

# INSTITUTIONALIST CLUES IN CELSO FURTADO'S ECONOMIC THOUGHT: A BRIDGE BETWEEN OLD INSTITUTIONALISM AND LATIN AMERICAN STRUCTURALISM

**Federico Nastasi**

UAM Xochimilco, Mexico  
ORCID 0009-0006-7011-8145

**Salvatore Spagano**

University of Catania

*Abstract:* This paper examines the intersection between Celso Furtado's economic thought and Old Institutional Economics (OIE), a connection largely overlooked in the literature. Although best known as a leading figure of Latin American structuralism, Furtado's work incorporates key institutionalist principles, notably the centrality of institutions, historical path dependence, and the role of power in development. His approach converges with OIE in its critique of neoclassical equilibrium models, emphasis on cumulative causation, and evolutionary view of economic systems. Furtado's analysis of social heterogeneity, institutional constraints, and cultural factors further resonates with institutionalist frameworks. By combining historical analysis, interdisciplinarity, and an active role for the state, his work bridges structuralism and institutionalism, offering valuable insights for contemporary development theory. Recognising these connections enriches both traditions and advances the debate on the institutional foundations of economic development.

*Keywords:* Latin American structuralism; Celso Furtado; Old Institutional Economics

*JEL codes:* B20; B25; B52; O17

*DOI:* <https://doi.org/10.56497/etj2570406>

*Received* 13 June 2025

*Revised* 29 August 2025

*Accepted* 3 October 2025

## Introduction<sup>1</sup>

This paper examines the similarities between the work of economist Celso Furtado<sup>2</sup> and the Old Institutional Economics (OIE). It aims to highlight the numerous points of

---

<sup>1</sup> We are grateful to the participants of the Annual STOREP Conference (October 2020), the YSI Virtual Plenary on New Economic Questions (November 2020), the ASU Winter Institute (January 2021), and the Seminario del Programa de Historia Económica y Social (PHES), Universidad de la República, Uruguay (May 2021), for their valuable comments and critiques.

<sup>2</sup> Celso Furtado (1920–2004) was born in Pombal, Paraíba, in Brazil's Northeast – a region marked by past prosperity, long decline, and rigid social structures. Growing up there shaped his worldview and commitment

convergence between Furtado's approach and Old Institutionalism, many of which remain underexplored in the existing literature.

### **Theoretical Background: Old and New Institutional Economics**

Although Institutionalism is a method of investigating economic phenomena under which very distant and even contradictory theses can be found, the OIE – also known as American Institutionalism – appears relatively cohesive within its framework. The OIE views economic behaviour as influenced by social, cultural, and institutional factors, emphasising the historicity and evolutionary dynamism of institutions. From the earliest works (Mitchell, Commons, and especially Veblen), the need for an interdisciplinary approach to the study of economics was asserted, rejecting the strictures of marginalism and highlighting the crucial role played by history, culture, laws, rules, habits, and social structures in shaping the economic conditions and growth prospects of regions, even when these are different and distant from one another. Due to these characteristics, OIE must be clearly distinguished from New Institutional Economics (NIE), which emerged in the 1970s. The NIE uses the tools of neoclassical theory to study the role of institutions, but maintains an individualistic and rationalist focus. It examines institutions through the lens of transaction costs and contractual frameworks, attempting to integrate them into the neoclassical paradigm, ultimately sterilising their role. According to Rutherford (2011), interdisciplinarity and the lack of a unified theoretical core position OIE more as an intellectual movement than a structured school of thought. Nevertheless, despite the variety of approaches, OIE shares some foundational principles: (i) the rejection of the reduction of economics to abstract

---

to understanding Brazil's challenges. Early on, he developed core beliefs: human relations are often governed by arbitrariness and violence; confronting them requires more than reason; and this struggle, like a river, is ongoing, without final victories. From high school onward, he drew on positivism, Marxism, and North American sociology. In 1939 he moved to Rio de Janeiro to study law, graduating in 1944. Though economics was not yet a discipline, his studies in administration led him to the field. He earned a doctorate in economics at the Sorbonne in 1948 with a thesis on Brazil's colonial economy. His work thereafter focused on three major themes: capitalist expansion, the nature of underdevelopment, and Brazil's economic formation. Furtado's career unfolded in three main phases. During his years at the Economic Commission for Latin America and the Caribbean (ECLAC), he collaborated with Raúl Prebisch in Santiago, gaining direct exposure to Latin America's development challenges. On returning to Brazil in 1959, he founded the Superintendence for the Development of the Northeast (SUDENE) to reduce regional inequality, and in 1962 became the country's first Planning Minister, drafting the Three-Year Plan. The 1964 military coup, however, led to his exile and loss of political rights. He then devoted himself to academic life, teaching at Yale, Columbia, Cambridge, and above all the Sorbonne, where he worked for two decades.

After the 1979 Amnesty Law he returned to Brazil, but continued his research in France. In the following years he also served as Ambassador to the European Economic Community, as Minister of Culture (1986–88), and as a member of international commissions on culture and development. In 1997 he was elected to the Brazilian Academy of Letters. Celso Furtado died in Rio de Janeiro on November 20, 2004.

models of rational agents maximising utility; (ii) the centrality of institutions; (iii) an evolutionary and historical perspective; (iv) and an empirical orientation as opposed to the abstractions of neoclassical theory. OIE authors were uniformly critical of the neoclassical concept of equilibrium.

Over the years, this original institutionalist root has experienced mixed fortunes, until it was substantially reshaped by the rise of New Institutional Economics (NIE) Around the early 2000s, an important revival of the traits and methods characteristic of the OIE tradition was carried out by Geoffrey Hodgson, who is credited with the attempt to systematize the American institutionalist tradition and to identify (Hodgson, 2000) the common denominator among its adherents: the institutionalized individual.

### ***1. Celso Furtado and Latin American Structuralism***

Celso Furtado stands as one of the most innovative intellectuals of the twentieth century. He integrated diverse influences into his economic studies and intellectual journey, a practice common within the Latin American structuralist approach. Despite being a key figure in the development of Latin American Structuralism, however, he transcended its boundaries, contributing to its enrichment. This nuanced perspective can be attributed, in part, to influences from French Structuralism, as highlighted by Love (1999). With key figures such as Claude Lévi-Strauss, Louis Althusser, and Michel Foucault, French Structuralism shaped Latin American thought in various ways. Lévi-Strauss's structural anthropology impacted Latin American thinkers in their understanding of indigenous cultures and social structures (Lévi-Strauss, 2011). Althusser provided theoretical tools to analyse how institutions and social structures reproduce the dominant ideology; his concept of Ideological State Apparatuses (Althusser, 1970) has been widely used in Latin America to examine the role of institutions such as schools, the Church, and the media in maintaining social order and political domination. Foucault, with his focus on power and social control, influenced the analysis of how power manifests in institutions, legal systems, and the economy. He was instrumental in developing critiques of authoritarian institutions in Latin America, particularly during periods of dictatorship and repression (Merquior, 1985)<sup>3</sup>. In summary, French Structuralism offered a theoretical framework that Latin American thinkers adopted and adapted to their unique realities, blending the European structuralist approach with the need to understand the continent's political, social, and cultural specificities.

To contextualise Furtado's contributions, it is essential to examine more closely Latin American Structuralism, a methodology inaugurated by Argentine economist Raúl

---

<sup>3</sup> Although Merquior was a critic of Foucault, his book reflects the significance of Foucauldian thought in the Latin American context. Foucault's theories on power, biopolitics, and institutions have been widely adopted to analyze dictatorships, political repression, and mechanisms of social control across the continent.

Prebisch (1901–1986) during his tenure as the second Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) in the early 1950s.

The structuralist approach (see Rodríguez, 2006), first presented by Prebisch in *The Economic Development of Latin America and Its Principal Problems* (see Prebisch, 1962), posits that the underdevelopment of Latin America is not a transitional phase toward development but rather a consequence of the international division of labour. According to this perspective, advanced and industrialised economies such as Western Europe and the United States play a dominant role in producing manufactured goods for export, while Latin America is relegated to producing primary commodities. Within this framework, Prebisch reevaluated Ricardo's comparative advantage theory. The specialisation of the periphery in primary products, he argued, does not result in a mutually beneficial scenario. Instead, Prebisch observed a continual decline in the relative prices of primary products over the long term compared to manufactured goods produced in the centre. The centre benefits from domestic technological advancements, enabling it to retain savings and distribute higher wages and profits, while peripheral countries must export more to obtain the same value of industrial imports<sup>4</sup>.

Key features of the periphery include low diversification of its economic structure, high specialisation in a few sectors (agriculture, minerals), low average productivity, a significant productivity gap among sectors (with a few high-productivity, low-employment sectors and a vast majority with very low productivity), institutional weaknesses, and a low-risk propensity in the private sector. Structuralists, therefore, recommended an active role for the State in promoting industrial policies to alleviate growth constraints in the periphery.

Furtado collaborated with Prebisch at ECLAC from 1948 to 1957. In this context, he adhered to and contributed to the structuralist tradition. He utilized tools and analytical categories from multiple disciplines and enriched the tradition by incorporating economic history, culture, and institutions into a country's development pattern in a pragmatic approach: "The need for diagnosing the problems of national economic systems in various stages of underdevelopment led him to bring economic analysis closer to the historical method" (Furtado, 1964, preface, vii).

In this sense, he established (Furtado, 1965) a link between growth and income distribution and analysed the tendency toward continued underemployment (Furtado, 1964). Most notably, he introduced the idea of underdevelopment as a "system of culture" (both material and non-material), a permanently "locked" cultural system:

---

<sup>4</sup> The well known Prebisch-Singer hypothesis (1950), autonomously elaborated by the two economists, is one of the pillars of the Latin American structuralism.

*“Celso Furtado highlighted creativity and culture as fundamental factors for development. Two aspects set him apart from other scholars. First, he considered culture a value system that can be dialectically defined – determinant or determined – as both a function of the social (creative) process and a framework within which this process develops. Second, he diverged from his structuralist, ECLAC-based colleagues in viewing creativity and culture as (i) endogenous elements of development and (ii) central to the dependent relationship between peripheral Latin American nations and central countries, the owners of the so-called ‘industrial civilisation’” (do Amaral Filho and Farias, 2016, p. 445).*

Regarding pragmatism and policies, Furtado believed that economists should play an active role in public life as social scientists. He personally served as director of the Brazilian National Economic Development Bank, led the Economic Superintendence of Brazil's underdeveloped Northeast, and twice held ministerial posts in his country. On the role of the intellectual, he wrote: “I was left with some idea of the social role of intelligence, particularly in times of crisis. I imagined myself above the conditions created by my social insertion and was convinced that the challenge consisted in instilling a social purpose in the use of that freedom” (cited in Mallorquín, 2005, p. 638, own translation).

Above all, Furtado's contributions made a lasting impact on development economics. According to Bielschowsky (2006), he is recognised as a pioneer in several areas: the theory of underdevelopment; the historical analysis of Latin America's economic lag; the concept of social heterogeneity as a key factor shaping the diversity of economic structures; and the critique of a “one-size-fits-all” development model based on the European industrial revolution. In addition, he highlighted the importance of technological and intangible innovations in economic growth. While Furtado is undoubtedly a central figure in Latin American Structuralism, his ideas reveal institutional dimensions that are vital to his work.

This paper highlights the key points of convergence between Furtado's thought and the OIE approach. Like OIE, Furtado's framework is characterised by pragmatism, rejecting rigid a priori principles in favour of continuous adaptation to evolving circumstances. This perspective aligns with a core pillar of institutionalism: the evolutionary nature of economic phenomena, which are inherently path-dependent. Similarly, Furtado recognised the necessity of intervention in response to undesirable equilibria, reinforcing the institutionalist notion that the evolution of economic systems can be “intelligently guided.”<sup>5</sup> Moreover, he consistently attributed economic disparities between regions to historical circumstances, echoing the institutionalist emphasis on the role of history in shaping economic trajectories. Hodgson (2000) identifies the

---

<sup>5</sup> Unlike Furtado, however, Veblen considered the cultural lag of the leisure class inevitable.

historically institutionalised individual as a defining feature of institutionalism, a concept that resonates with Furtado's thesis that individuals, while constrained by historical conditions, can reshape these constraints through their actions, creating a reciprocal process of causation.

Another point of convergence is the interdisciplinary nature of both Furtado's work and the OIE tradition, reflecting a shared commitment to integrating insights from various disciplines. Finally, both OIE and Furtado's approach acknowledge the central role of power – political and otherwise – in shaping economic outcomes, further reinforcing their conceptual alignment.

The remaining sections of this paper are structured as follows: the next section outlines the main points of contact between Institutionalism and Structuralism in general. Section three delves into the conceptualisation of Institutionalism, elucidating its specific features. Section four identifies the elements of an institutional perspective within Furtado's thought. Section five concludes.

## **Structuralism and Institutionalism: An Essential Comparison**

Several scholars, such as Mallorquín (2006) and Ormaechea (2020), have identified points of contact between structuralism and institutionalism. However, despite these connections, efforts to foster a dialogue between representatives of the two traditions – as undertaken by scholars such as Street (1987a, 1987b), Street and James (1982), and Sunkel (1989) – have faced challenges, with the two approaches remaining largely unaware of each other, except in some specific cases<sup>6</sup>.

Hereinafter, three primary points of contact between structuralism and institutionalism will be explored: the role of habits, the resurgence of power in economic discourse, and the theme of development.

Firstly, both structuralism and institutionalism reject the idea that economic phenomena result solely from rational choices made by maximising, self-interested agents. Instead, they emphasise the ordinary nature of decision-making based on habits. However, recognising the role of habits does not imply a rejection of rational choice. Rather, it suggests that both rational decision-making and adherence to habits are credible ways of making decisions and, consequently, producing economic outcomes. According to Mallorquín (2006):

“[...] decisions of many consumers are activities close to ‘habit’ or ‘custom’; in other words, they are not ‘choices’ derived from preset general criteria among different alternatives.” (cited in Mallorquín, 2005, pp. 88–89, own translation).

---

<sup>6</sup> Santiago Macario, who was student of Ayres, is a relevant exception (see Mallorquin, 2006, p. 85).

Habits, being at the core of institutionalism, also assume a central role for structuralists. This results in a relativisation of rational choice, a shared aspect that unites them and represents a unique case within a specific institutional context.

Moreover, by defining economic phenomena as partially dependent on institutional patterns, addressing the question of the origin of these institutions becomes essential. Exploring the origin of institutions, in turn, leads to an examination of who shapes the specific institutions under consideration. This inquiry necessarily involves the study of power as a force capable of shaping institutions and, in turn, influencing economic outcomes. It is interesting to note that structuralists did not limit their concept of power to the traditional idea of external control, which could be inferred from Latin America's colonial past. Rather, they promoted the notion that any form of power tends to promote the creation of institutions, providing a structure that allows dominant individuals, groups, and classes to maintain their influence.

"Latin American peripheral positioning is not just the result of a dominance imposed from outside, but it is also recreated through the logics deployed by Latin American actors – especially the dominant ones – and institutions" (Omacoechea, 2020, p. 326)

Third, while the issue of development has been central to structuralist analysis since its inception, institutionalist interest in this domain emerged later, primarily as a consequence of a focus on the technological dimension of new social structures (Dutta, 2014). As a result, the study of development dynamics evolved independently within Old Institutional Economics (OIE) and Latin American structuralism until the 1980s, when, according to Dutta (2014, p. 9), institutionalist and structuralist perspectives in development economics began to converge:

"A convergent approach of the two views of structuralism and institutionalism seems to have been attempted in the formulation of global (capitalist) productive systems by a diverse group of French writers (Michel Aglietta, Alain Lipietz, etc.) known as the 'regulation school'."

Finally, in addition to the three characteristic elements briefly discussed, there may be a deeper connection in terms of the normative objective of economic analysis. Mallorquín (cit., p. 19) notes that two distinguished representatives of the two approaches, Mitchell and Prebisch, shared similar objectives. Mitchell maintained that "[t]he only reason to study economic theory is [to make] the world a better place to live in"<sup>7</sup>, while Prebisch claimed: "[...] the duty I imposed on myself, and that I always tried

---

<sup>7</sup> "La única razón para estudiar la teoría económica es para hacer del mundo un mejor lugar en donde vivir", translation is ours, Mitchell (cited in Ramstad, 1989, p. 762, own translation).

to accomplish: to contribute, as far as possible, to the education of a youth able to serve effectively the national economy.”<sup>8</sup>

## The Essence of Institutional Economics

In this section, we will present the most relevant institutionalist features for comparison with Celso Furtado’s thought.

### *1. Institutions shape consumption and investment patterns*

Institutional economics approaches consumption from a distinctive epistemological and methodological perspective. Consumption does not solely respond to individual needs, nor is it always optimising and coherent; rather, it is a social phenomenon shaped by historically and socially determined norms and values. Consumer goods, therefore, are not directly aimed at satisfying individual needs, but also become desirable because of the social context to which individuals belong or aspire to belong. Luxury goods, for instance, may be perceived as undesirable in one context or as a *conditio sine qua non* for entry into another. This concept is clearly illustrated by Veblen’s conspicuous consumption: the purchase of goods adheres to social norms that demand such purchases as a signal of membership in a certain status group.

*“Conspicuous consumption of valuable goods is a means of reputability to the gentleman of leisure.”* (Veblen, 1899, p. 75).

More generally, as Hamilton (1987, 1541) himself puts it:

*“[...] today it is realised that all behaviour is both individual and social at the same time, and that the form that it assumes is a culturally conditioned and derived one. In fact, there is no such thing as a solitary individual who is not [the] product of the acculturation process”* (Commons, 1931, p. 653).

Commons emphasises the role of customs and contracts in shaping consumption choices, which are not merely directed toward the good to be purchased but toward the property rights that the transaction allows one to acquire. Thus, not only social norms but also the very instruments mediating the relationship between the individual and the good can influence consumption decisions. Starting from the idea of institutions as collective action, he introduces the concept of the transaction as the *“smallest unit of institutional economics”* (Commons, 1931, *ibidem*). He concludes:

---

<sup>8</sup> *“el deber que me había impuesto y que siempre traté de cumplir: el de contribuir en lo que fuera posible a la formación de una juventud apta para servir eficazmente a la economía nacional”* (Prebisch, cited in López, 1988, p. 71, own translation).



*"Transactions intervene between the labour of the classic economists and the pleasures of the hedonic economists, simply because it is society that controls access to the forces of nature. Transactions are not the 'exchange of commodities,' but the alienation and acquisition, between individuals, of the rights of property and liberty created by society, which must therefore be negotiated between the parties concerned before labour can produce, or consumers can consume, or commodities can be physically exchanged."*

Investments, too, and therefore growth, depend – within the perspective of the OIE – on institutional characteristics. Ayres (1944) argues that economic growth is driven by technological progress, while institutions can act either as obstacles or catalysts depending on their ability to adapt to change. For example, traditional institutions and power groups often resist new investments to protect their own interests. Conversely, advanced educational systems, which prepare individuals to work in rapidly changing economic environments, foster a greater predisposition toward new investments.

Mitchell (1927), despite adopting a predominantly empirical approach based on statistical data, demonstrates how institutions implicitly influence the business cycle. The banking system and credit emerge as key institutions, determining the amount of credit available for investments, just as government institutions can shape the cycle through credit regulation and public spending management. Investment decisions themselves are not purely rational but are influenced by social factors, expectations, and market conventions.

In summary: *"Mitchell thought of business cycles as a phenomenon arising out of the patterns of behaviour generated by the institutions of a developed money economy"* (Rutherford, 2011, p. 177).

## ***2. The role of rules in shaping economic outcomes: development and underdevelopment***

The OIE rejects the notion that universal market mechanisms, such as capital accumulation, are sufficient to ensure economic development. Instead, it focuses on the frameworks of rules that can promote, constrain, or obstruct the development of certain economic systems while condemning others to persistent underdevelopment. Free trade, secure and efficient property rights, or adequate capital accumulation alone are not enough to guarantee economic progress, as development is a process of cumulative causation, driven by technological innovations and resisted by outdated institutions. By rejecting the idea that the free market automatically leads to development, institutionalist economists argue that economic progress is an evolutionary process, strongly shaped by social and cultural structures.

Ayres (1944) introduces the concept of institutional lag: while technology advances rapidly, institutions tend to be slower in adapting to change. When institutions fail to evolve, they hinder progress, leading to economic inefficiency and underdevelopment. Conservative institutions often seek to preserve the status quo, resisting technological transformations. Economic underdevelopment is therefore not a natural condition but rather the outcome of institutions' inability to adapt to technological change. In underdeveloped countries, institutions tend to protect dominant elites, thereby limiting the diffusion of innovation. They often suffer from a vicious cycle of institutional backwardness, where social, political, and economic structures obstruct modernisation and the adoption of new technologies. Unequal access to resources, imbalanced power relations, or institutions – whether formal or informal – can concentrate the distribution of surplus generated by production and trade into the hands of a few. This stifles growth and condemns the economy to permanent underdevelopment. Conversely, development requires inclusive institutions<sup>9</sup> that promote the participation of a wide range of economic actors, ensuring fair access to resources, opportunities for technological innovation to ignite the engine of development, and the protection of property rights.

Myrdal (1957) demonstrates that economic dynamics do not automatically tend toward equilibrium but can instead perpetuate existing inequalities, requiring deliberate interventions to foster equitable development. In analysing the root causes of these inequalities, he introduces the concept of circular and cumulative causation. Economic processes tend to reinforce each other, creating virtuous cycles in developed regions and vicious cycles in underdeveloped ones. To counteract these processes, Myrdal advocates targeted policy interventions, including institutional reforms, investments in infrastructure and education, and redistributive policies, with the goal of breaking the vicious cycle of underdevelopment and promoting balanced economic growth.

### ***3. The Institutionalised Individual***

The institutional approach to understanding economics traces back to Veblen, who rejected the idea of man as

*"[...] a lightning calculator of pleasures and pains, who oscillates like a homogeneous globule of desire for happiness under the impulse of stimuli that shift him about the area, but leave him intact" (Veblen, 1899, p. 89).*

---

<sup>9</sup> This definition contrasts with the later concept of "extractive" institutions developed by Acemoglu and Robinson (2012). In their framework, "inclusive" institutions are those that ensure a broad distribution of the economic surplus among the actors who contribute to its creation, whereas "extractive" institutions concentrate that surplus in the hands of a restricted elite.

Quite the opposite, the institutional view of individuals is closely tied to relational modalities, which are defined as institutions:

*"The situation of today shapes the institutions of tomorrow through a selective, coercive process, by acting upon men's habitual view of things, and so altering or fortifying a point of view or a mental attitude handed down from the past"* (Veblen, 1899, pp. 190–191).

In his seminal paper, Hodgson (2000, p. 323) identifies the crucial aspect that characterises institutional economics as the concept of the "institutionalised individual." From Veblen to the present day, institutional thought has consistently rejected the neoclassical simplification that assumes individuals' tastes and utility functions are given. Instead, the institutional tradition asserts that human decisions are co-determined by constantly changing circumstances and influenced by various internal and external stimuli. In the words of Veblen (1919, pp. 242–243):

*"[t]he wants and desires, the end and the aim, the ways and the means, the amplitude and drift of the individual's conduct are functions of an institutional variable that is of a highly complex and wholly unstable character."*

The Veblenian concept of the institutionalised individual is closely connected to a Darwinian approach to evolution. Celso Furtado's approach, however, is distant from Darwinian evolution. Yet such a rejection does not imply a real distance from the evolutionary view of OIE scholars, at the core of which lies the idea of individuals conditioning institutions and being conditioned by them. This is because not all OIE scholars adopted the Darwinian view of evolution. For instance, Commons (1934) related the evolution of economic phenomena to laws and legal institutions; Ayres (1944) connected evolution to the contrast between technology and institutions, drawing more on John Dewey's pragmatist philosophy than on biological Darwinism; Clark (1939) tied evolutionism to the relationship between regulation and social control; and Mitchell (1927) studied economic cycles through empirical and statistical methods rather than a Darwinian framework. In this sense, the temporal dynamics of history as a matrix of development and underdevelopment, as adopted by Furtado, refer to a non-Darwinian conception of evolution.

Institutions, which both condition and are conditioned by individuals, can manifest as either rules or organizations<sup>10</sup>, exerting influence on people's behaviour in various ways. For instance, they may function as constraints on human choices, as seen in legal measures that prohibit certain actions. Conversely, they can act as incentives to engage in alternative behaviours, as illustrated by habits. This delineation serves to exemplify institutions functioning specifically as rules of behaviour. Prohibitions, habits, and

---

<sup>10</sup> About the opportunity of including organizations in the set of institutions see Hodgson (2006).

organisations are not static; rather, they are continuously shaped by human agency, operating with varying degrees of consciousness, intentionality, and deliberation. Consequently, asserting that the institutionalised individual is the defining characteristic of institutional economics necessitates acknowledging a recursive process in which institutions shape individuals, who, in turn, reshape institutions in an ongoing cycle. Hodgson (2000, p. 327) describes this dynamic as “*reconstitutive downward causation*,” a form of causation contingent upon both human agency and institutional structures. This perspective contrasts with the top-down causation typically associated with the neoclassical tradition.

Significantly, such a mechanism can shed light on the concrete patterns that lead to specific economic outcomes, but it cannot predict, given certain preconditions, the exact outcome that will emerge<sup>11</sup>. In contrast to the neoclassical view of the world, the future is not predetermined by an omniscient human reason. Instead, reason, institutions, and historical accidents<sup>12</sup> interact reciprocally to shape economic reality. At the heart of this interaction lies the institutionalised individual – an individual undoubtedly shaped by the institutions within which they operate, but also capable of transforming those very institutions. These institutions, renewed through the individual’s intervention, will in turn continue to influence the individual according to the dynamics of reconstitutive downward causation.

This circular trajectory cannot unfold in an abstract and timeless world. It necessarily transpires in time, because its intrinsic logic requires a continuous sequence of events involving a before and an after. It is crucial to emphasise that this sequence is not solely logical but unfolds in a factual, chronological manner. Consequently, history ceases to be a mere accessory of economic analysis and instead becomes the concrete manifestation of individual–institution interactions. In other words, placing the institutionalised individual at the centre means giving a prominent role in economic analysis to both history and the power that history consolidates.

In this light, different historical trajectories appear unpredictable as they are. According to Ayres (1944, p. 88):

*“Understanding economic history is crucial for evaluating how technological and institutional forces have interacted in shaping economic evolution.”*

---

<sup>11</sup> Significantly, the same result occurs in the generalized Darwinism version of the evolutionary institutionalism, which may be considered as a specification of the more general reconstitutive downward causation. See Hodgson and Knudsen (2010).

<sup>12</sup> For an overview of the concept of “critical juncture” in the sense here adopted, see Robinson and Acemoglu (2012).

Nevertheless, these interactions exhibit a specific inertial character, adding further uncertainty to the overall picture, as noted by Veblen (1899, p. 191):

*"Institutions are products of the past process, are adapted to past circumstances, and are therefore never in full accord with the requirements of the present."*

The role of institutions in shaping human conduct underscores, moreover, the significance of power in economic events: individuals with greater bargaining power possess the ability to influence institutions and, as a result, shape specific economic outcomes. This bargaining power, as North (1990) highlights, stems from an initial inequality of resources, which in turn explains the persistence of institutions that sustain these inequalities in favour of those who hold power. In this same sense, Mitchell argues:

*"The dynamics of economic power are evident in business cycles, where the decisions of a few affect the welfare of many"* (Mitchell, 1927, p. 78).

Accordingly, the discourse about power cannot be abstract but must be developed in concrete historical terms in which various forms of power manifest. Both these characteristics of the institutionalised individual – history and power – are reflected in Furtado's work.

### **Institutionalist clues in Celso Furtado's economic thought**

According to Boianovsky (2010), Furtado's contributions in works such as *The Economic Formation of Brazil* and *Economic Development of Latin America* extend beyond the traditional domains of Latin American Structuralism for at least two reasons: his use of history, drawing from Braudel and Lévi-Strauss, and his emphasis on economic institutions. Within his historical perspective, Furtado demonstrates how culture and institutions have shaped the development processes of certain Latin American countries, particularly Brazil. He argues that the growth constraints of Brazil's economy – such as specialisation, the production of raw materials (coffee, minerals, sugar), and the dualistic structure of the economy – are legacies of colonial institutions. This is why Bielschowsky (2006) characterises Furtado as a historical-structuralist author.

Furtado stands out as the first Latin American structuralist to establish a direct link, a causal relationship, between culture and the development process of a country – an achievement rooted in the harmony of the social process (*el todo social*) (Rodríguez, 2006). In Veblenian terms, economic outcomes are intricately linked to rules and institutions implemented in the past, and are thus historically conditioned. This section highlights three features where Furtado's thinking can be directly aligned with Institutionalism: first, the way he attributes certain economic outcomes to institutional

variables, with particular emphasis on habits; second, the role he assigns to power; and third, his adherence to what Hodgson (2000) deems the essence of institutional economics: the institutionalised individual.

### ***1. Institutions shape consumption and investment patterns***

Celso Furtado was primarily a development economist, focused on identifying the factors that could drive progress in a country. He believed that technology plays a pivotal role in development and that technology is driven by savings and investments. Therefore, he concluded that the overall progress and development of a country are closely linked to its savings and investments. However, he also perceived these as variables that, in turn, depend on institutional factors:

*"In the process of development, the behaviour of the coefficient of investment is strongly influenced by institutional and other factors bearing on the propensity to consume."* (Furtado, 1964, p. 71).

Furtado does not confine himself to general references to institutions, such as political systems, regulations, or traditional behaviour. He specifically alludes to particular institutions, as in the case of the consumption habits of the ruling classes:

*"[...] the consumption of the capitalist class is determined by institutional factors and is largely independent of short-term fluctuations in the level of aggregate income."* (Furtado, 1964, p. 131).

The consumption behaviour of the wage-earning class, by contrast, is strictly dependent on the level of income and changes accordingly. Emphasising the inelasticity of the consumption pattern of the ruling classes, Furtado argues that the surplus generated by export activities is utilised to finance an increase and diversification of consumption rather than capital accumulation and investment:

*"Actually, if it is assumed that the consumption of the higher income groups is regulated by institutional factors and is little affected by short-term alterations in the level of aggregate income, and that the consumption of wage earners is determined by the level of their current income and that their saving capacity is almost nil, then it appears that the maximum real consumption of the wage-earning class is determined jointly by the aggregate supply of consumption goods and services and by the level of consumption of the non-wage-earning classes"* (Furtado (1964, p. 122).

Through the connection with investments, Furtado links institutional variables to total demand and, consequently, to the level of national income:

*"The way demand develops is therefore a basic determinant of the course of new investments. The development of demand by virtue of the growth of national income is, in turn, largely [determined] by institutional factors"* (Furtado, 1964, p. 66).

He therefore concludes:

*"It may therefore be concluded that the production structure, the allotment of production assigned to accumulation, and the distribution of income all have the same fundamental causes. They are based on the institutional system, which in turn hinges on the appropriation of the surplus"* (Furtado, 1964, p. 83).

Even though they are independent within this framework, institutional variables are themselves caused. In Furtado's view, the origin of such consumption behaviour lies in the specific structure of regional economies, which, in turn, trace their roots to power relations and the local histories that these relations have engendered.

## ***2. The role of rules in shaping economic outcomes***

We have just observed that the consumption patterns of the capitalist class hinder the economic development of underdeveloped regions. This dependence arises from the subordinate position of these economies relative to more developed regions. From this perspective, the underdevelopment of the periphery is the counterpart of the development of the centre, both being consequences of the Second Industrial Revolution. In this view, the dualistic economy is the result of a historical process rather than an inevitable stage in a singular path to development.

Furtado argues that the periphery should pursue development through industrial policies, yet industrialisation remains subject to its own historical dynamics and does not automatically follow the trajectory of the centre. The stagnation characteristic of underdeveloped peripheral regions can also be understood as a situation in which certain institutions persist unchanged for extended periods. As Hodgson (2010) suggests, this may occur when there are no significant factors driving variation. For instance, in an environment where institutions lack incentives for change, they may remain static. Likewise, an economic structure may fail to evolve over time if the surrounding environment, including the political context, does not create the necessary conditions for its transformation.

This discussion inevitably leads Furtado to address the problem of power. A prime example is found in chapter six of Furtado (1961), which describes the structural change in the British and French colonisation model of the Antilles Islands in the seventeenth century. The shift from settler farming and small landholdings to a slave economy was driven by the increase in European demand for tropical products and the competition of new suppliers, such as Virginia in North America, that employed slave labour intensively. As a result, the Antilles altered their economic trajectory, specialising in sugar production with enslaved labour imported from Africa.

Within just a few decades, the Antilles became strong competitors for Brazilian sugar. According to Furtado, the overspecialization model of the Antilles, based on sugar cultivation, encouraged the settler economy in the northern colony of America. The influx of enslaved people led to emigration, with European settlers leaving the Antilles for North America. Ultimately, the Antilles and the North American colonies came to represent two distinct models of colonisation, each shaped by different power dynamics.

The first model, based on extensive plantations, concentrated economic surplus in a small circle of landlords who met their consumption needs by importing goods from abroad. In contrast, the second model saw property rights of land shared among several small owners, fostering a larger national consumption market. These sharp differences in economic structure corresponded to variations in the behaviour of social groups in the two colonies. In the Antilles, the ruling class had close links to financial groups in London and exerted strong influence in the British parliament, treating the islands as an extension of British firms. Conversely, the ruling class of North America had connections with traders based in New York or Boston (often in conflict with London), or were agrarian groups disconnected from Old England. According to Furtado, the independence of the North American ruling class from London was a key factor in the region's development, as these groups represented their own interests rather than the business interests of England. Thus, power relations were not simply bidirectional but rather complex, involving a third pole on the other side of the Atlantic.

Another example from Furtado (1961), chapter twelve, presents two different models for employing indigenous people as workers in Brazil between the eighteenth and nineteenth centuries. In Maranhão, settlers hunted indigenous people and employed them as slaves. The Jesuits, on the other hand, took a completely different approach: they kept indigenous communities intact, organised a network of them, and enlisted their help in gathering forest products (cocoa, cloves, etc.). The Jesuit solution proved much more effective, yielding higher labour productivity. Different power relationships thus led to different development outcomes.

In general, the development process as reconstructed by Furtado cannot escape specific forms of power relationships:

*"The form of utilisation of surplus production and the social position of the group appropriating it are basic elements of the social process which engenders development."* (Furtado, 1964, p. 86).

A power relationship can emerge and persist only insofar as it is socially embedded. Without such a foundation, it would lack stability and fail to generate enduring economic



outcomes. In other words, power must be legitimised through a form of social acceptance – an institution – if it is to exert lasting effects.

### **3. Institutionalised individuals**

We have previously examined the idea that the institutionalised individual can be seen as embodying the essence of institutionalism. This concept closely parallels that of history. In its origins, material conditions imposed certain constraints on human freedom. However, within these limits, free human choices played a role in shaping new conditions – both material and non-material – which, in turn, restricted subsequent choices, and so forth. The cumulative sequence of choices made by individuals, influencing the conditions in which future choices would be made, constitutes nothing less than history itself. It is an unfolding process where every element (facts, choices, circumstances) is caused, and those causes are, in turn, themselves caused.

*“Celso Furtado highlighted creativity and culture as fundamental factors for development. Two aspects set Furtado apart from other scholars. First, he considered culture a value system that can be dialectically defined (that could be determinant or determined): a function of the social (creative) process and the way in which this process relates to a cultural system. Second, he set himself apart from his structuralist, ECLAC-based colleagues by seeing creativity and culture as (i) endogenous elements of development and (ii) an important part of the dependent relationship between peripheral (Latin American) and central nations (owners of the so-called ‘industrial civilisation’). In this context, one fundamental point in Furtado’s reflections is that the individual is not only the heir to a given culture, but he/she can also transform and improve it.”* (do Amaral and Farias, 2016, p. 445).

In this sense, the entirety of Furtado’s work revolves around the concept of institutionalised individuals, intrinsically linked to historical dynamics. Consider his depiction of the European Middle Ages as a period marked by a high technical level but essentially lacking an endogenous process of development:

*“[F]or development to occur as an endogenous process in feudal Europe, it would have been necessary for political integration to come about first of all. This would have involved one group’s imposing itself progressively on other groups, leading to the formation of larger economic units in which commerce might be able fortuitously to encounter conditions favourable to its development and intensification. Various kinds of factors outside the scope of economic analysis prevented this political integration from occurring, gaining stability or penetrating deeply into the social organism. The linkages formed through personal connections did not have sufficient driving power to permit the agglutination of an economic system, inasmuch as they did not require setting up an integrated administrative and security system. As a matter of fact, such linkages reflected*

*the inability of the central authority to govern; they amounted to delegations of that power” (Furtado, 1964, pp.92–93).*

This passage encapsulates the fundamental elements necessary to identify an authentically institutionalist dimension in Furtado’s thought, emphasising three key points. First, it illustrates that the phenomenon he examines – the endogenous process of development – is not uniform across different historical contexts but is instead contingent upon specific historical conditions. For instance, this process did not materialise in feudal Europe. Second, the absence of this process can be attributed to the lack of a critical prerequisite, which is unequivocally institutional in nature: a certain degree of political integration. Finally, political integration encompasses the entirety of institutions previously discussed – shared rules and organisations that emerge from autonomous human choices yet remain constrained by preexisting structural conditions.

Furtado’s argument, however, may encounter objections from those who contend that the mere elimination of external constraints would suffice to restore the natural trajectory of economic development. In response to such objections – common in classical development theory<sup>13</sup> – Furtado clarifies:

*“This perspective, however, presents a fundamental flaw in ignoring the intrinsic historical dimension of economic development.”*

And further:

*“By introducing the historical dimension, I was led to ask a methodological question: what contribution can the social sciences, particularly economics, make to the study of history? A similar question had been asked by European historians at the École des Annales. They sought help from the social sciences, and we, starting from the latter, sought it from history. My question stemmed from the idea that underdevelopment, because of its specificity, was beyond the explanatory reach of theories of economic growth.” (Furtado, 1990, p. 166, own translation)*

As do Amaral Filho and Farias (2016, p. 445) note, the idea of an individual who is both conditioned and conditioning is explicitly present in Furtado:

*“[...] one fundamental point in Furtado’s reflections is that the individual is not only the heir to a given culture, but he/she can also transform and improve it.”*

Furtado explicitly communicates the notion that individual economic patterns may conform to predictable schemes, but always within the context of historical conditions

---

<sup>13</sup> This is the case of the developmental economics as designed by Harrod (1939), Domar (1946), Kaldor (1957).

determined by individuals of the past. His perspective – that economic circumstances are influenced by human choices, which are themselves constrained by institutions shaped by those very choices – reinforces his alignment with the core principles of institutional economics.

## **Conclusions**

This paper aims to highlight the significant yet often overlooked intersections between Celso Furtado's economic thought and the tradition of Old Institutional Economics (OIE). While Furtado is primarily recognised as a structuralist, our analysis demonstrates that his work incorporates several foundational elements of OIE, particularly in its emphasis on institutions, historical path dependence, and the interplay between power and economic development.

Both Furtado and OIE scholars reject the neoclassical assumption of economic equilibrium, instead highlighting the evolutionary and historically contingent nature of economic processes. By integrating economic history, cultural factors, and institutional dynamics into his analysis of underdevelopment, Furtado extends and enriches the structuralist framework in ways that resonate with OIE principles. His insistence on the institutional and historical roots of economic disparities aligns with OIE's methodological focus on cumulative causation and institutional inertia.

Furthermore, his insights into power structures and economic dependency align with the institutionalist critique of extractive institutions and their role in perpetuating economic asymmetries. Concrete examples have been provided to illustrate how institutions shape consumption and investment patterns, influence economic outputs, and reinforce the reciprocal relationship between institutions and individual agency. This dynamic interaction is central to both traditions and underscores the need for an interdisciplinary approach to economic development.

By highlighting these points of convergence, this paper contributes to a broader intellectual dialogue between Latin American structuralism and OIE. It suggests that while Furtado's work is deeply rooted in the historical realities of Latin America, its conceptual depth extends beyond structuralism into the broader domain of institutionalist thought. Future research should further explore additional points of contact between Latin American structuralism and OIE.

## **Conflicts of Interest**

The authors have no conflicts of interest to declare.

## References

- Althusser, L. (1970). Idéologie et Appareils Idéologiques d'État. *La Pensée*, 151 (6), 3–21.
- Ayres, C. E. (1944). *The Theory of Economic Progress*. Chapel Hill: The University of North Carolina Press.
- Bielschowsky, R. (2006). Vigencia de los Aportes de Celso Furtado al Estructuralismo. *Revista de la CEPAL*, 88, 7–15.
- Boianovsky, M. (2010). A View from the Tropics: Celso Furtado and the Theory of Economic Development in the 1950s. *History of Political Economy*, 42 (2), 221–266.
- Clark, J. M. (1939). *Social Control of Business* (2nd ed.). Augustus M Kelley Pubs.
- Commons, J. R. (1931). Institutional Economics. *The American Economic Review*, 21 (4), 648–657.
- Commons, J. R. 1934, *Institutional Economics: Its Place in Political Economy*. New York: Macmillan.
- do Amaral Filho, J. and Farias, D. (2016). Celso Furtado: Culture and Creativity matter. *Journal of Economic Issues*, 50 (2), 444–451.
- Domar, E. (1946). Capital Expansion, Rate of Growth, and Employment. *Econometrica, Journal of the Econometric Society*, 14, 137–147.
- Dutta, D. (2014). Convergence of Structuralism and Institutionalism in Development Economics and Studies – Revisited. In: *Inclusive Growth and Development in 21st Century – A Structural and Institutional Analysis of China and India* 9. World Scientific Publishing, 3–33.
- Furtado, C. (1961). *Formação Econômica do Brasil*. Editôra Fundo de Cultura.
- Furtado, C. (1964). *Development and Underdevelopment*. University of California.
- Furtado, C. (1965). Development and Stagnation in Latin America: A Structuralist Approach. *Studies in Comparative International Development*, 1, 159–175.
- Furtado, C. (1990). Entre Inconformismo e Reformismo. *Estudos Avançados*, 4 (8), 166–187.
- Furtado, C. (2013). *Aventuras de um economista brasileiro, Essencial Celso Furtado*. Editora Companhia das Letras.
- Hamilton, D. B. (1987). Institutional Economics and Consumption. *Journal of Economic Issues*, 21 (4), 1531–1554.
- Harrod, R. (1939). An Essay in Dynamic Theory. *The Economic Journal*, 49 (193), 14–33.
- Hodgson, G. M. (2000). What is the Essence of Institutional Economics? *Journal of Economic Issues*, 34 (2), 317–329.

- Hodgson, G. M. (2006). What are institutions? *Journal of Economic Issues*, 40 (1), 1–25.
- Hodgson, G. M., & Knudsen, T. (2010). *Darwin's Conjecture: The Search for General Principles of Social and Economic Evolution*. Chicago: University of Chicago Press.
- Kaldor, N. (1957). A Model of Economic Growth. *The Economic Journal*, 67 (268), 591–624.
- Lévi-Strauss, C. (2011). *Tristes Tropiques*. Penguin UK.
- López, M. F. (1988). Raúl Prebisch y la Universidad de Buenos Aires. In: *El Pensamiento de Raúl Prebisch*. Buenos Aires, Tesis, 20–32.
- Love, J. L. (1999). Furtado, las Ciencias Sociales y la Historia. In: *Prebisch y Furtado. El Estructuralismo Latinoamericano*, 136–156.
- Mallorquín, C. (2005). Celso Furtado y la Utopía Organizada. *Estudios Sociológicos*, 23 (68), 637–658.
- Mallorquín, C. (2006). En Resguardo de lo Herético: el Estructuralismo Latinoamericano y el Institucionalismo Norteamericano. In: *Estructuralismo Latinoamericano e Institucionalismo Norteamericano, ¿Discursos Compatibles en la Teoría Social Contemporánea?* Benemérita Universidad Autónoma de Puebla.
- Merquior, J. (1985). *Foucault*. University of California Press.
- Mitchell, W. C. (1927). *Business Cycles: The Problem and Its Setting*. New York: National Bureau of Economic Research.
- Myrdal, G. (1957). *Economic Theory and Underdeveloped Regions*. London: Duckworth.
- Ormaechea, E. (2020). Latin American Development: What About the State, Conflict and Power? *Journal of Economic Issues*, 54 (2), 322–328.
- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge University.
- Prebisch, R. (1962). The economic development of Latin America and its principal problems. In: *Economic Bulletin for Latin America*, 7. United Nations.
- Ramstad, Y. (1989). 'Reasonable Value' Versus 'Instrumental Value': Competing Paradigms in Institutional Economics. *Journal of Economic Issues*, 23 (3), 761–777.
- Robinson, J. A. & Acemoglu, D. (2012). *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. London: Profile.
- Rodríguez, O. (2006). *El Estructuralismo Latinoamericano*. Siglo XXI.
- Rutherford, M. (2011). *The institutionalist Movement in American Economics, 1918–1947: Science and Social Control*. Cambridge University Press.

- Street, J. H., & James, D. (1982). Institutionalism, Structuralism, and Dependency in Latin America. *Journal of Economic Issues*, 16 (3), 673–689.
- Street, J. H. (1987a). Raúl Prebisch, 1901-1986: An Appreciation. *Journal of Economic Issues*, 21 (2), 649–659.
- Street, J. H. (1987b). The Institutional Theory of Economic Development. *Journal of Economic Issues*, 21 (4), 1861–1887.
- Sunkel, O. (1989). Institucionalismo y Estructuralismo. *Revista de La CEPAL*, 38, 147–156.
- Veblen, T. (1899). *The Theory of the Leisure Class: An Economic Study in the Evolution of Institutions*. New York: Macmillan.
- Veblen, T. (1919). *The Place of Science in Modern Civilization and Other Essays*. New York: Huebsch.

**Federico Nastasi**, PhD, is a Visiting Professor at the Department of Economic Production, UAM Xochimilco, Mexico. ORCID 0009-0006-7011-8145, fnastasi@correo.xoc.uam.mx (corresponding author).

**Salvatore Spagano**, PhD, is an Assistant Professor at the Department of Economics and Business, University of Catania.

How to cite this article:

Nastasi, F., Spagano, S. (2025). Institutional Clues in Celso Furtado's Economic Thought: A Bridge between Old Institutionalism and Latin American Structuralism. *Economic Thought Journal*, 70 (4), 513-534. <https://doi.org/10.56497/etj2570406>