

# **Development and Crisis in Brazil, 1930–1983**

**Luiz Bresser Pereira**

Foreword by Thomas C. Bruneau

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Westview Special Studies on  
Latin America and the Caribbean

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CRISIS in BRAZIL,  
1930-1983**

Luiz Carlos Bresser-Pereira  
Westview Press, 1984

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## Westview Special Studies on Latin America and the Caribbean

### *Development and Crisis in Brazil, 1930–1983*

Luiz Bresser Pereira

In this first English-language edition of a book that has seen thirteen printings in Brazil, Dr. Bresser Pereira analyzes Brazil's economy and politics from 1930, when the Brazilian industrial revolution began, up to July 1983. First addressing the period of strong development in Brazil between 1930 and 1961, he discusses at length the import-substitution model of industrialization; the emergence of new classes—industrialists, industrial workers, and especially the new technobureaucratic middle classes; the conflict between the traditional agrarian ideologies of coffee planters and the nationalistic and industrializing ideologies of the new classes; and the new realities of the 1950s that led to the crisis of the populist alliance between the industrial bourgeoisie and the workers. Next he explores the economic and political crisis of the sixties, centering on the Revolution of 1964, when an industrialized and fully capitalist—but still underdeveloped—Brazil experienced the cyclical movements of capitalism. The final chapters of the book examine the Brazilian “miracle” of 1967–1973, the economic slowdown of the 1970s that culminated in the severe recession of 1981, the dialectics between the process of *abertura* led by the military regime established in 1964 and the redemocratization process demanded by civil society, and the “total crisis of 1983.”

Dr. Luiz Bresser Pereira is professor of economics at Fundação Getúlio Vargas in São Paulo and president of Banespa (Bank of the State of São Paulo). He has written nine scholarly books and is the editor of *Revista de Economia Política*. For twenty years he was the administrative vice-president of Pão de Açúcar S.A., one of the most important commercial enterprises in Brazil.

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Luiz Bresser Pereira  
with a Foreword by Thomas C. Bruneau

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# Contents

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List of Tables and Figures .....	x
Foreword, <i>Thomas C. Bruneau</i> .....	xii

<b>Introduction</b> .....	1
---------------------------	---

<b>1 The Concept of Development</b> .....	5
---	---

Introduction .....	5
The National Revolution .....	9

<b>2 Import-Substitution Industrialization</b> .....	14
--	----

The Beginning of the Industrial Revolution: 1930–1939 .....	15
The Second World War: 1940–1945 .....	19
The Postwar Decade: 1946–1955 .....	21
The Consolidation of Industrial Development: 1956–1961 .....	25
Characteristics of the Development Model .....	32
A Model for the Development Process .....	44

<b>3 Social Development and the Emergence of New Classes</b> .....	47
--	----

The Traditional Social Structure .....	49
New Classes: Entrepreneurs and Industrial Workers .....	52
Changes in the Middle Class .....	53
The Second Industrial Revolution .....	59
Overlapping Phases in the Social Process .....	60
Managers and the Middle Class .....	61
The Technocracy .....	64

<b>4</b>	<b>Political Development and the Crisis of the Populist Alliance</b> .....	66
	Ideological Struggles .....	66
	Socioeconomic Groups and Ideological Struggle .....	71
	The Role of the Left .....	72
	New Historical Facts .....	75
	The Collapse of the Alliance Between the Left and the Industrial Entrepreneurs .....	79
	Reformism Versus Conservatism .....	80
	Alarmism and Radicalism .....	82
<b>5</b>	<b>The Crisis of the 1960s</b> .....	85
	The Crisis Defined .....	85
	Medium-Range Causes of the Economic Crisis .....	91
	Medium-Range Causes of the Political Crisis .....	109
	Short-Range Causes of the Economic Crisis .....	111
	Short-Range Causes of the Political Crisis .....	115
	The Social and Ideological Framework of the Castello Branco Government .....	117
	The Industrial Entrepreneur and the Crisis .....	119
<b>6</b>	<b>The Viability of Capitalist Development</b> .....	122
	Industrial Revolution and False Analogy .....	123
	The Definitive Proof: Exportation of Manufactured Goods .....	125
	Three Possible Capitalist Ideologies .....	128
<b>7</b>	<b>The Post-1966 Expansion and the New Model</b> .....	133
	The 1967–1971 Period .....	134
	The Weak Democratic Tradition .....	140
	Concentration of Income and the Economy’s Recuperation .....	143
	Development of Dynamic Industries .....	149
	The New Political Model .....	151
	The New Economic Model .....	155
	Industrializing Technocracy, the Fourth Alternative .....	158
<b>8</b>	<b>The Crisis of the 1970s</b> .....	162
	Reversion of the Cycle .....	163
	Increasing Inflation .....	167



The Foreign Debt.....	170
The Second National Development Plan and the Limited Slowdown .....	174
Economic Policy, 1974–1979 .....	176
A Contradictory Policy.....	177
Expansion and Recession: 1980 and 1981.....	179
The Distributive Crisis.....	182
<b>9 The Dialectic of Redemocratization and <i>Abertura</i> .....</b>	<b>187</b>
The New Militarism .....	187
The Strength and Weakness of the “Tripod”.....	189
The Advances and Retreats of <i>Abertura</i> : 1974–1978 .....	190
The Bourgeoisie’s Withdrawal from the Authoritarian Political Pact .....	192
The 1977 Democratic Social Pact .....	198
The Conservative Turn of the Bourgeoisie: 1979 .....	199
The Reclosure of the System: 1980–1982 .....	201
Electoral Prospects and a New Populism: 1982 .....	202
Conclusion .....	203
<b>10 Conclusion: Fifty Years of Development and Crisis.....</b>	<b>205</b>
The Total Crisis of 1983 .....	206
Some Half-Truths Concerning the Social Formation.....	209
Mature Industrialized Underdevelopment .....	214
Notes.....	217
Abbreviations .....	227
Bibliography .....	231
Index.....	236

# Tables and Figures

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## *Tables*

2.1	Real Domestic Product and Industrial Production.....	22
2.2	Direct Foreign Capital Movement in Brazil.....	30
2.3	Regional Distribution of Per Capita Income.....	42
2.4	Index of Real Wages.....	44
3.1	Division of Labor by Occupation.....	56
3.2	Social Classes in Brazil.....	57
5.1	Net Domestic Product by Types of Activity.....	89
5.2	Macroeconomic Relations.....	94
5.3	Real Minimum Wage in Guanabara.....	97
5.4	Real Product by Type of Expenditure, 1956–1965.....	116
7.1	Growth Rate of the GNP.....	140
7.2	Profile of the Global Demand in Brazil.....	144
7.3	Distribution of Income by Fifths of the Population.....	148
7.4	Real Minimum Wage.....	148
7.5	Average Wage in the State of São Paulo.....	149
8.1	Output in Relation to Industrial Cycles.....	163
8.2	Industrial Output and Accumulation Throughout the Cycle.....	164
8.3	Inflation, GDP, and Means of Payment.....	168
8.4	Balance of Payments and the External Debt.....	171

8.5	Foreign Rates .....	173
8.6	Basic Variables .....	175
8.7	Wages and Productivity .....	183
8.8	Distribution of Income among the Economically Active Population .....	184

*Figures*

2.1	Model of Brazilian Development, 1930–1961 .....	45
3.1	The Brazilian Social Pyramid .....	58

# Foreword

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In late March of 1983 four days of extensive rioting took place in the city of São Paulo protesting the high rate of unemployment, sharply increased cost of living, and other current inequities of the socioeconomic crisis confronting Brazil. These were the most serious riots in Brazil since the military took power in 1964 and are particularly important as evidence that the economic crisis of high foreign indebtedness (\$85 billion), high inflation (100 percent in 1982), and rapidly increasing unemployment is having its impact on the population. The rioting occurred just two weeks after Franco Montoro of the opposition PMDB [Party of the Brazilian Democratic Movement] was installed as governor of the state of São Paulo. In nine other states, out of a total of twenty-two, opposition governors took office. The elections on 15 November 1982 that empowered these twenty-two governors were the first direct elections for governors since 1965 and as such are considered a key feature of the current transition toward democracy in Brazil. It is important to note that the ten opposition governors assumed office in states with 58 percent of the country's population and 75 percent of the Gross National Product. The riots took place during an economic and social crisis that both encouraged the beginning of the transition and at the same time places limits on its continuation.

There is no better time to publish the first English-language edition of *Development and Crisis in Brazil*, by Luiz Bresser Pereira, and no better book for understanding the crisis and concomitant period of transition. There have been thirteen Portuguese editions of the book since it was first published in 1968, and it has been rewritten and updated periodically as the economy and polity have been transformed in Brazil. Through these revisions Bresser Pereira has engaged in the national debate on the causes and limitations of Brazil's development; thus the reader obtains not only information and analysis on the processes of development, but also an insight into the various positions Brazilian

intellectuals have assumed vis-à-vis these processes. The great success of the book in Brazil is undoubtedly due to the fact that Bresser Pereira successfully integrates a great deal of material in offering a synthesis of the economic, political, and social nature of this development and also seeks to analyze it by means of an innovative neo-Marxist perspective. Little of what follows is doctrinaire, however, and one finds as much information on politics and political actors as on the economy and international constraints. Informed by this flexible perspective, the book is in fact comprehensive and insightful.

Luiz Bresser Pereira is in an enviable position for writing a book that seeks nothing less than to explain Brazilian development during the half century since the 1930 Revolution. He is professor of economics at the Fundação Getúlio Vargas (FGV) in São Paulo, author of nine scholarly books, and director of the economics journal *Revista de Economia Política*. He is also a prolific essayist, publishing articles in *Folha de São Paulo* and a number of other periodicals. Further, after twenty years as vice-president of Pão de Açúcar S.A., one of the most important commercial enterprises in Brazil, he became early in 1983 the chairman of Banespa (Bank of the State of São Paulo) as a member of the opposition government of São Paulo. With this combination of roles, and the capacity and energy they evidence, Bresser Pereira is not only deeply involved in the economy and polity at a very high level but is able to dissect and analyze events from an informed and extremely critical perspective. It is this informed perspective on current affairs, coupled with his powerful analytical abilities, that has resulted in a landmark contribution to the understanding of Brazilian development.

Bresser Pereira's focus in this book is describing and analyzing Brazilian development over the last half century. Development here concerns not only industrialization and economic growth but also political dynamics and societal change. In order to explain this development, which the author has termed "industrialized underdevelopment," he considers primarily the international context, the role of the state, and the different alliances of classes. His analysis shows how Brazil, with the fifth largest land mass and the eighth largest population, has come to be the tenth largest economy in the world, how it has in fact developed even while remaining on the periphery of the core economies. In his analysis Bresser Pereira looks in particular to the state in bringing about "dependent development" by means of the "tripod" of an alliance between it, multinational corporations, and domestic capital. He finds that there is now a crisis in this form of development that is due in no small part to the incompetence of the policy makers. Indeed, he shows that even under the authoritarian regime there has been incon-

sistency in economic policy making. Today this has resulted in stagnation and in extremely high foreign indebtedness.

The author finds a certain necessity in the current process of transition. After fifty years of development and the collapse of an alliance of classes that brought about rapid economic growth in the late 1960s and early 1970s, the transition to a democratic political regime is now possible. This is not the same process probably taking place in the Southern Cone countries of South America, but arises out of the lack of legitimacy of the present regime, which excludes much of the population from the benefits of development on the one hand and in which the state is predominant in a capitalist system on the other. The system lacks legitimacy and must be transformed. However, Bresser Pereira shows that there is a very great difference between the plan of the regime, which he calls an opening, or *abertura*, which signifies continuing control, and democratization, which implies an entry of the people into the political system. He argues that the new bourgeoisie plays a key role in this transition, as that group now holds a democratic plan or project that it previously lacked and was in any case too weak to carry out. About this project he can write with confidence and experience, and indeed the regime has splintered. There is some question, however, whether the new project, which includes democracy, maintenance of capitalism, and a moderate redistribution of income, can continue in the face of the major socioeconomic crisis highlighted by the riots in São Paulo. The author does not claim to know, as nobody does, but the reader of *Development and Crisis in Brazil* will be in a position to understand the causes and consequences of economic and political development in contemporary Brazil.

*Thomas C. Bruneau*

# Introduction

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This book is an attempt to analyze the political, economic, and social transformations that Brazil has undergone from 1930 to 1983. It concerns Brazil's transformation from an agrarian, mercantile society into a capitalist, industrial society where underdevelopment has been industrialized and the social formation, aside from being capitalist, also has monopoly and state characteristics. It also takes a look at the industrial revolution in Brazil, which had its start in the last century, but gained decisive impulse after 1930.

Consequently, one of the premises of this book is that the world economic crisis that broke out in 1929 and the Revolution of 1930 play a decisive role in Brazil's history. After the 1964 coup, many authors underestimated the importance of this historical moment, seeking the origins of industrial capitalism in Brazil in prior epochs in order to (a) deny the distinction between the industrial bourgeoisie and the mercantile coffee bourgeoisie, and (b) criticize the populist pact made between the left and the "national bourgeoisie." This book, in contrast, insists upon the importance of 1930 as a watershed in the history of Brazil's social formation. Though I consider the idea of a national bourgeoisie somewhat naive, I understand that after 1930, a breach began to form between the industrial bourgeoisie of immigrant origin and the mercantile coffee *latifundiário* bourgeoisie. This breach was to dominate Brazil's economic and political formation until 1964.

Nevertheless, as we will see in Chapter 4, a series of new historical facts that occurred in the mid-1950s would reunite the mercantile and industrial bourgeoisie, doing away with the populist pact and creating conditions for the establishment of an authoritarian regime in Brazil.

Although Brazil, and especially the São Paulo region, had been industrializing since the end of the nineteenth century, that industrialization was peripheral, subordinate to the existing primary export model. It was limited to the production of nondurable consumer goods—

textiles, food products, and furniture—with almost no vertical integration. There were no industries producing basic inputs, steel, or capital goods. The nation was dominated by an agrarian-mercantile bourgeoisie oriented to the exportation of primary products, principally coffee.

The primary export model, which had characterized the Brazilian economy from the time Brazil opened its ports in 1808 until 1930, was the means by which Brazil was integrated in a backward fashion into the industrial capitalism that was triumphing in Europe. Rather than entering the capitalist framework through direct industrialization, as did the later industrialized nations of Germany and Japan, Brazil, like the rest of Latin America, had no other alternative but to become an exporter of primary products, given the small scale of its internal market and the insufficient technological and cultural base inherited from the colonial period. As a result, the *latifundiária* bourgeoisie that had dominated during the colonial period remained in power, now taking on more clearly mercantile characteristics. With Brazil's integration into the international market, the accumulation of capital was speeded up, creating a mercantile bourgeoisie and a small urban middle class, but the development of the productive forces continued to be minimal. The mercantile and *latifundiária* bourgeoisie is speculative and depends upon the state. It appropriates surplus through the mechanisms of primitive accumulation—basically the expropriation and exploitation of peasants, squatters, and slaves—rather than through the incorporation of technical progress and the surplus value mechanism. As a consequence of this domination of mercantile capital, of which coffee production and exportation is a prototype, very little development of the productive forces occurred. The techniques of coffee production in 1930 were very similar to those practiced a century earlier.

However, in 1930, two decisive facts changed Brazil's history and marked the advance of industrial capital in relation to mercantile capital. On the one hand, international capitalism, which dominated Brazil, was in crisis. This crisis of imperialism, based on the international division of labor, constituted an opportunity for Brazil's development. On the other hand, the Revolution of 1930 took away some of the agrarian-export bourgeoisie's power and established the basis for a new political pact that was much more favorable to industrialization—the populist pact.

In the first four chapters of this book, we look at the period I call the Brazilian revolution, from 1930 to 1960. It was a period of transition from the domination of mercantile, *latifundiário*, and speculative capital to that of industrial capital, which intrinsically incorporates technological progress. The first chapter serves as an introduction; the second examines import-substitution industrialization. The third chapter analyzes social



changes and the emergence of new classes: the industrial bourgeoisie, the urban proletariat, and, mainly, the new salaried middle class, which in later works I have come to call the technobureaucracy. The fourth chapter develops an analysis made in 1963 concerning the populist pact and the new historical facts that were to determine its collapse, provoking the political crisis of the first years of the 1960s and the Revolution of 1964. It is perhaps the most original chapter of the first edition, because rather than merely denying the existence of an alliance between the industrial bourgeoisie and workers, it seeks to explain why the collapse of this fragile alliance led to crisis.

In 1962, industrial Brazil entered its first crisis, which would last until 1966. The Brazilian economy had already reached a sufficient degree of industrial integration to become subject to endogenous economic cycles, created by its own dynamic of capital accumulation. Chapters 5 and 6 examine this crisis in both economic and political terms, and also discuss the alternatives open to Brazil after the political consolidation of industrial capitalism starting with the revolution of 1964.

The first, 1968 edition of this book ended here. We were already coming out of the crisis, but in 1967, when I finished writing, this fact was not yet clear. This is why the second and third editions, published respectively in 1970 and 1972, added another chapter, which in this edition corresponds to Chapter 7. This chapter was written to give a theoretical explanation to the great expansion (the so-called "miracle") that began in 1967, and to the new development model. The discussion of income concentration and the economy's recuperation based on the durable consumer goods industry was written in 1970, before the publication of the 1970 census results that verified this concentration. The definition of the new Brazilian model was written in the following year.

Nine more printings were made of this book with no changes. However, when Westview Press showed an interest in publishing it, I thought it advisable to bring it up to date, because, starting in 1974, the economy had entered a new slowdown and the country was again in political crisis. Chapter 8 analyzes the economic crisis of the 1970s, which is still with us today, and Chapter 9 examines the long process of transition toward democracy, which began in 1974 and is still in progress.

Within this fifty-year period, Brazil had a populist dictatorship from 1930 to 1945, democracy for the next nineteen years, a military dictatorship from 1964 to 1978, and a semiauthoritarian regime dating from 1979, when Institutional Act 5 was annulled. The first thirty years correspond to the import-substitution model in economic terms and the populist pact in political terms. However, after the mid-1950s, a new pattern of accumulation was defined, based on the concentration

of income and the production of durable consumer goods by multinational industrial enterprises. This is the model of industrialized underdevelopment. With populism's collapse, almost ten years later, the authoritarian capitalist-technobureaucratic pact of 1964 was established and the bourgeoisie accepted technobureaucratic military tutelage in order to consolidate capitalism in Brazil. Yet in 1974, once the bourgeoisie had become strengthened and reassured, it began to break with this pact, as a result of both support and pressure from popular democratic forces—intellectuals, students, workers, and the Catholic Church. At this point, a peculiar dialectical process of transition to democracy began, while at the same time a new democratic social pact was finally outlined.

Today, Brazil is an industrialized underdeveloped country marked by contradictions and instability. It has a strong industrialized economy, which coexists with a subproletariat marginalized from the fruits of development. The economy, though technologically dependent, is making great strides so that its most modern and developed sectors form a part of the world capitalist center. The social formation is predominantly capitalist, yet increasingly technobureaucratic or state controlled. It is an economy in crisis, in the same way that the international economy is, but this crisis will probably imply a transition to a model of mature industrialized underdevelopment. This means that the continuity of the process of capital accumulation will depend upon Brazil's capacity to export goods that are technologically sophisticated yet labor-intensive, in order to compete directly with the central countries.

*Development and Crisis* attempts to analyze the entire historic process that began in 1930. It is an analysis that seeks to be independent, though not lacking in commitment. It was written in three different stages: 1965–1967 (Chapters 1–6), 1970–1971 (Chapter 7), and 1982 (Chapters 8 and 9). Only the conclusion was written in 1983. The book reflects the development through time of my vision of Brazilian society. This is why, except for a few cuts, the text has been rigorously maintained in its original form. It is a historical analysis, yet it is not a history book. Rather, it is an attempt to understand the fascinating phenomenon of Brazil's economic, social, and political development in an integrated and dynamic way.

Developing countries were hit hard by the financial and economic crisis, although the impact was somewhat delayed. Every country had different challenges to master. The closer the developing countries are interconnected with the world economy, the crasser the effects. And the incipient recovery that is becoming noticeable is, for the time being, restricted to only a few countries and regions. The crisis was transmitted primarily by trade and financial flows forcing millions back into poverty. Attainment of the Millennium Development Goals is seriously jeopardised in many countries. Many develop... Brazil is in a crisis. (See Chart at end of the text) Unemployment is beyond measures - most of the working age unemployed works informally, they do not count for the statistics, do not collect pensions or have any legal resources available to them. Work slavery still exist in Brazil, and most of the small employers do not collect their taxes despite the fact that they deduct it from the worker paycheck. The Brazilian that is leaving Brazil is the university educated medium class worker that cannot anymore have job security due to the recent Labour Law reforms, and that lost their quality of I Development and growth were concentrated in the Southeast. The South Region also achieved considerable development based on coffee and other agricultural products. The Amazon Basin experienced a meteoric rise and fall of incomes from rubber exports. The Northeast continued to stagnate, with its population living close to the subsistence level. At the end of World War II, political and economic liberalism were reintroduced in Brazil. Getlio Dorneles Vargas (president, 193045, 195154) was overthrown, democratic rule was reestablished, and the foreign-exchange reserves accumulated during the war made possible a reduction of trade restrictions. Pessimistic about the future of Brazil's exports, the government feared that the crisis would have a negative impact on inflation.