Furtado, North and the New Economic History

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1. Introduction

Between 1959 and 1961 two seminal books that would change the historical interpretation of long-term growth in Brazil and the United States came out: *Formação Econômica do Brasil* (translated in 1963 as *The Economic Growth of Brazil - A Survey from Colonial to Modern Times*) by Celso Furtado, and *The Economic Growth of the United States 1790-1860*, by Douglass North. Whereas Furtado's book - written in the academic year 1957-58 he spent at Cambridge University upon leaving his position as director of the development division of CEPAL (United Nations Economic Commission for Latin America) - was the first comprehensive application of the structuralist approach to the economic history of a Latin American country (see e.g. Love 2005, pp. 110-16; Boianovsky 2008), North's monograph was one the founding works of the "New Economic History" in North American historiography (see e.g. Engerman 1977; Myhrman and Weingast 1994). Both volumes represented the culmination of previous contributions by Furtado ([1948] 2001, 1950, 1954) and by North (1955, 1956). Furtado's main historiographic piece after *Formação* was his economic history of Latin America (Furtado [1969] 1971), which was a further elaboration of structuralist historical analysis. North's (1966) next book extended the investigation of American economic growth to other periods. He would gradually elaborate on the role of institutions in economic growth, which eventually became his foremost research topic (North 1981, 1990).

Although both economists investigated history in order to grasp the process of economic growth in their respective countries, it should be noted that, while Furtado tried to make sense of the Brazilian economy's relative backwardness, North attempted to explain the broad American economic success. There is no indication that the two authors cited each other, although they may have met when North (1961b) visited Rio in 1961 to lecture on economic history and regional economic growth - a topic dear to Furtado for reasons of economic theory and policy. Moreover, as argued below, Furtado was probably aware of North's (1956) article by the time he wrote *Formação*.

The notion that the gap between the incomes per capita of Brazil and other Latin American countries on one side and North America (Canada and the United States) on the other originated not in the 20th but in the 18th and (especially) the 19th centuries has become widely accepted in modern economic historiography (see e.g. Coatsworth 1998). The average rates of growth in most Latin American economies in the 20th century were close to that of the United States. The attempted interpretation of the causes and consequences of that lag has dominated Latin American social science in general and economic historiography in particular since the first decades of the past century (see Hirschman 1961). As often pointed out by commentators (see e.g. Stark 1964; Dean 1965; Baer 1974), Furtado's 1959 study sought to provide an answer to the question: "why did Brazil fall behind?"

Some representatives of the New Economic History have claimed that Furtado's *Formação* and the structuralist historiography in general were not up to the task, since their critical attitude toward neoclassical economics had led them to eschew the "powerful analytic and quantitative methods of growth economics" (Haber 1997, p. 8). Haber (1997, p. 23) acknowledged that Furtado did make use of quantitative data, but just for purposes of description, not as part of hypothesis testing in the way the New Economic Historians like North and others were starting to do for American economic history. Accordingly, some crucial features of the historical dynamics of Brazilian and Latin American economies - such as the key role of foreign trade in fostering economic growth and the perverse influence of colonial institutions on long-term economic development - would only come out, so the argument goes, after the systematic application of the New Economic History approach to the investigation of Latin American history, started in the 1980s (Haber 1997; Ficker 2005). In the same vein, North and Weingast (2000, pp. 7-8) have hailed the "emerging new economic history of Latin America" for (i) making a break with "dependency explanations" of the region's lagged growth, (ii) integrating history, economics and politics - which they found missing in the old structuralist literature on Latin American development - and (iii) emphasizing the testing of clearly specified hypotheses.

Such claims by some New Economic Historians have not gone unchallenged, though. As pointed out by Coatsworth (2005, p. 132, n. 18), CEPAL carried out path breaking empirical research in the 1950s on the past performance of Latin American economies, as part of its work on economic planning (see e.g. CEPAL 1956, a report drafted by a team under Furtado's supervision). Moreover, the bizarre suggestion, that structuralist-dependist historiography had overlooked the links between history, economics and politics, reflected extensive ignorance about that literature. The goal of the present paper is to compare some aspects of Furtado's and North's approaches to economic history. Although North (1974, 1978, 1981) would eventually become critical of the neoclassical origins of the cliometric revolution and argue for a larger role for institutional analyses in the study of history, I shall refer to New Economic History in the broad sense as encompassing the application of economic theory to the understanding of institutional change (see McCloskey 1994; Haber 1997). The next section shows that North's concern with the influence of institutions on long-run economic performance has brought him close to Furtado's structuralist economic history. That is followed by a discussion of the role of the staples approach to economic development in both North's and Furtado's frameworks. Finally, the paper explores the increasingly influential hypothesis that the lagged growth of Latin American economies was largely the result of colonial institutions arrangements that were adverse to long-term development (see Nunn 2009 for a survey of that literature).

2. Economic structures and history

Furtado's contribution to economic history was part of his life-long effort to understand the economic underdevelopment of Latin American countries, which could only be grasped through historical investigation (Furtado 1987, pp. 205-06; Boianovsky 2010, section 1).

> Why are these countries underdeveloped? Is this an evolutionary stage or a structural configuration that tends to perpetuate itself? The need to think in historical terms has led me to pose a methodological question: what can the social sciences, and especially economics, contribute to history? European historians of the *Ecole des Annales* asked a similar question. They sought help from the social sciences. I, as a social scientist, sought it from history (Furtado 1987, p. 205).

Although Furtado did his graduate studies in Paris in the late 1940s, he remained unaware until the mid 1960s - when he returned to France to teach at the Sorbonne - of the approach of the *Ecole des Annales*, which dominated quantitative French history (Furtado 1985, p. 167). The French *Annales* school, just like the American New Economic History, pursued the development of quantification, but their respective conceptions of history were distinct. Whereas the former investigated the past in search for general laws of historical development, the latter saw economic history as a field to test empirical propositions based on a general theory (see Perez-Brignoli and Ruiz 1984, p. 209). As recalled by Furtado (1985, p. 167), his aim "was not to 'explain' History, sliding into forms of reductionism in which Marx and many other thinkers of the 19th century have fallen". The idea was to increase the perception of history by using the resources of economics, especially through the devise of macroeconomic models that could shed light on the dynamics of certain economic structures, such as the sugar economy of the Brazilian Northeast in the colonial age. In particular, *Formação* was designed as a collection of "interpretative hypotheses" taken from economic analysis. The approach consisted in drawing "precise questions" from economics, and getting answers in history (ibid, pp. 205 and 215).

The reactions of some reviewers of the book indicate that Furtado largely succeeded in his endeavor. Hans Mueller (1963, pp. 359-60) described it as an effort to "integrate a variety of growth models into a moving historical matrix" and called attention to its "thought-provoking ideas as well as some daring model building". Another reviewer was impressed by Furtado's "ingenuity in making statistical estimates from existing data with their typical lacunae for the earlier years especially" (1960, p. 210). Werner Baer (1974, pp. 114-15), one of the pioneers in the application of the methods of the New Economic History to the Brazilian economy (Haber 1997, p. 23, n. 15), dismissed charges that *Formação* was "unquantitative and undervidenced", and pointed out that Furtado was "one of the first economists to attempt to use modern income analysis in dealing with historical phenomena". Those charges had been made by C. M. Pelaez and some other early supporters of the New Economic History in Brazil in the 1960s and 1970s (see Perez-Brignoli and Ruiz 1984). The first major event at which historians debated the application of quantitative methods to Brazilian economic history was the 1971 international conference on "The quantitative history of Brazil from 1800 to 1930", organized by French historian Frederic Mauro in Paris. Furtado contributed on that occasion a methodological paper on "Economic analysis and quantitative history", in which he asked whether "economic analysis in general and macroeconomics in particular could help to enrich the vision we get from history" (Furtado 1973, p. 24). According to Furtado,

> Quantitative history does not exist outside a certain analytical frame, which allows classifying the data, to choose the variables, to establish a causal relation between the movements of certain variables etc. That analytical frame is provided to us, essentially, by economics (ibid).

The particular kind of economic analysis that Furtado underlined as part of the tool box of the historian was "structural analysis", which in his view made possible to take into account at the same time economic and non-economic data (p. 26). *Formação* did not include any explicit statements about methodology. It was in the preface to his next book that Furtado ([1961] 1964, p. vii) explained that the variety of stages of (under)development and historical situations in different countries had induced him to "adopt a structural view of economic problems" and to attempt to identify factors that are specific for each structure. He would return to the topic of structuralist methodology in his 1965 Yale paper and especially in the appendix to the first part of his 1967 book. The distinguishing feature of economic structuralism (as opposed to the French structuralist school of the anthropologist Claude Lévy-Strauss) was the emphasis on "non-economic parameters" in macroeconomic models; the economist's task (especially in his role as economic historian) was to turn those parameters into variables (Furtado [1967] 1975, pp. 83-

84). Since the behavior of economic variables depends on those parameters, which "take form and evolve in a historical context", it is not possible to separate the study of economic phenomena from their historical context (Furtado 1987, p. 210). Such non-economic parameters were occasionally described by Furtado (1965, p. 159) as "institutional parameters", although he did not suggest any conceptual links to the old American institutionalists (for a comparison between Latin American structuralism and the old North American institutionalist school see Mallorquín 2001). Indeed, Furtado ([1961] 1964, p. viii) would leave the American institutionalists and the German Historical School out of his study of growth theories, on the grounds that they had played mainly a "critical role", without any systematic contribution to the interpretation of the process of growth.

Just like Furtado's, North's early research program in economic history reflected the increasing interest in growth economics in the 1950s, especially under the guise of the historical-quantitative investigations launched by Moses Abramowitz and Simon Kuznets (see Boianovsky 2010; cf. Haber 1997, p. 2). According to North (1966, p. 1), economic history focuses on economic growth and its effects on the welfare of the various segments of the society. One can find only sparse explicit remarks about the role of institutions in North's writings in the 1950s and 1960s, reflecting his contempt for the old American institutionalist kind of economic history. North intended his 1961 book as a break with old style economic history, which he criticized for its concern with "description and institutional change" and "only incidental focus on the process of economic growth", which he blamed for the absence of comprehensive historical analysis of American development. After the boom of the New Economic History, North shifted the target of his criticism. His 1971 volume with Lance Davis offered a new interpretation of American economic growth based on the process of creation of new institutional arrangements and forms of economic organization. The issue was examined in two methodological papers (North 1974, 1978), followed by his 1981 book, in which he further contributed to the approach known as "neo-institutional" economics. The idea was not to go back to traditional descriptive economic history, but to provide a theory about the evolution of the constraints faced by agents in their economic choices.

> The cliometric revolution in economic history wedded neoclassical economics and quantitative methods in order to describe and explain the performance of economies in the past. Economic history gained in rigor and scientific pretension, but at the expense of

> exploring a much more fundamental set of questions about the *evolving structure* of economies that underlies performance. Cliometrics have turned their back on a long tradition stretching back from Joseph Schumpeter to Karl Marx to Adam Smith. These scholars regarded economic history as essential because it added a dimension to economics. *Its purpose was to analyze the parameters held constant by the economist* (North 1978, p. 963; italics added).

North’s call for the incorporation of structural change into economic history is reminiscent of Furtado’s plea for the historical-structural method. He would define structure as “those characteristics of a society which we believe to be the basic determinants of performance”, such as political and economic institutions, technology, demography and ideology (North 1981, p. 3). The two building blocks developed by North to understanding structural change and growth are (i) a theory of property rights to account for the forms of economic organization devised to reduce transaction costs and organize exchange and (ii) a theory of the state to account for specification of the property rights structure. Although the concept of transaction costs was not integrated into the framework of Latin American structuralists, the notion of property rights was part and parcel of their approach, as illustrated by the key role played by institutions such as landownership system, control of firms by foreign capital and slavery in the interpretation of the long-term economic performance of the region. Furthermore, the growth record has been deeply influenced by the pattern of insertion of those regions - North and Latin American alike - in the international economy, as discussed next.

3. Growth and the Staples Approach

As mentioned in the introduction, the historical argument in Furtado’s *Formação* reflected his concern with the causes of the distinct long-term growth patterns of Brazil and the United States. The issue had been discussed by Brazilian intellectuals from political, cultural and anthropological perspectives - see Vianna Moog [1954] 1964, probably the best known comparative discussion of the Brazilian and American societies before Furtado’s book - but a thorough economic investigation of the issue was still lacking by the late 1950s.

> The question has often been asked: Why did the United States become an industrial nation in the nineteenth century, keeping abreast of the European countries, whereas Brazil evolved in such a manner that it became a vast underdeveloped region in the twentieth century? Putting aside the superstitious fatalism implicit in the theories of inferiority of climate and race which have for some time prevailed, the issue has acquired a more precise meaning from the economic point of view (Furtado [1959] 1963, p. 108).

The key piece of information to solve the puzzle would be provided by the respective rates of growth of Brazil and the US throughout the 19th century. Furtado ([1959] 1963, p. 164) referred to estimates made by Kuznets for the NBER, which indicated an average rate of growth of per capita income of 1.9% for the US in the the period 1850-1950. Data on Brazilian long-run rates of growth were not yet available at the time, which led Furtado to attempt an estimation based on information about the value of exports and calculation of terms of trade. The annual rate of increase of the sterling value of Brazilian exports in the first half of the 19th century, after the decline of the gold mining cycle by the third quarter of the 18th century, was only 0.8%, whereas population increased 1.3% per year. Moreover, Furtado estimated that the terms of trade declined 40% in that period, which led him to infer that real per capita income fell between 1800 and 1850. The economic stagnation reflected also the relative increase of the subsistence sector, of lower productivity than the exports sector, which generally took place during periods of stagnation of exports before the start of the industrialization process in the 20th century (Furtado [1959] 1963, chapter 19).

By mid 19th century, the growth of the coffee economy would change dramatically the Brazilian economic landscape. The amount of coffee exported increased 341% and international coffee prices 91% between the 1840s and 1890s, which implied an annual rate of grow of 4.5% in real income generated by coffee exports. Using the same kind of data for other products and regions of the country, Furtado estimated an annual per capita growth rate of 1.5% for the Brazilian economy as a whole in the second half of the 19th century, which would continue into the 20th century. The conclusions concerning the long-term growth of Brazil as compared to the United States and Western Europe were unmistakable, claimed Furtado.

> The data presented ... throw some light on the problem of the present-day [1950s] relative backwardness of the Brazilian economy. That backwardness has its roots not in the rate

> of development of the past century [ca. 1850-1950], which seems to have been reasonably rapid, but in the reversal which occurred in the previous three quarters of a century. Since Brazil was unable to integrate herself into the expanding currents of world trade during that period of fast transformation of the economic structures of more progressive countries, sharp disparities were created between the Brazilian economic system and those of Western Europe (Furtado [1959] 1963, p. 165).

Furtado's results have been only in part confirmed by modern quantitative history. According to Maddison (1994, p. 22), the rate of growth of per capita income in Brazil was as low as 0.2% between 1820 and 1870, against 1.2% for the US. The lower turning point of Brazilian long-term economic growth apparently took place later than claimed by Furtado; Maddison's data indicate that it was only after the First World War that the economy started to grow persistently (at a rate of 2.0% between 1913-1950, as compared to 1.6% for the US). The second half of the 19th century was still a time of low growth in Brazil (0.3% in the period 1870-1913; 1.8% for the US in that same period) as measured by Maddison's numbers.

In contrast with Brazil, the United States was well integrated into the expanding international trade that accompanied the British industrial revolution in the first half of the 19th century. It was mainly as a supplier of cotton - the main raw-material for world trade - to the British textile industry that the American economy participated in the growth of the international economy at the time (Furtado ([1959] 1963, chapter 18). Cotton, cultivated in the slave states of the South, represented more than half of the value of American exports and it was "the first dynamic element in the development of the United States in the first half of the 19th century" (p. 113). The development of other American regions, such as food production in the Midwest and manufactures in the Northeast, reflected the dynamic effects, on aggregate demand and imports, of the income directly or indirectly coming from the cotton sector (see also Furtado [1969] 1970, p. 31, n. 3). Cotton production had been quite profitable for some Brazilian regions (like Maranhão) around the time of the American war for independence and the Napoleonic wars. However, when large scale production started in the United States, cotton prices fell sharply and Brazilian producers could not compete in the international market (Furtado [1959] 1963, chapter 16).

The view that the time span 1790-1860 was the critical period in the acceleration of American economic growth would be elaborated in detail by North (1961a, b), who stressed the pivotal role of cotton exports in the process. The new hypothesis about the crucial links between cotton exports and the transformation of the American economy had been first advanced in North (1956), an article that Furtado probably read while working in Cambridge on his *Formação*. True enough, there is no reference to North (1956) in that book, but Furtado's citation practices were far from orthodox. As Furtado (1985, p. 215) would later explain, he had read so many documents in the Cambridge libraries that he decided to restrict references only to works to which he explicitly wanted to call attention and to the sources of data - "it was a book of analysis, not of history; hence, it was not appropriate to give credit to every researcher who had contributed on the plane of historical studies."

North's explanation of the impact of cotton exports on the US economy was based on the "staples approach" to economic growth, which had been put forward by Canadian historian Harold Innis ([1930] 1956]. Innis had advanced the thesis that export of staple commodities played a key role in creating the conditions that started the industrialization of Canada. Innis's approach to the general impact on the economy and society of staple production was further elaborated and applied to American economic history by North (1955, 1956, 1961a, b). The focus of the staple approach was the potential spread effects of the natural resource-based export sector on domestic economy, which grows through diversification of the export basis (see Watkins 1963). Its main hypothesis was that the growth experience of a "new" country is historically shaped by the specific characteristics of the primary commodities ("staples") which that country exports to the industrial centers. Such characteristics may be described in terms of the backward and forward linkage effects concept introduced by Hirschman (1958). If the linkage effects are weak, the economy may get caught in a "staple trap" in which the economy, instead of diversifying its activities, remains dependent on a narrow export base and features a declining rate of economic growth. In that case, the increment to income of the expansion of the export sector leads to an increase in the supply of that staple, with little effect on broadening the export base or extending the size of the domestic market.

The disposition of the income received from the export sector plays a key role in the process. The plantation type of export commodity - as well as mining activity - has been contrasted with family-size farm type: unequal distribution in the first case leads to weak linkage effects, since income will be spent in foodstuffs and simple necessities by the bulk of the population and on imports of luxury goods by the others, with little impact on domestic investment demand. Such divergent patterns are also relevant for investment in knowledge, as pointed out by North (1961a, pp. 4-5):

> Under the plantation system, with its marked inequality of incomes, the planter will be reluctant to devote his tax monies to expenditure for education or research other than that related to the staple commodity. In contrast, the region with more equitable income distribution will be aware of the stake in improving its comparative position through education and research, and be willing to devote public expenditures in these directions. This will improve its relative position in a variety of types of economic activity and broaden the resultant economic base.

The sugar economy of the Brazilian Northeast in the colonial era, examined in detail in part II of *Formação*, was interpreted by Furtado ([1950] 1963, pp. 56-57) as a slave plantation system in which an outward impulse did not bring about a self-generated process of economic development. A similar argument applied to enclave mining economies, such as Bolivia, as suggested by Furtado at the 1957 conference of the International Economic Association on development. Despite large (mostly foreign) investment in mining and overhead capital, which resulted in a substantial increase of exports, the Bolivian economy had remained stationary even in the 20th century. The system of appropriation and utilization of the country's surplus (in the classical Ricardian sense) was not changed by investment in mining, since the structure of internal demand remained the same. This was explained by the double fact that mining employed only a tiny fraction of the country's labor force, and the profits it generated were almost entirely transferred abroad. Consequently, the impact of investment on the composition of domestic demand was slight and could be absorbed by the increase in imports.

The dynamics of the coffee economy in Brazil, especially after the end of slavery, was significantly distinct from the pattern described in the last paragraph. The same amount of investment in a labor-intensive commodity such as coffee would have different effects, as shown by the Brazilian economic growth process. The large increase in aggregate volume of real wages, accompanied by the investment of coffee profits in domestic economic activities, caused broad changes in the structure of demand, which started the first round of the industrialization process in Brazil.

> If external demand absorbs increasing quantities of coffee over a prolonged period, a very substantial change may take place in the structure of demand. In so far as internal supply keeps pace with these changes, possession of the surplus will inevitably be transferred from the traditional landowner class to the commercial and industrial entrepreneurial class. As first generation entrepreneurial classes have a high propensity to save, the concentration of part of the surplus in their hands will be conductive to a considerable increase in reproductive investment... The underlying process of social change takes place under the stimulus of exogenous factors, namely, the creation of a flow of exports or an inflow of resources from abroad (Furtado, 1961, p. 71).

The first phase of the Brazilian industrialization process was thus induced by expansion of exports, followed by another stage characterized by import-substituting industrialization (Furtado [1959] 1963, part 5; [1969] 1970, part 4). The recent "revision" of the role of exports in the economic development of Latin America (see Ficker 2005 and Haber 2006) is largely a repetition of Furtado's interpretation, although written as a criticism of structuralist economic historiography.

4. Colonial institutions and long-term development

Although the immediate cause of the divergent growth trajectories of the Brazilian and American economies since mid 18th century was related to the long lasting stagnation of exports in Brazil, there were deeper causes associated by Furtado with the economic and political organization of the Brazilian colonial economy from the 16th to the 18th centuries. The colonial foundations of the Brazilian economy and society were the subject of his 1948 Ph.D. thesis, written under the influence of Caio Prado Junior's ([1942] 1967] classic book (see also the paper by Celso Furtado's son André Tosi Furtado 2009). Furtado ([1948] 2000, pp. 109-10) distinguished between settlement colonization in the 17th century in New England, New York and

Pennsylvania on one side and in the tropical areas of Latin America. The distinction was further elaborated in Furtado (1954, chapter II) and especially in *Formação* (chapters 5 and 6). Initially the productivity of the colonies of the northern regions of the United States was below that of the plantation systems based on the exports of tropical products, which prevailed in Brazil. Because of the small concentration of income and the very low proportion of income that reverted to the gain of foreign capitalists, the characteristics of the societies in the small-farm colonies were quite distinct from those of the richer exporting agricultural colonies. Despite lower productivity, the average standard of consumption was higher in relation to income per capita, since spending was spread over the population as a whole, in contrast with the tropical colonies. Such differences in economic structure "were bound to be matched by great disparities in the behavior of the ruling classes in the two kinds of colonies", as pointed out by Furtado ([1959] 1963, p. 32). The independence of the ruling classes - made up of small farmers and a group of great merchants - in the northern colonies vis-à-vis the British metropolis would become a basic factor in the development of the United States (pp. 33 and 109), as compared to the large farmers and slave owners that ruled Brazil.

According to Furtado (1972, pp. 93-94), the Portuguese colonization by means of the slave agricultural enterprise defined the "basic institutional framework" of the Brazilian society and economy, which differed sharply from the North-American institutional set up. The argument was extended to Iberian colonization of Latin America as a whole, although the Portuguese and Spanish colonization experiments diffred in some important aspects. Furtado (1965, pp. 159-60) pointed out that the behavior of the economic variables that had determined the development of the Latin American economy was conditioned by "institutional parameters". Iberian colonization engendered two main features of Latin American social organization. The first was the the existence of an urban sector, through which power coming from the respective European metropolis was exerted by means of a rigid administrative structure and a descentralized economic system under the direction of agents who had semi-feudal prerogatives. The ruling classes were formed by men connected to the central power by bonds of loyalty, to whom the factors of production were distributed by that central power. "Being an instrument for domination over a society where some forms of semi-feudal decentralization prevailed, the State emerged in colonial times as a strong bureaucracy" (p. 160), which persisted even after political independence. The upshot is that the "institutional framework that prevails in Latin America produces patterns of income distribution responsible for behavior incompatible with the most rational utilization of the available resources, that is, with the maximization of total output within any specific time horizon" (p. 174).

Furtado's notion of persistency of institutions and ruling elites well beyond their original appearance played an important role in his 1948 thesis, where he acknowledged the influence of the Belgiam historian Henri Pirenne (1914) in that regard (Furtado [1948] 2000, pp. 145-49). The view that institutions may persist over time has been formally and empirically elaborated by the modern neo-institutional literature (Acemoglu and Robinson 2006; see Naritoni, Soares and Assunção 2009 for a study of the Brazilian case). Institution persistency is implicit in North's (1990) tentative explanation of the long-run factors behind the divergent development paths in Latin America and the United States. According to North (1990, p. 116), the US economic history has featured a federal political system and a basic structure of property rights that have encouraged the long-term contracting necessary to capital accumulation and economic growth. Latin American economic history, in contrast, "has perpetuated the centralized, bureaucratic traditions carried over from its Spanish/Portuguese heritage" (ibid; see also pp. 102-03). North's conclusion has some similarities to Furtado's, although coined in a different language.

> The divergent paths established by England and Spain in the New World have not converged despite the mediating factors of common ideological influences. In the former, an institutional framework has evolved that permits the complex impersonal exchange necessary to political stability and to capture the potential gains of modern technology. In the latter, personalistic relationships are still the key to much of the political and economic exchange. They are a consequence of an evolving institutional framework that produces neither political stability nor consistent realization of the potential of modern technology (North 1990, p. 117).

The notion that exogenous differences in national heritage explains the differential path of development across the Americas has been criticized by Stan Engerman and Kenneth Sokoloff (1997, 2000) in a series of influential papers. Although sharing North's neo-institutional approach to economic history and growth, Engerman and Sokoloff have argued instead that institutional differences may be ascribed to the diverse environments in which the European established their colonies and to the ensuing very different degrees of economic inequality. The prevailing factor endowments configuration (relative amounts and quality of land, labor and capital) in Latin America in the colonial period brought about, according to these authors, high levels of concentration of landownership and wealth, in contrast with the northern colonies of British North America. The consequent concentration of power led to the creation of institutions that protected the privileges of the elites interests instead of protecting the property rights of most of the society. Engerman and Sokoloff's argument represented the culmination of a research agenda in American historiography and development economics that started with Mosk (1951) and Hoselitz (1960). Both authors claimed that the explanation for the economic retardation of Latin America should be sought in the "institutional conditions which were established early and which have shown a strong tendency to persist" (Mosk 1951, p. 367). Such institutional conditions were largely determined by the system of land tenure (Mosk 1951, section 1; Hoselitz 1960, pp. 88-90).

Engerman and Sokoloff (1997, pp. 272-73) suggested a classification of three types of New World colonies, according to their factor endowments. The first category comprised those colonies - Brazil and the West Indies - which possessed climate and soil well suited for the production of sugar and other important tropical products characterized by scale economies associated with the use of slaves. The second type included Spanish colonies, like Mexico and Peru, with relatively high population of natives and the distribution among few colonizers of claims to huge blocs of native labor, land and mineral resources (called *encomiendas*). The distribution of wealth in both these categories was extremely unequal, which contributed to the evolution of institutions that typically protected the economic interests of the elites. The final category was formed by the northern colonies of the United States and Canada, which were not endowed with large native population able to provide labor nor with comparative advantage in the production of crops characterized by economies of scale. Abundant land and low capital requirements led to a relatively equal distribution of wealth and the development of institutions conductive to long-term economic growth.

The typology deployed by Engerman and Sokoloff may be already found in Furtado's writings on the colonization of the New World. Furtado (1954, pp. 51-72) distinguished between the Mexican and North American colonization experiments according to the relative amount of indigenous population, with implications for immigration and development of domestic market.

In contrast with the United States, the colonization of Mexico did not engender an autonomous process of development, so that by the time of the independence the Mexican population and its average consumption spending were probably lower than in the period immediately preceding the Spanish conquest. The most important and long-lasting institution established by the Spaniards in Latin America was the *encomienda* system, which defined the contractual framework of the occupation of the new territories (Furtado [1969] 1970, chapter 2). The Portuguese colonization of Brazil represented a combination of the American and Mexican cases. Like in the United States, it featured imports of labor, capital and technique. On the other hand, it was a commercial success, accompanied by stagnant real wages as in Mexico, albeit for different reasons (1954, p. 71). In particular, Furtado ([1959] 1963, part II) pointed out that the slave plantation system was the most efficient way to minimize costs and organize production in the tropical areas of Brazil and the West Indies. From that perspective, Furtado's analysis of slavery was close to the approach developed later by New Economic Historians Robert Fogel and Stan Engerman (1974) in their investigation of slavery in the ante bellum American southern states (see Versiani 2009, p. 184).

5. Final remarks

As pointed out by Coatsworth (2005, p. 126), the recent wave of interest by economic historians on the impact of structures, institutions and endowments on the long-run economic development of Latin America represents in many ways a return to the research agenda of the structuralist historiographic tradition, with its emphasis on political economy as a crucial dimension of economic history. The argument of the present paper is that the sense of the "modern" ring of the structuralist approach to Latin American economic history may be further sharpened by comparing Furtado's methodological and historiographic frameworks to the seminal contributions made by North to New Economic History in general and Neo-Institutional economics in particular. The textual evidence presented above shows some significant parallels between Furtado's structuralism and North's neo-institucionalism. Their respective analyses of the role of exports in Brazilian and American growth processes display some striking similarities, partly reinforced by North's likely influence on Furtado's interpretation of American industrialization. Finally, both authors stressed the key role of colonial rules in explaining the divergent long-term paths of economic development in North America and Latin America, although Furtado went beyond North by not restricting the discussion to the influence of different national (British, Spanish, Portuguese) heritages.

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