting the theories of business administration to the need of training not only business managers, but also entrepreneurs.

CONCLUSION

What we are proposing, therefore, is a quite substantial change in the philosophy of the School. If this proposal is accepted, we believe that the School will be able to make a much more significant contribution to the economic development of the country. Actually, it may

become one of the centers for the study and promotion of the economic development of the country. Such change, however, will represent a cost for the faculty members of the School. They will have to adapt themselves to this new objective, and this will not be easy. Therefore, the simple rational presentation of the advantages of such change will not be enough to persuade them to change. Some more personal rewards must be attached to this change. Although I am not willing to discuss this subject now, I will just point out that probably two kinds of incentive will have to be used. One is inherent to the change: the higher prestige that the professors may acquire if they are associated to this change assuming, naturally, that the change is successful). The second incentive is the formal support of the direction of the School. This incentive will be particularly important after the faculty accepts theoretically the redefinition of the objectives of the School. The problem, then, will be to execute this decision, to conform the work of the School to the new definition of its philosophy. In this moment the clear support of the direction of the School will speed up the process very much, as long as it rewards the professors that contribute to this change.

Note: After writing this paper I was informed that the faculty members of the School organized recently a “Forum of Brazilian Studies”. This is probably an indication that they are feeling a need for a better adaptation of the School to the Brazilian social and economic environment. Therefore, it is not impossible that they show a favorable attitude to the changes that we are proposing.

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Appendix

PROPOSED CHANGES IN THE CURRICULUM OF THE SCHOOL

Since we are proposing a particular definition of the philosophy of the School, the basic thing to be done is to obtain the acceptance of this philosophy by the faculty and the administration of the School. About the tactics to achieve this end we will speak later. What is important to underline is that we are not proposing the adoption by the faculty of a particular philosophy of economic development, or a particular way of relating economic development with business administration. What we are proposing is just to call the attention of the School to the problem of economic development. No major changes in the existing curriculum which is very well balanced are necessary. The courses will be basically the same, the problem of adopting them to the new state mission of the School will be a problem that each professor and each department of the school will have to face and solve individually. Some specific changes, however, will be necessary: mainly, the addition of two new courses to the program. This

two courses will substitute partially or integrally courses that are now being offered. The two new courses are: Social Evolution of Brazil and Theory of Economic Development. As both are introductory, general courses, they will be offered in the first two years of the four years program. (The program is divided in two parts: in the first two years the introductory disciplines are dominant) (Economics, Sociology, Psychology, Mathematics); in the last two years the business courses are emphasized).

1. Social Evolution of Brazil

This course will be offered by the Department of Sociology, Politics and Legislation, during the second semester of the first year. It will be a 3 credits course, to make place for it the courses Political Institutions II and Introduction Industrial to Psychology and Sociology II will be reduced from 3 to 2 credits. The burden of the students will be increased of one credit. They will have to carry 17, instead of 16 credits, but this is not too much, since they are supposed to take 18 credits in other semesters.

Objective. This course is intended to give a broad idea of what is Brazil today. The historical approach will be used, but it will not be a course on Brazilian history. The economical, social, political and cultural evolution of Brazil will be presented with the specific objective of explaining the present Brazilian social, political and economical institutions, and the trends of Brazilian development.

Draft of the course: A. Economical Evolution: the sugar cane cycle; the cattle cycle; the gold cycle; the industrial revolution, its phases; the present stage, the basic problems to be faced; the trends. B. Social Evolution: the “capitanias”; the system of the plantation, its origins; the sugar cane aristocracy; the rural class system; the whites, the negroes, the Indians; the first manifestations of the middle class; the rural aristocracy during the Empire; the abolition of slavery; immigrations; the old middle class and the new middle class; the industrialists and the workers; the internal migrations; the present social structure; trends. C. Political Evolution: the colonial period, the “capitanias”, the general government, the vice-reign; the process of adaptation of Portuguese political institutions; the independence; the Empire and the “moderator power”; the political parties during the Empire; the abolitionist campaign and the urban middle class; the Republic, the new constitution and the federalism; the political unity; the parties of the First Republic and the institution of “the third” (one third of the seats in Congress was assigned to the opposition party); the Revolution of 1950, Vargas, and. The “Estado Novo”; the political parties, their origin, what they mean, the problem of personalism; nationalism, populism, opportunism, liberalism, unionism, developmentalism, laborism;

the role of the armed forces; the church; the increasing participation of the peasants in politics; the position of the “productive classes” (“classes produtoras”).

Justification. This course needs hardly to be justified. Even if the school was not particularly interested in economic development, to understand the dynamics of Brazilian social, economic and political process is particularly important to the Brazilian executive. The basic condition for the survival and success of business enterprise is its adaptation to its total environment. In relation to the economic development of the country the importance of this course is derived from the idea that economic development is an integral cultural process through which a country passes.

I do not believe that the reduction of Political Institutions II and. Introduction to Industrial Psychology and Sociology II to two credits needs to be justified. Some sacrifice of the present subjects, notwithstanding their worth, had to be made. These two courses, that belong to the department of Sociology, Politics and. Legislation, were naturally the more indicated to be reduced.

Readings. Books by Oliveira Vianna, Celso Furtado, Gilberto Freire, Caio Prado Junior, Ignacio Rangel, Helio Jaguaribe, Nelson Werneck Sodré, among others, will be used.

2. Theory of Economic Development

This course will be offered by the “area” of Economic (for several reasons the School does not have yet a Department of Economics), during the second semester of the second year. It will be a 3 credits course, in substitution for the course “International Economy”.

Objective. This will be a theoretical course on economic development. The psychological, sociological and political aspects of economic development will be taken in consideration, but it will rely on the specifically economical aspects of development.

First draft of the course: 1. What is economic development definition, the agricultural and the industrial revolutions; stages of economic development; modern and traditional societies; criteria to determine economic growth. 2. Theories of Economic Growth: the classical, the Marxist and the Schumpeterian theories. 3. Theories of underdevelopment (why countries did not develop): geographic determinism; lack of entrepreneurship; population explosion; colonialism and indigenous aristocracies; the “backwash” effect of international trade (Myrdall, Prebisch); the “big push” theory (Rosenstein-Rodan); and others. 4. The dynamics of growth: the interdependence of five variables: men, values, social structure, knowledge, economic structure; men: the achievement orientation; social

structure: the right to reward, economic freedom, need of specialization, the industrializing elites, traditionalism (aristocracy), capitalism (entrepreneurship), socialism (bureaucracy), the middle classes, the labor force; knowledge: the role of knowledge, the existing knowledge, the way to improve (technological progress), the priorities, knowledge as investment or consumption; economic structure: the natural resources, the existing capital. 5. The economic process of growth: importance of savings, the sources of savings, the internal sources (redistribution of income among the social classes, taxation, inflation); the external sources (foreign aid, foreign investment), foreign currency and the balance of payments (importation and exportation, the flow of capital); investments; the multiplier, the capital-output ratio, the opportunity to invest, the role of the market in the allocation of resources, the natural and artificial incentives to invest, the substitution of importations and the unemployment or disguised unemployment. 6. Programming the economic development: the role of the government in the promotion of savings and allocation of investments, the determination of social and private return on investment, overhead capital and the government, bottlenecks, the assignment of priorities, the goals to be achieved, planned incentives and punishments. 7. The Brazilian Economic Development: the application of the theoretical tools previously studied to the Brazilian case.

Justification. If we accept that economic development is one of the explicit goals (the other being the success of the enterprise) to be achieved in the teaching of the School, the need of a course that directly defines economic development and describes its process is self evident. In the other courses professors will speak about economic development in relation to their specific subject; the students must know about what they are speaking about.

It is more important to justify why we are substituting economic development for international economics. It is not because the latter subject is not important, but a) because a course had to be replaced, and b) because to replace a course of economics by another course of economics does not change the over-all balance of the curriculum. Since some basic concepts of international economics are quite important to the students, they will have to be taught superficially in one or two of the four economic courses.

The second part of the second semester was chosen for this course because it is the last phase of the two introductory years. At this time the students will already have the basic micro- and macro-economics, sociology, psychology, social evolution of Brazil and an introduction to business. In the course in economic development the students will be able to use all these disciplines.

Readings. We recommend readings of the following books: W. Arthur Lewis' *Theory of Economic Growth* (in Portuguese), Gunnar Myrdal's *Economic Theory and Underdeveloped Regions* (in Portuguese), and W.W. Rostow's *Stages of Economic Growth* (also available in Portuguese). Translations of a few chapters of Benjamin Riggins' *Economic Development* can be made. The students will also be required to read some articles by Brazilian economists about the economic development of Brazil. It would be interesting to have case studies on other countries, although the load on the students is already too heavy.

3. The remaining courses

In order to accomplish this change we are proposing that the other courses do not need necessarily new descriptions. Certain new aspects of each discipline, however, will have to be emphasized. My job now will be only to suggest some ideas about how to relate the process of economic development with the teaching of the School.

First year:

Introduction to Business Administration. The role of the entrepreneur and of the manager in the economic development of the country can be introductorily studied in this course. The stress will be on the importance of the business man, in the value of its contribution to society. The rise of the merchants and industrialists in the world can be rapidly presented. In a country like Brazil, where feudalism, traditionalism or whatever you call it, is not yet entirely dead, where the prestige of the business men is not yet entirely established, this kind of ideas is very important. Presented in the first semester of the first year, they will represent a strong motivation for the students in later years. In this course the professor will also be able to speak about the goals of the enterprise: the private and the social goals.

Introduction to Economics. We want to stress just one point among many others: The goals usually attributed to the study and practice of economics are full employment, price stability, and economic growth. In a country like Brazil the last objective has prevalence over the others.

Political Institutions I and II. Political Science is a discipline whose relations with economic development are quite clear. Yet, it is possible to teach political science without mentioning economic growth, without examining what types of government, what parties, what ideologies, what pressure groups delay or accelerate economic development. Certainly economic development is not the only criterion to judge political institutions but it is an important one.

Introduction to Industrial Sociology and Psychology I and II. These two courses are really courses in sociology and psychology; industrial sociology and psychology will be studied in the second year. In this introductory course it will be interesting that students understand the dynamic relations between the economy, the structure of society and the moral order. Some ideas about the economic behavior of different classes, and particularly of the entrepreneurial class can be presented. Some ideas about the process of social change, the role of opportunity and the role of motivation (reward and punishment) can be introduced.

Productive Resources. The definition of actual resources as the ones that are economically available (Zimmermann's theory) is important to Brazil, where resources very frequently are not economically available. Availability of resources, however, is an elastic thing. Entrepreneurship can make resources available. The implication for economic development of the control of natural resources by nationals or foreigners can also be studied. The core of the course, however, will be the analysis of Brazilian natural resources, taking in consideration the use that the business enterprises can make of them. Attention will be called to the danger of wasting scarce resources. The need of more research about Brazilian resources — research that can be made, till a certain extent, by the private enterprises — should be stressed.

Second year

Accounting in Brazil as well as in many underdeveloped countries is made primarily for tax and other legal purposes, not for control of the enterprise. But the state of development of Brazil already make advisable to adopt more sound accounting practices. The treatment that accounting should give to the inflation problem should be stressed. Without being adjusted to price changes financial statements in Brazil are frequently meaningless. The particular accounting problems that small business enterprises face should be studied. What kinds of accounting systems do the enterprises really need at the various stages of their development? How much should they expend in this area?

Macro-economics. The whole basis for understanding the economical aspect of economic development must be given in this course. The professor should introduce in this course the concepts that will be necessary to the course on Theory of Economic Development. I will not enter in details because almost all the basic concepts of macro-economics are essential to the study of economic development.

Commercial Law I and II. The laws regulating business have frequently a direct impact on economic development. For instance: laws on bankruptcy, the limited responsibility of business men,

laws of imports and exports, laws concerning foreign investments, the fiscal policies of the government, etc. The problem here is the one of the incentives to entrepreneurship in terms of profits and security.

Industrial Equipments and Installations and Industrial Processes. The problem of the ideal balance for Brazil of human and capital resources should be studied. In purely economic terms the problem is of finding the kind of balance which requires the minimum amount of inputs for the same amount of output. The scarcity of foreign exchange and the possibility of developing new machines will have to be studied. The political consequences of mass unemployment due to the use of capital intensive technology should also be taken in consideration. The need of a technology able to solve Brazilian problems should be underlined in connection with the importance to Brazilian enterprises of research and development departments which will adapt foreign technology. Brazil is in a stage of development where such adaptations can already be made by the private enterprises. Another point: once expensive machines are bought, the importance of a very good maintenance service should be stressed. The idea that to maintain the equipment in good shape is frequently more important in underdeveloped countries than in the developed ones should be introduced.

Industrial Sociology and Psychology. The relations between economic development and industrial sociology are great. The general problem, under the standpoint of economic development, is the increase in productivity of workers, white collars and executives. In a country like Brazil to increase satisfaction among workers or to minimize industrial conflict are goals which should be subordinated to the general goal of increasing productivity. In a country like the United States this is not necessarily true. In this course the whole problem of industrial commitment can be explored. The adaptation of peasants to industry work represents a real problem to Brazil today. The characteristics of Brazilian labor supply can be studied. The contribution of the international and more recently the internal migrations to the industrialization of the São Paulo area is a very interesting subject to be studied. Many other connections may be made between industrial sociology and economic development, but it is important that effort be not duplicated. Many issues that could be treated in this course have been scheduled to be presented in the course in economic development. For instance, social change is a major problem for sociology as well as for economic development. Actually, the theory of economic development borrows from sociology the theory of social change. In the course on industrial sociology the professor will be able to analyze the process of social change of the small group, while in the course on economic development the process of change of the whole nation, or of the whole class will be studied. In the first case the reflections of the high rate of change of the economy on the particular plant, on the particular industrial group should be analyzed, so that a close

connection between the two courses can be achieved without duplication of effort. In the course on industrial sociology what is important, besides to have as goal to increase productivity, is to present to the student a dynamic analyses of the process of social change. In a country which is undergoing so deep social change, it is important that he understands how this process is occurring. Static definitions of sociological categories as class system, status, rank, power, value and belief system, small group, commitment, cohesiveness, anomie, etc. can be made dynamic by the professor if he integrates them in a model of social change.

Labor Law I and II. The students have generally strong feelings against the labor laws that are said to be too advanced to the stage of economic development of Brazil. The professor can analyze this problem carefully. For instance: which is the relation of labor laws with the degrees of industrial commitment of the workers? How effective are labor laws in preventing the clash of industrial conflicts? More general questions can also be asked: which is the role of industrial conflict in the economic development of a country? Is it necessarily negative? Does the increased acquisitive power of the workers have an effect in the economic development? In which stage of development?

Third year

Organization and Human Relations I and II. This is already a very specific course in the area of Business Administration. The theories of organizations will be studied here, including the theory of bureaucracy, which Max Weber developed. There is certainly a relation between the bureaucratic systems and the stage of economic development of a country. The bureaucratic system is rational, impersonal. Selection of white collar and executive people is done by the criterion of achievement. When such system is imported by one underdeveloped country, where extended family ties are strong, where the supply of semi-skilled white collar people is frequently large, where the size of organizations is often not so great as to permit an optimum degree of professionalization, difficulties arise. How to solve this problem taking in consideration that it is not possible to change the custom of a people from day to night? This problem will be better understood if the professor opposes the traditional types of social systems, slavery, the feudalism, patriarcalism, to the modern social system, the bureaucratic one. Another related problem: the relations between the division of labor bureaucratic organization, taking in consideration that the division of labor is function (among other things) of the degree of knowledge, of the size of the market, of the size of the production units, and, indirectly, of the degree of industrialization of the country. Another problem: the relations between the levels of management, and particularly between top management and middle management. Is top management open to middle management? Which is the importance of free vertical mobility in the enterprise for the

enterprise itself, for the economic development of the country, for its democratization and stability? Another problem: which are the relations between centralization, decentralization and the degree of industrialization? In this course, again problems related to the goals of the enterprise and the role of the executive in relation to economic development of Brazil should be explicitly discussed. The value of profit-making as a major source of savings and investments, and, therefore, of economic development, should be underlined. The role of the entrepreneur and Schumpeter's five categories of innovation should be discussed.

Advanced Accounting. In this course the methods of computation and projection of the return on investment should be discussed, as criteria to new investments. This done, a question could be asked: are there the social returns of an investment. What kinds of social return that are not related to financial return can we have? Should an investment in these conditions be subsidized by the government? Which means (direct and indirect) has the government to subsidize an investment? Is this kind of subsidization occurring in Brazil today?

Administrative Finance I and II. This course is offered in two years, two semesters each year. The first year is naturally introductory. A broad idea of the role of the financial institutions in the functioning of a market economy, and particularly their importance in the economic development of the country may be stressed. The role of intermediary system between savings and investments should be stressed. The techniques to collect savings could be discussed. What types of organizations are engaged in it, which is the role of the investment companies that recently developed in the country? The relations between the formation of a strong financial market, able to attract the savings of the growing middle class that is now investing in real estate, and the opening of the enterprises to outside capital is a highly interesting subject to be studied in this area. The example of the developed countries and particularly of the United States could certainly be presented. The trends of the Brazilian economy in this direction could be analyzed. Certainly, the existence of investment opportunities and the relative advantages of large scale organizations in certain areas will be the major determinate of the formation of a strong financial market. But, as the Brazilian executive understands the importance of such market for the development of the country and of its own corporation this trend can be accelerated. Today the formation of the financial market and the opening of the enterprises to outside capital is being made, probably, in spite of Brazilian entrepreneurs, and not as a result of their willingness to work in this direction. Another problem: how can an entrepreneur finance a new investment? Which is the role of family and personal savings? What kinds of institutions can lend him money? Can he count with government support? Till what extent? Which is the process of obtaining loans for the first time?

Marketing I and II. This course can begin with an analysis of the importance of the internal market for the development of Brazilian economy. The alternative to a market economy is a subsistence economy. How a market economy replaces a subsistence economy? Are there in Brazil areas which a subsistence economy is dominant? What can the business enterprises do about this? Another point: which is the difference between a production oriented and a marketing oriented economy? What will happen to the Brazilian economy if the enterprises stop marketing techniques typical of a marketing oriented economy? For instance: is advertising, or the institution of forced obsolescence a waste? Have the Brazilian enterprises another alternative? Another point: are the media to contact the consumer being properly used in Brazil? Are marketing executives taking in account that a large proportion of Brazilians are illiterate? But, are these people really potential consumers? Another point: which are the aspects of Brazilian marketing institutions that need modernization, that can be made more efficient? How to lower the cost of transactions, how to make them more impersonal and quick, taking in consideration, for instance, that labor is still relatively cheap in Brazil? How to make cheap, informal marketing research in order to find new business opportunities in Brazil?

Cost Control. Two points should be studied: (a) the use of cost control techniques can certainly help to increase productivity, (b) but it is necessary to take in consideration the high costs involved in the establishment of a standard costs system in a plant. Only organization that reached a minimum size (which size?) can afford a highly developed cost control system. There are, however, intermediary systems which could probably be extremely useful to most of the Brazilian enterprises. Another problem: when to substitute labor by machinery? Assuming that many mistakes are probably made in this area, how to compare the efficiency (input-output relation) of labor and machinery?

Fourth year

During the fourth year we have a set of courses that till a certain extent sum up what was taught during the three first years. They are: Business Policy, Administrative Policy, Administrative Finance III and IV, Marketing Problems. The case method is entirely dominant during this year. The basic thing to be done in order to adapt these courses to our proposition, is to collect some cases in each one of these areas that would relate directly the problem of the achievement of the private goals of the enterprise to the process of economic development of the country. At this moment the possible conflicts and the many consistencies that exist between economic development and business should already be quite familiar to the students. Analyzing these cases they would have the opportunity to apply to concrete problems the theoretical tolls they learned during the first three years.

