

## IN HONOR OF ALBERT FISHLOW

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Brazilian-American Chamber of Commerce  
New York. February 16, 2023

On May 27, 2020, the Graduate School of Arts and Sciences of Harvard University awarded Albert Fishlow the Centennial Medal, the highest honor it bestows. The citation said:

To Albert Fishlow, for [his] intellectual leadership in the field of Brazilian economics, for [his] commendable success in strengthening Latin American institutions and international partnerships, and for the great magnitude of [his] influence as a mentor to generations of scholars and world leaders.

Years before, in 1999, the Republic of Brazil awarded Albert Fishlow the National Order of the Southern Cross, the country's highest honour it bestows on foreign citizens.

In his letter of support for Fishlow's Harvard Centennial Medal, Fernando Henrique Cardoso, President of Brazil in 1999, shared his view of Fishlow's influence and service to Brazil:

“Professor Fishlow has been for many years the informal ‘dean’ of international Brazilianists. His many important books and articles are one important aspect of his contribution and have been major reference points for all of us. Of equal importance has been Professor Fishlow's role as teacher and mentor to a generation of Brazilian economists and advisor to several of us who have exercised national policy-making responsibility.”

These are magnificent tributes, but I'm not sure that all of you are aware of Fishlow's academic and policy making contributions that justify such accolades. So, let me provide you with the details.

Albert Fishlow began his studies in economics at the University of Pennsylvania in the 1950s. After completing his undergraduate and master's degrees, he went on to Harvard University, where he earned his PhD in 1963.

When he entered Harvard, Fishlow had no intention of turning to economic history. The contact with Alexander Gerschenkron, however, aroused his interest in the area, which was going through a fruitful moment due to the

incorporation of statistical tools. Fishlow became part of a select group of economists who engineered a shift in the study of economic history that came to be known as the cliometrics revolution.

It was at the Harvard Economic History workshop, organized by Gerschenkron, that cliometrics took off. Peter Temin, Deirdre McCloskey, Paul David and Albert Fishlow attended the meetings. Gossip says that Fishlow was Gerschenkron's favorite student. In his office, the famous professor occasionally offered shots of brandy, but the best bottle was opened only for the most distinguished visitors, and among the students it was only Fishlow who apparently received such a distinction.

Fishlow gained notoriety in North American academia with his doctoral thesis *American Railroads and the Transformation of the Ante-bellum Economy*. This work won the David Wells Prize for the best economics thesis at Harvard and was published as a book in 1965. It investigates in an innovative way the contribution of railroads to the United States economy in the pre-Civil War period.

In 1971, Fishlow shared with Robert Fogel the Schumpeter Prize, awarded by Harvard for their pioneering work on the "new economic history". The citation emphasized Fishlow and Fogel's role in the development of a new approach to economic history, extending its scope to incorporate the use of econometric analyses to problems of long-term growth, an effort that resulted in a rigorous reinterpretation of the American past.

Not only of the American past, I may add. Fishlow's innovative approach to the "social savings" generated by US railroads was later emulated by other historians, among whom: Hawke, for England and Gales; McGreevey, for Colombia; Mendoza, for Spain; Caron, for France; Coastworth, for Mexico. The 2003 book by William Summerhill, *Order Against Progress: Government, Foreign Investment, and Railroads in Brazil, 1854-1913*, deserves special mention, as it uses Fishlow's methodology to highlight the fundamental role that railroads played in the Brazilian economy in the second half of the 19<sup>th</sup> century.

The wide repercussion of this first work set the tone for Fishlow's career as an academic economist. The choice of extremely relevant topics as the focus of analysis, the concern to make innovative contributions combining quantitative rigor and great analytical capacity, and the vocation to encourage discussion around fundamental issues for economic development were a constant from then on in his professional life.

I am borrowing Luisa Azevedo's (2015) words here, but Fishlow (2004, Introduction) himself once listed four vectors for his approach to economic analysis:

1. Trying to understand the past as a prologue to the present. Historical roots matter, and function both as a base of strength as a country develops and as a source of weakness and return to a variety of inefficiencies.
2. Emphasis on the empirical test. A theoretical structure is necessary but not sufficient. Use of statistical methods is needed not only for illustration but to analyse conflicting and sometimes implicit hypotheses.
3. Employment of a comparative focus that make it possible to differentiate country experiences that clarify causal mechanisms.
4. Detailed attention to policies and their intended and frequently unintended consequences.

In the mid-1960s, already as professor at the University of California, Berkeley, and head of its Center for Latin American Studies, Fishlow was invited to go to Brazil to coordinate a group of foreign economists who would compose the staff of researchers of the Office of Applied Economic Research (EPEA). This office was created as an independent body of Brazil's Planning Ministry in 1964 and transformed into the Institute of Applied Economic Research (IPEA) in 1967.

The foreign group was sponsored by the United States Agency for International Development (USAID) and was the result of an agreement signed between the University of California and EPEA under the Alliance for Progress.

Fishlow's first visit to Brazil took place in June 1965, to arrange for the team he would bring. A year later, he returned to work for a few months on the Ten-Year Economic Development Plan 1967-1976.

This work is considered a reference in long-term planning in Brazil. The preparation required a comprehensive and unprecedented diagnosis of the Brazilian economy that served as a basis for the formulation of public policies and was the main input of the government's short-term plan, the Strategic Development Plan (PED) for the 1968-1970 period.

In August 1967, Fishlow moved to Brazil and established the research nucleus at IPEA composed of Berkeley economists and members of the institute's staff, including Regis Bonelli and Pedro Malan.

Fishlow's group at IPEA prepared the macroeconomic part of the PED. The studies that supported it highlighted the country's growth potential. In his testimony for the book *Ipea 40 years*, published in 2004, Regis Bonelli recalls Fishlow's view that policies should be designed to encourage economic growth, contradicting the International Monetary Fund thesis that it was first necessary to emphasize the fight against inflation. Indeed, in the period that followed, from 1968 to 1973, the country experienced what is conventionally called an economic miracle, with very high GDP growth rates accompanied by declining inflation.

Due to his importance in the early days of IPEA, Fishlow is considered one of the founders of the institution, having helped to consolidate the incipient culture of research and economic planning in Brazil. The time that he spent in Rio was sufficient to implant a tradition of applied economic research that transformed IPEA in the most important research center on the Brazilian economy.

The hardening of the military regime with the enactment of Institutional Act No. 5, in December 1968, made Fishlow choose to end the agreement between the University of California and the Brazilian government and return to the United States in 1969.

His ties with Brazil, however, did not break. In a seminar at Casa das Garças in 2015, commemorating Fishlow's 80<sup>th</sup> birthday, João Paulo dos Reis Velloso (who was Presidente of IPEA from 1964 to 1968, and Planning Minister from 1969 to 1979) quipped that by then Fishlow had already married Brazil (I hope Harriet does not mind this!). Fishlow became director of Brazil's development program at Berkeley and continued to make fundamental diagnoses about the Brazilian economy.

The population censuses of 1960 and 1970 served as the input for his famous article "Brazilian Size Distribution of Income", published in 1972 in the *American Economic Review*. To begin with, the relevance of this work is due to its pioneering spirit: it is the first study on the distribution of Brazilian income. Although mention had previously been made of the apparently high concentration of income in Brazil, there were no quantitative measures that could guide the discussion.

Fishlow not only noted the high inequality that characterizes Brazilian society to this day, but also demonstrated its increase between 1960 and 1970. Thus, there is an important political dimension in this article. Its results gave rise to one of the main criticisms levelled at the economic policy of the military regime.

The consequences of Fishlow's article were not restricted to the facts exposed by the data. The conclusions that emerged from it were and still are the subject of intense debate in Brazil. Among other more fundamental policy-related consequences, Fishlow's paper inspired a fable that I wrote in 1974 on the interactions of a visiting foreign economist with the king of Belindia – Belindia (a conjunction of Belgium and India) having since become an acronym for Brazil's high income inequality.

The income distribution paper was the first in a series of classic works by Fishlow on the Brazilian economy published since 1972. These can be split into two groups. The first are his very original historical analyses of Brazil's economic growth and industrialization policies since the late XIX Century. Particularly notable are his 1972 paper on the "Origins and Consequences of Import Substitution in Brazil", and his paper for the 1979 American Economic Association Meetings on "Brazilian Development in Long Term Perspective". In this group, I would also include Fishlow's 1975 monograph on Brazil's trade regime, which I consider to be one of the best analysis of the country's foreign trade policies in the post-WW-II period. Unfortunately, it was never published.

The second group of writings consists of Fishlow's fundamental analyses of economic policy making under the military dictatorship. These include "Some Reflections on Post 1964 Brazilian Economic Policy", of 1973; his 1974 paper on "Indexing Brazilian Style: Inflation Without Tears?" -- in which he criticizes Milton Friedman's evaluation that with indexation Brazil had found a way to overcome the negative aspects of inflation; and his definitive 1989 account of Brazil's economic policies under General-Presidents Figueiredo and Geisel, "A Tale of Two Presidents: The Political Economy of Crisis Management".

From the mid-1970s, Fishlow became increasingly concerned with Latin America as a whole. This included serving as the US government's undersecretary of state for inter-American affairs. There he demonstrated his talents for diplomacy, especially in resolving seemingly intractable disputes between the US and the then Peruvian military government. Acting in the case of the expropriation of the mining company Marcona, Fishlow introduced the practice of hiring independent appraisers to solve impasses in the nationalization of American companies, a recurring issue in that period. In 1976, Fishlow was recognized for outstanding services to the US Department of State.

Albert Fishlow was the first economist to draw attention to the dangers of the accumulation of foreign debt in the 1970s. In a prescient text written in 1978,

Fishlow spoke of the need for debt consolidation and restructuring to forestall an economic crisis in Latin America. As a member of the Council on Foreign Relations, he was part of a team of experts called to analyse economic and political issues that could become international concerns in 10-to-20 years. In his article "A New International Economic Order: What Kind?", Fishlow suggests that "an exchange of part of present commercial bank portfolio of developing-country loans for World Bank bonds could be quite constructive." His advice was ignored. In the subsequent years the difficulties faced by Latin American countries intensified, culminating in the defaults and debt crises of the 1980s.

The 1980s were indeed difficult times for Latin America. When analyzing this period, Fishlow adopted illuminating historical perspectives, both in his 1985 "Lessons from the past: capital markets during the 19th century and the interwar period", and in his 1991 "Difficult times: Latin America in the 1930s and 1980s".

Another of his concerns was setting the record straight about what lay behind the success of export orientation strategies among the so-called Southeast Asian "tigers", and why this experience could not be taken as a universal road to fast growth. The crucial precondition, notably missing in Latin America, was the existence of strong national savings. This is a salient concern of his 1991 text analysing comparative economic policies in Southeast Asia and Latin America, "Some reflections on economic performance and policy in Latin America".

At a time when state intervention policies in the Latin American economy were under attack, Fishlow published two texts on the subject, "The State of the Latin American Economy" in 1985, and "The Latin American State" in 1990. In them, he discusses the evolution of economic policy strategies in the region and makes a balanced analysis of the benefits and limits of state intervention in the post-World War II period.

In this context, Fishlow's 1991 book-review of the *Handbook of Development Economics* deserves attention. Fishlow draws a beautiful panorama of the field that he helped to build. It starts with the pioneers of economic development, which emphasized market failures and the role of the State. A view that was supported by the good performance of the world economy in the early post-war period. The adversities experienced by the developing countries in the 1970s and 1980s, however, changed the course of development thinking. The belief in continuous and irreversible material progress was strongly shaken and, along with it, the economic policy prescriptions defended until then. The transformations of the world economy made existing diagnoses

obsolete and a pro-market and anti-government view averse to government intervention gained ground.

Fishlow's comments reveal that his thinking had also changed over time, accompanying part of the transformations that the study of economic development had undergone: "We conclude from these chapters that some highly optimistic beliefs about reconciling equity and growth do not hold. (...) Size distributions remain stubbornly unsusceptible to much improvement despite significant increases in human capital." And also: "Latin America has become a testing ground and its verdict has been harsh. Heterodox adjustment has fared very badly in Argentina, Brazil and Peru in their diverse guises. More orthodox successes in Chile, Bolivia, and Mexico stand out by contrast."

In his 2013 revisitation of "Origins and Consequences of Import Substitution: 40 years later", Fishlow makes it clear that his views regarding the Brazilian development process had also changed. The article begins with a summary of the evolution of the industrial sector in the country, and then addresses three historical characteristics: the participation of the State and the sequential and the cyclical patterns of import substitution. He notes: "Perhaps the Brazilian decision to commit to this consumption-led process went a bit too far. Domestic savings did not continue its advance, and indebtedness, domestic and foreign, substituted. Too little attention was directed to exports of industrial products, and too much to providing the considerable subsidies required by private investors."

Despite these criticisms, Fishlow ends the 2013 paper in a positive tone, confirming that he remained married to Brazil: "Brazil's future development depends upon integration of the agricultural, mineral and petroleum, manufacturing, and service sectors. Present commodity exports are not like the historical dependence upon coffee. Their origin is improved efficiency. Few countries benefit from such a diversified base. Perhaps God is truly Brazilian."

The list of Fishlow's papers is long and there are many others that I could add but let me only refer to his last two books on Brazil. In 2011, he published *Starting Over: Brazil since 1985*, a broad and integrated analysis of redemocratized Brazil. In the preface that I wrote for the Portuguese version, I said that under the New Republic Brazil had experienced fundamental changes, in politics, economics, social policies, and international presence. And that now, thanks to Fishlow's solid formation, deep knowledge, critical distance, and confessed love to the country, we had a definitive interpretation of how this transformation took place.

His most recent book is *Agriculture and Industry in Brazil: Competitiveness and Innovation* (published by Columbia University Press in 2020), which he co-authored with José Eustáquio Vieira Filho, a senior economist at IPEA. This is a study of the economics of Brazilian agriculture and two industrial sectors, with a focus on the role of innovation to productivity growth. As professor Rodrigo Soares comments in his review of the book, the volume sheds new light on the historical role of agriculture in Brazilian development and, most importantly, on its recent resurgence as one of the most dynamic sectors in the country. The book argues convincingly that recent agricultural expansion was technologically intensive and therefore very different from commodity booms of the past. It illustrates how technological change could drive the expansion of the whole Brazilian economy.

Real scholars produce not only influential books and articles, but also good university institutions and promising students. In these two areas, too, Albert Fishlow's contributions were outstanding. In his two terms as director of Berkeley's economics department in the 1980s, through an aggressive hiring policy he managed to place it back to the top of the list of economics departments in the US.

As for the prominence of his students, it suffices to say that, in 2002, former Brazilian students of Fishlow were simultaneously occupying the Ministry of Finance (Pedro Malan) and the presidencies of Banco do Brasil (Paulo Zaghen), BNDES (Andrea Calabi), and the anti-trust agency CADE (Gesner de Oliveira). Moreover, from 1997 to 2007 no less than five other former students were deputy governors at the Central Bank: Demosthenes Madureira do Pinho Neto, Daniel Gleizer, Alexandre Schwartzman, Afonso Bevilaqua, and Paulo Vieira da Cunha.

Time to close.

If God is indeed Brazilian, he must have been very busy looking elsewhere in the last ten years. For Brazil's per capita income only recently surpassed the level it had in 2013. But no matter. Fishlow is still cautiously optimistic with the country under the new government. He put it this way in a recent op-ed for the Estado de São Paulo newspaper:

1. The tight edge of Lula's victory limits the freedom to simply move forward. A better future requires an ongoing ability to try to be friendly, and compromise rather than impose.
2. Lula has the difficult task of increasing expenses with the poorest, which will raise the fiscal deficit. Projected growth for developed countries will decline in 2023. The same should happen with the likely



advance in developing countries. It's nice to be considered a global leader from the south, but projected Brazilian growth is likely to decline from 2.7% in 2022 to around 1% in 2023.

3. With the decision to carry out a large distribution of resources to the poorest at the beginning of the government, there will be little left for the public investment needed to stimulate the real growth of social capital.
4. Brazil needs a regular investment rate in the order of at least 24-25% of its GDP. Part of it may come from increased foreign investment, but there must also be increased domestic savings to finance growth.
5. In short, Brazil has not moved towards a regular and greater commitment to capital formation, even as its revenues have grown. There has not been a large increase in the share of international trade, as has happened in other countries. Always, somehow, attention turns to the positive role of industry and not to the advances that have occurred in agriculture, mining and oil extraction, in addition to some improvements in services.
6. Brazil has reached a point where productive decisions have become essential. Dilma Rousseff promised to double per capita income from 2010 until 2022. A more modest but notable goal would be to achieve a continuous growth rate of 3% until 2026.

I hope God is listening. Thank you.

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**Albert Fishlow: 2020 Centennial Medal Citation.** Posted On May 27, 2020.  
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