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Ideology and development: Brazil, 1930-1964

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This article deals with the intellectual production on the Brazilian industrialization project from the 1930s to the 1960s. It may be noted that Brazil is probably the Latin American country where the seminal ideas of ECLAC on this subject gained the broadest acceptance.

An analysis is made here of the five main currents of economic thinking which existed in Brazil during the period, namely, three variants of developmentalism, neo-liberalism –to the right of developmentalism–, and the socialist current, which was to the left of it.

The concept which predominated throughout the period was developmentalism, the main elements of which are the high value assigned to industrialization as a way to development, and the importance of the role of the State in planning, financing and investment in those sectors where private enterprise is insufficient.

It is noted that although developmentalism ceased to be the central guiding theme of the economic debate in the 1960s, the developmentalist State was to last considerably longer in time.

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Introduction

The evolution of economic thinking in Latin America belongs much more to the field of the history of the countries of the region than to the field of economic theory. The fact is that the fascinating side of this intellectual history lies not so much in its possible contributions to economic theory as in the variety and creativeness of the ideas associated with its historical context. The reason why it is so extraordinarily interesting is precisely the indissoluble interaction between its analytical and historical dimensions.

Essentially, this intellectual history is a chapter in the history of the region which describes the basic propositions and analytical bases of the various economic development projects put forward –almost always with a heavy dose of political passion– from the 1930s onwards.

This article tells the story of the intellectual production connected with the industrialization project of Brazil, from the 1930s to the 1960s. This was perhaps the country where the original ideas of ECLAC found their widest and most rapid acceptance, and it also concerns the story of the spread of these ideas.

The period in question, when the Brazilian industrial system was being established, has attracted a large number of historians who have explored the main aspects of the economic, political and social formation of Brazil. Even so, however, there are some gaps, among which special mention must be made of the evolution of the views which economists and other intellectuals then expressed on the economy of that country.[1]

[1] The only study which goes into this subject in depth is that of Mantega (1984), although, while it makes brief incursions into the non-marxist thinking of the 1950s and 1960s, it concentrates preferentially on the marxist thinking of the latter decade. The other relevant contributions (very few in number) are of an introductory nature, such as the studies by Magalhães (1964 and 1981) or else are of limited scope, such as the studies by Lima (1963) and Falangiello (1972) on Roberto Simonsen; in addition, there is a study on the thinking of Ignacio Rangel in connection with the crisis of the early 1960s (Cruz, 1980), and a study on economic thinking and the relations between agriculture and industry (De Carvalho, 1978). This short list must also include a mention of the introductory chapters to a collection of texts by Caio Prado Jr. (Iglesias, 1982) and Celso Furtado (De Oliveira, 1983).

This article is a summary of a study by the same author which seeks to fill this gap (Bielschowsky, 1988). In the course of the research on which this study was based, the extensive economic literature of the time, as published in books, specialized journals and government documents which marked a whole era, was collected, systematically organized and appraised.

In the case of the period in question, there would be no point in describing at length the Brazilian theoretical production in the field of economic science, for apart from being slight in volume, this contribution was essentially a mere breakdown at the national scale of the only important Latin America analytical contribution of that period: the work of ECLAC, which has already been extensively studied. It was therefore the historical dimension of economic thinking rather than its analytical content which formed the kingpin of the study on which this article is based.

It is interesting to note the lack of any academic commitment among many of those who took part in the economic debate of that period. This is easy to understand, as economic thinking at that time was not shaped in theoretical academic circles. Not only were the courses on economics few in number and of low quality, but they also lacked the necessary theoretical orientation. As an indication of the amateur spirit which predominated in university centres dealing with economics in Brazil, it may be noted that up to the 1960s none of them had full-time professors in this field, and the first post-graduate course was only given in the mid-1960s in the Getúlio Vargas Foundation. Before that, there had only been university extension courses on planning organized by ECLAC in collaboration with the National Economic Development Bank (BNDE).

This article analyses the economic thinking that was involved at the political level in the debate on the Brazilian industrialization process. The key concept around which this analysis is organized and which gives it unity is that of "developmentalism".

Here, we understand by "developmentalism" the ideology of the transformation of Brazilian society defined by an economic project based on the following fundamental postulates:

i) Integral industrialization is the way to overcome poverty and underdevelopment in Brazil;

ii) There is no possibility of achieving efficient and rational industrialization of the country through the spontaneous play of the market forces, and it must therefore be planned by the State;

iii) This planning must define the desired expansion of the economic sectors and the instruments for promoting such expansion;

iv) The State must also guide that expansion by procuring and managing financial resources and making direct investments in those sectors where private enterprise is insufficient.

Section I of this article describes the basic features of the five main currents of thinking which existed in the period under analysis, namely, the three variants of developmentalism (private sector developmentalism, "non-nationalist" and "nationalist" public sector developmentalism); neoliberalism (a current to the right of developmentalism), and the socialist current (to its left). With respect to each of the first four currents, reference is made to the work of the most representative economists of the time (Eugenio Gudin, Roberto Simonsen, Roberto Campos and Celso Furtado), and mention is also made of the thinking of Ignácio Rangel, who, because of his independent approach, cannot be classified in any of the main currents.

Section II describes the evolution of the developmentalist controversy and analyses the historical factors behind it. The periods used correspond to the evolution of economic ideas and their relations with the various economic and political situations through which the country passed in the decades under analysis. In order to make it easier to understand this evolution, the key concept used is that of the "ideological cycle of developmentalism" whereby developmentalist thinking originated between the 1930s and the end of the Second World War, came to maturity in the following ten years, experienced its boom period during the administration of President Kubitschek (1956-1960) and ran into crisis in the early 1960s.

Some immediate words of warning are called for here. First of all, this is not a study on the nature of the Brazilian State, but on the economic literature in Brazil; thus, when it is stated, for example, that the crisis of developmentalist economic thinking –as defined here– took place in the early 1960s, this is in no sense a judgement on the Brazilian developmentalist State, whose strengthening after

the 1964 military coup is an unquestionable fact. Nor is this any kind of investigation of the economic ideologies of the social classes in Brazil, since the article's aim in this respect is only to make a modest marginal contribution with reference to the economic thinking disseminated by business associations such as the National Confederation of Industry (CNI). Finally, it should be noted that this research project is strictly an "intellectual history": it is not, therefore, a research project on economic history or on political history, and much less a temerarious attempt to explain real history on the basis of the history of ideas.

Before going any further, it may be useful to give a brief description of the analytical framework underlying the Brazilian developmentalist debate.

The fact that this debate showed little commitment to the rigorous demands of academic production obviously does not mean that those who participated in it were immune to the influence of what was being written on development theory. Indeed, the many anti-liberal theoretical arguments which appeared in this field –put forward both by members of ECLAC and by those outside that organization– were frequently set forth by economists who were defending industrialization in the difficult contest against the theory and ideology of the supremacy of the market, which was long established in Brazilian tradition.

The main arguments used in the confrontation with the liberal theories are set forth below. If a list were made of the number of times those arguments were used in the Brazilian debate of the 1950s, we would certainly note the more frequent use of the arguments developed by ECLAC (the first three) and those which ECLAC analysed and helped to disseminate (the fourth and fifth), with much less use of the others:[2]

Arguments	Used by ECLAC	Used by Brazilian economists
Deterioration of the terms of trade (Prebisch-Singer)	Yes	Yes
Unemployment/ deterioration of the terms of trade (low international demand for commodities)	Yes	Yes
Structural imbalance in the balance of payments	Yes	Yes
Vulnerability to economic cycles	Yes	Yes
Inefficiency in the transfer of agricultural techniques to tropical crops, compared with the transfer of industrial techniques	Marginally	Yes
External economies	Marginally	Yes
Indivisibility of capital	Marginally	No
Infant industries	No	Yes

A mere list indicating the use made of the arguments is not enough, however, to give a true idea of the influence that ECLAC had on the conceptual basis of Brazilian industrialization. The most important feature of ECLAC's theoretical contribution to the Brazilian debate was that it provided developmentalist economists with what could be called a new analytical system: the theory of peripheral development.

Although it must be acknowledged that the coherence and breadth of the ECLAC contribution were only accurately described in later studies consolidating the ideas of that organization (for example, in ECLAC, 1969 and in Rodríguez, 1980), it would nevertheless be no exaggeration to say that the combination of the various elements in ECLAC's explanation of what was happening in the economies of Latin America formed a whole new analytical system. The elements of this system which most strongly influenced the thinking of the Brazilian developmentalist economists (especially those of the nationalist current) were the following:

i) The identification of underdevelopment as a condition of the periphery (the "centre-periphery" concept);

ii) The identification of the process of spontaneous industrialization which had been taking place since the 1930s, and the recognition of its

[2] Except for the argument of the "external economies", which was also considerably used. It must not be forgotten either that the argument of infant industries had considerable currency in the 1940s.

historical significance for the underdeveloped economies of the continent;

iii) Industrialization of the typical underdeveloped structures of the periphery, seen as an unprecedented and uncertain pattern of development (the low degree of diversification and the structural heterogeneity would give rise to perverse tendencies, namely, tendencies towards unemployment, deterioration of the terms of trade, external imbalance and inflation);

iv) The interpretation of inflation as a phenomenon with structural causes;

v) Industrialization seen as a process of import substitution;

vi) The need for planning and strong State intervention, presented as a corollary of the diagnosis of structural imbalances typical of the spontaneous industrialization process in the peripheral economies.

I

The currents of thought and the main economists advocating them

The conceptual picture of the economic thinking of the period under analysis is organized, as already noted, in terms of currents of economic thought. This is shown in a summarized manner in table 1, where the currents of thought are defined on the basis of their basic economic projects. Our key concept is that of developmentalism. As we said earlier, developmentalism was the project which aimed to overcome underdevelopment through integral industrialization backed up by planning and with strong State support. The five currents of thought which were identified on the basis of this concept (the neoliberal, the three developmentalist currents and the socialist current) allow us to classify within them the great majority of the economists and intellectuals who took part in the Brazilian economic debate over the period 1945-1964, the main exception being Ignácio Rangel.

1. *The neoliberal current*

This current, together with that of the nationalist developmentalists, was the most important expression of economic thinking in the period under analysis. It always played a prominent part in the economic debate, giving rise to economic policies that were criticized by the developmentalists, and criticizing in its turn the proposals of the latter.

Brazilian economic ideology from the early nineteenth century until the 1930s was liberal by tradition. The international crisis, however, and the political, economic and social changes which followed it, weakened its real support base. From that time onwards, other conceptions of Brazilian economic development arose. In response to this, the liberal ideology had to undergo changes to enable it to stand up to the new realities, and Brazilian neoliberalism was the result of this process.

In essence, the neoliberal economists continued to defend the system of the market as the basic formula for economic efficiency. Consequently, they were primarily liberals. The prefix "neo" has a very precise meaning: it reflects the fact that most Brazilian liberals came to admit, in the new situation prevailing after 1930, the need for some State intervention to clear up the "imperfections of the market" which –as they themselves acknowledged– were affecting underdeveloped economies like that of Brazil. This is a similar position to that of the liberals, who made concessions to Keynesianism by admitting the justification for anticyclical measures as a way of bringing back developed economies to a situation where, in their opinion, the market mechanisms could once again guarantee balance and efficiency.

The position taken by the economists of the neoliberal current in Brazil was characterized by three fundamental aspects:

i) They were in favour of the reduction of State intervention in the Brazilian economy;

ii) They consistently expressed their support for policies aimed at monetary and financial balance;

iii) They did not propose measures to support the industrialization project, and indeed, many of them were against the very idea of industrialization (instead, they favoured the idea of the "agricultural vocation").

Table 1

BASIC CURRENTS IN BRAZILIAN ECONOMIC THINKING, FROM THE MID-1950s TO THE EARLY 1960s

Currents in economic thinking						Basic features		
Main currents		Main nuclei	Main economists	Main organs of dissemination	Theoretical orientation	Basic economic project	Basic theories (idées-force)	Interpretation of the growth process
Neo-liberal		Getúlio Vargas Foundation, National Confederation of Trade, Trade Association of São Paulo, National Economics Council (CNE)	Eugénio Gudin Octácio G. de Bulhões Dénio Nogueira Daniel de Carvalho	*Revista Brasileira de Economia* (RBE) *Revista do* CNE *Digesto Econômico* *Carta Mensal*	Classical and neo-classical theories (liberalism)	Balanced growth through the market forces	There is no such thing as unemployment in Brazil, only low productivity	Unbalanced and inefficient growth because of economic policy errors
Developmentalist	Public sector (non-nationalist)	Brazil-United States Joint Commission, National Economic Development Bank (BNDE)	Roberto Campos Ary Torres Lucas Lopes Glycon de Paiva	*Revista Brasileira de Economia* (RBE) *Digesto Econômico* *Carta Mensal*	Post-Keynesian eclecticism	Industrialization at a rate compatible with balance, with heavy participation of foreign capital and partial planning	Theory of "bottlenecks/ growth points"	Existence of uncorrected tendencies to imbalance (confirmed) through economic policy errors
	Private sector	National Confederation of Industry (CNI) FIESP	(R. Simonsen) J.P. de A.Magalhães Nuno F. de Figueiredo	*Estudos Econômicos* *Desenvolvimento e Conjuntura*	Post-Keynesian eclecticism Prebisch	Industrialization with State protection for national industrial capital	Credit for production as an instrument of growth	Import substitution
	Public sector (nationalist)	National Economic Development Bank (BNDE), Economic advisory team of Vargas, *Clube dos Economistas*, ECLAC, ISEB	(R. Simonsen) Celso Furtado Rómulo de Almeida Américo B. Oliveira Evaldo C. Lima	*Estudos Econômicos* *Revista Econômica Brasileira* (REB)	Post-Keynesian eclecticism Prebisch	Planned industrialization, strongly supported by State enterprises	ECLAC theories (inward-looking development, structuralism, etc.)	Import substitution, existence of structural imbalances, confirmed by absence of planning and only capable of being corrected in the long term
Socialism		Brazilian Communist Party, *Instituto Superior de Estudos Brasileiros* (ISEB)	Caio Prado Júnior Nelson W. Sodré A. Passos Guimarães Aristóteles Moura	*Revista Brasiliense* *Estudos Sociais*	Historical materialism	Measures to make capitalist development viable in order to pave the way for socialism. Planned industrialization on strictly national bases, and agrarian reform	Theory of the anti-feudal and antiimperialist phase	Two basic contradictions stand in the way of economic growth: the monopoly of land ownership, and imperialism
The independent thinking of Ignácio Rangel								
			Ignácio Rangel		Adam Smith Keynes Historical materialism	Planned industrialization, strongly supported by State enterprises	Theory of basic duality	Import substitution (1950s) and crisis of realization (1960s)

Main currents		Domestic financial support for investment	Foreign capital	State enterprises	Planning	Protec-tionism	External deficit	Inflation	Wages, profits and income distribution	Agrarian reform
		Position with regard to the main specific issues of Brazilian economic development								
Neo-liberal		Structuring of financial system	In favour of incentives	Flatly against	Position between opposition and tolerance of attempts at partial planning	In favour of heavy tariff cuts	Inflation seen as basic cause	Full employment seen as basic cause. Emphasis on stabilization policies	Neo-classical argument of marginal productivity	Against
Developmentalist	Public sector (non-nationalist)	Taxation	In favour of incentives	Tolerant, when private capital (national or foreign) shows no interest	In favour of partial planning	In favour	Possible without inflation, but generally caused by it	Full use of capac-ity seen as basic cause. Emphasis on stabilization policies	Income distribution reduces growth	No position
	Private sector	Incentives for reinvestment of profits	In favour, but recommends controls	Moderately favourable	In favour	Strongly in favour	Structuralist	Emphasis on usefulness of expanding credit	Defence of profits (argument of reinvestment)	In favour of limited reform
	Public sector (nationalist)	Taxation	In favour, provided there are controls, but against foreign capital in the public and mining sectors	Strongly in favour	Strongly in favour of general and regional planning	In favour	Structuralist	Structuralist	Income concentration obstructs growth	In favour
Socialism		Taxation	Strongly against (except with respect to credits)	Strongly in favour	Strongly in favour	In favour	Emphasis on lack of State controls (especially on remittances of profits)	Vagueness in interpretation. Emphasis on defence of real wages	Income redis-tribution (argument of the domestic market) through agrarian reform and trade union movement	Strongly in favour
Ignacio Rangel		Structuring of financial system	In favour, but with controls; reluctant to accept foreign credits and against foreign investment in public services and mining	Strongly in favour	Strongly in favour (with his own form of partial planning, via foreign trade)	In favour	Imbalance due to lack of State controls. In favour of State monopoly of foreign trade	Oligopolistic/ oligopsonistic structure of food marketing seen as element gener-ating inflation. Hypothesis of existence of extensive unused resources	Raising wages as a means of stimulating employment and use of idle capacity	In line with the theory of duality

Various different types of economists came under this definition. Among the neoliberals, for example, were Eugenio Gudin and Daniel de Carvalho, whose ideas were associated with the principle of the classic international division of labour and who were against protectionism and the industrialization strategy. In this, they were accompanied by economists such as Octácio Gouveia de Bulhões, Denio Nogueira and Alexandre Kafka, who had a much clearer perception of the force and irreversibility of the industrialization process that was underway, but whose essential concern in the debate was the achievement of monetary stability. Moreover, not only did they never propose policies in support of industrialization, but they almost always criticized them on the ground that they would give rise to macroeconomic imbalances (it should be noted that this classification does not cover those who, while stressing the need to control inflation and keep the balance of payments in equilibrium, applied a developmentalist frame of reference, as in the case of Roberto Campos, the leader of the non-nationalist developmentalist current).

The neoliberals strongly opposed the growing State intervention in the Brazilian economy. However, they made some concessions compared with what a pure liberal position would have been on the subject. Thus, for example, they accepted the idea that the government should have some influence on the country's external trade in order to tackle the problems resulting from the features of international supply and demand for commodities. They also accepted the idea of government support for activities connected with health, education and technical assistance to agriculture, as well as some credit support for infrastructure activities (which they believed, however, should preferably be carried out by foreign firms and never by State enterprises).

Eugenio Gudin was the leading neoliberal theoretician. His importance in Brazilian economic thinking went beyond the bounds of his long and influential period of conservative leadership, however: he was also a pioneer in the teaching of economic theory and the legitimation of the profession of economist in Brazil. In this respect, he may be considered as the father of all subsequent Brazilian economists.

Gudin dealt with all the main aspects of Brazilian economic affairs with easy assurance and framed his questions in a lively and coherent manner. His written works, almost always phrased in a manner easily accessible even to those who were not experts in economics, not only attracted the attention of conservative economists and politicians looking for arguments to back up their proposals, but also that of developmentalist intellectuals. The latter were continually obliged to counter Gudin's analyses, both because they recognized the practical importance of those studies and also because of the solid and coherent arguments which they contained. In view of the way in which he publicized the neoliberal views, it is easy to understand the importance assumed for the developmentalists by the antiliberal interpretations inspired by Prebisch and, indeed, by the ECLAC documents in general.

The limited length of this article prevents us from describing Gudin's thought in detail, but by way of illustration of his style of reasoning, a summary may be given of the way he dealt with the issues of external trade and inflation.

With regard to the first of these, Gudin gave a new interpretation of the main statements in liberal theory on the problems revealed by the cyclical depression of the period between the wars. He recognized that there were special features in the way the crisis affected the "reflex" economies –a term coined by him in 1940– and he continued to admit this during the many years of the dollar shortage which followed the Second World War. He recognized the problems deriving from the low elasticity of supply and demand of commodities and the fragility of the "reflex" economies *vis-à-vis* the cyclical oscillations of the developed economies. Unlike the developmentalists, however, this type of recognition did not lead him to advocate industrialization. For him, the solution lay in using a number of measures of a preventive nature, designed essentially to influence prices and the level of production. His concessions with regard to the maximum permissible State intervention in external trade did not go any further than this. In his opinion, the Brazilian economy was simply not ready for industrialization, and the proof of this was that the market forces did not promote it themselves.

With regard to inflation, Gudin systematically referred to the idea of the existence of full employment in the Brazilian economy –"hyperemployment and hypoproductivity", he used to say– as though he were recognizing, in a Keynesian manner, the importance of taking account of the

capacity of the system of production to respond to demand pressures. In this sense, the use of the term "monetarist" to describe Gudin is very much open to question. In another two senses, however, it is not: firstly, from the point of view of the structuralist interpretation, to which Gudin was strongly opposed, and secondly, from the angle of Keynesian-type criticisms, according to which the economic policy proposed by Gudin was of a monetarist nature, both because it held that the idea of the existence of full employment was a fallacy, and because it did not take account of the depressive effects of stabilization policies.

2. *The developmentalist currents*

As already mentioned earlier, three currents of developmentalism may be distinguished: one consisting of people associated with institutions in the private sector of the economy, and another two made up of people in the public sector (which we have called respectively the nationalist and non-nationalist currents). The features which they shared were fundamentally the aim of establishing a form of modern industrial capitalism in the country, and the conviction that in order to achieve this it was necessary to plan the economy and practice various forms of government intervention. Their distinctive features are outlined below:

i) The developmentalist economists had somewhat different concerns and manners of expression, according to their professional careers. Those who worked in the private sector naturally defended business interests in a manner which was not shared by those who worked in the public sector, because of the commitments which the latter had to assume by virtue of their office.

ii) In the public sector, there were two basic developmentalist positions with regard to State intervention. The economists we have called non-nationalist proposed private solutions for industrial and infrastructural projects, using foreign or national capital, and they were willing to accept State intervention only in the latter case. Those we have called nationalists, on the contrary, called for the nationalization of the mining, transport and energy sectors, as well as public services in general and some branches of basic industry. Among the private sector developmentalists, the positions they held on this subject were not uniform, since some of them were close to the first of these positions, while others took a more nationalist view.

iii) The three currents adopted different positions on control of inflation: the non-nationalist current was in favour of carrying out monetary stabilization programmes, while the other two were against this. The latter, in turn, differed in their analysis of the problem. In the private sector, the great concern was to avoid the reduction of credit, and they therefore did not adopt the structuralist interpretation, whereas the nationalists were concerned both over the reduction of credit and the decapitalization of the State, and in the 1950s they took a structuralist view of the question of inflation.

Developmentalism made its appearance in the period 1930-1945. The international economic crisis, its domestic repercussions, and the national policy centralization after the 1930 revolution are among the main factors which explain the appearance of this economic ideology.

It may be noted that the two pillars of developmentalism were created simultaneously. Firstly, in the private sector, bodies representing business interests, such as the National Confederation of Industry, the Federation of Industry of the State of São Paulo (FIESP) and others broadened their range of demands in this era. Through these business associations, Roberto Simonsen conceived and publicized an industrialization strategy involving planning and heavy State intervention. The process of raising the level of consciousness only brought definite results in the second half of the 1950s, but Roberto Simonsen's undisputed leadership among industrial entrepreneurs had already secured a degree of initial legitimation.

Secondly, from 1930 onwards, and above all during the period of the *Estado Novo* (1937-1945), various bodies were established in the public sector aimed at dealing with problems of national scope. Naturally, their civil and military technicians were forced to reflect on the great problems of national economic development in a broad and integrated manner, and this helped to give rise to the developmentalist ideology.

The developmentalist current in the private sector was based on the first of these pillars. The developmentalist currents in the public sector –especially the nationalist current– were based on the second of these, but they were greatly influenced and received much support from Roberto Simonsen. In the second half of the 1940s, for example, when the liberalism that prevailed in the

early part of the administration of President Dutra usually managed to immobilize the bodies founded by Vargas, Simonsen set up a Department of Economics in the National Confederation of Industry and appointed Rómulo de Almeida to head it. After Simonsen's death in 1948, Almeida was to be the main developmentalist economist in Brazil until the mid-1950s, when the leadership passed to Celso Furtado (among the nationalists) and Roberto Campos (among the non-nationalists).

The year of Simonsen's death coincided with that of the establishment of ECLAC. This historical coincidence is a landmark in the evolution of developmentalism, because soon ECLAC was to begin to help to continue the work of legitimation of the developmentalist project, making up for the loss of its main defender, and also offering an important advance: a powerful set of anti-liberal analytical instruments which was partly incorporated by the private sector developmentalists and incorporated in its entirety by most of the nationalist developmentalists.

a) *Developmentalism in the private sector*

The historical events that came after the 1930 revolution opened up a new prospect for a small group of industrialists organized in trade associations: namely, that the industrial sector would have a central role in the future of the national economy. This small entrepreneurial elite lived through what may be called a pioneering experience in planning. In the corporative scheme of the *Estado Novo* they participated in several of the many government economic bodies which were set up. Thus, there was a fertile crossing of ideologies between their view of the world and the developmentalist ideas and concepts which arose in the new bodies, where discussions were held and decisions taken on such issues as external trade, energy, transport, the iron and steel industry, and many other national-scale concerns.

The economics department of the National Confederation of Industry which had been set up by Simonsen in 1946 was to be the main source of the formulation of the economic ideas of private sector developmentalism in the following years and in the 1950s. These ideas reflected a dual concern: to defend a project for planned industrialization and to protect the interests of private industrial capital. Consequently, the private sector developmentalists could sboth further economic policy proposals *vis-à-vis* all the developmentalists and they could focus their attention on proposals designed to defend specific and sometimes immediate interests of the business class.

Simonsen was the great ideologist of developmentalism. In order to gain a proper idea of his intellectual influence, it must be stressed that his importance in Brazilian economic thinking lies in the ideological content of his works. At the analytical level, in contrast, his formulations were usually lacking in some respect, which is understandable in view of the theoretical vacuum which predominated in the underdeveloped countries in the 1930s and 1940s and which was only overcome in Latin America after the emergence of the ECLAC theories.

As far as economic ideology is concerned, however, Simonsen's work contains all the basic elements of the developmentalist repertory of the currents which, in the 1950s, favoured the establishment of industrial capitalism in the country: for example, the understanding of the fact that a process of profound restructuring of production patterns was taking place in the Latin American economies and that this offered the historical possibility to overcome underdevelopment and poverty; the idea that the success of the industrialization project would depend on strong government support (with planning and protectionism), and the proposal that the State should make direct investments in the sectors where the part played by private enterprise was insufficient.

b) *Non-nationalist public sector developmentalism*

The non-nationalist developmentalist current in the public sector –not as strong in numbers as the nationalist current, but quite active and influential in the government sphere– was made up of economists who believed that foreign capital could make a big contribution to the industrialization process.

From its origins in the 1930s and 1940s, developmentalism was an economic ideology with strong links to nationalism. Among those who believed that industrialization was the way to leave behind poverty, the majority felt that it was not possible to expect the aid of foreign capital for this purpose. The most radical of them saw foreign capital as a monolithic group of imperialist interests, basically antagonistic to the project. Among the more moderate nationalists, most of them felt that, at least in sectors vital to the industrialization

process such as energy, transport and mining, the State should ensure that there was national control over decisions.

The current which, for want of a better term, we are calling the non-nationalist developmentalist current consisted of the minority of economists who believed that the industrialization project could derive extensive benefits from foreign investments. Basically, it arose in the early 1950s in connection with the project during the second term of the Vargas administration which set up the Brazil-United States Joint Commission (1950-1954), responsible for studying 41 infrastructural investment projects, and the National Economic Development Bank (BNDE), set up in 1952.

Those responsible for this project, which was also supported by the nationalist developmentalists, included the main figures in non-nationalist developmentalism: Horacio Lafer, Valentim Boucas, Ary Torres, Glycon de Paiva, and –in a process of ideological preparation for a subsequent realignment– the then nationalist Roberto Campos.

At that time, the developmentalist project was coming to maturity. The enthusiasm with which these men supported the fundamental element of the developmentalist position –namely, the planned industrialization project– caused the differences separating them from the majority of their public sector developmentalist peers to retreat into the background. Little by little, however, their two basic divergences were taking shape:

i) Although they were not generally speaking completely against State investments, the non-nationalist developmentalists attacked the spread of State enterprises with the argument that the State should not occupy any space in which private enterprise could act more efficiently. As the specific conflicts arose in connection with investments in big infrastructure and mining projects, where private national capital simply did not have the necessary dimensions, the position of the developmentalists corresponded to the option for foreign capital, with preference for State capital.

ii) They emphasized the need to control inflation and had no hesitation in supporting monetary stabilization measures.

The most outstanding economist in this current was Roberto Campos. He had a good theoretical grounding in economics and unequalled critical capacity among Brazilian economists, and he was a penetrating and able polemicist capable of confounding his most intelligent adversaries.

Viewed in the light of the real historical process experienced by Brazil, Campos appears against the background of the 1950s as a thinker who had the right ideas: he wagered on industrialization through the internationalization of capital and State support, and he won his bet.

In the Brazilian political panorama of the period considered here, Campos represents the "right" of the developmentalist position. On the one hand, he worked for the project to industrialize the country, for example, as the main formulator of President Kubitschek's "Plan de Metas" and also as its main executant, in his capacity as Secretary-General and later President of the BNDE, between 1956 and 1959. He was responsible for the conception of partial or sectoral planning which governed the plan. The idea, worked out theoretically at a later date by Hirschman, was as follows: the ideal government intervention strategy would be to concentrate on the "bottlenecks" of the industrial system, so that these would be changed instead into points of burgeoning growth, since they would automatically generate market stimuli for the private sector in the remaining economic activities.

At the same time, Campos defended the idea of attracting foreign capital, even in the mining and energy sectors, and attacked the State solution in almost all cases where a private solution seemed possible. Furthermore, he disagreed with the structuralist interpretation of inflation, and although in his writings of that period he did not share the strictly monetarist position on this phenomenon, the importance he attached to the adoption of anti-inflation policies which could prove to be recessive caused his opponents to identify him politically with the orthodox position in this field of theory.

c) *Nationalist developmentalism in the public sector*

The centralization of power under Getúlio Vargas in the 1930s gave rise to a set of planning bodies (such as the Public Service Administrative Department, the Federal Council for External Trade, the National Petroleum Council, etc.) within which the first teams of civil and military technicians concerned with the problem of Brazilian industrial development were formed. Men like Barbosa Carneiro, Horta Barbosa and Macedo

Soares formed the embryo of the nationalist developmentalist current which, together with the neoliberal current, was to be the most important line of thinking in the country in the 1950s. In those early days, some of the non-nationalists who were to gain prominence in the 1950s served their apprenticeship side by side with the pioneers. This was so, for example, in the cases of Rômulo de Almeida, Jesus Soares Pereira and Americo Barbosa de Oliveira.

In the period immediately after the war, the nationalist developmentalist current survived the liberalism of the Dutra administration in some centres of resistance, among them the Department of Economics of the National Confederation of Industry already referred to and the recently established Getulio Vargas Foundation (where the group of Gudin and Bulhões was only to occupy the leading position from 1952 onwards, after the departure of Richard Lewinsohn and Americo de Oliveira). The second term of Vargas gave the nationalists fresh opportunities to organize themselves, through the establishment of institutions such as the Economic Advisory Group for the President and the BNDE. The great meeting of the nationalist developmentalists took place in the mid-1950s, when Celso Furtado and Americo de Oliveira set up the Economists' Club, a body grouping together several dozen technicians from the federal government and some developmentalists from the private sector.

The nationalist developmentalists, like the other developmentalists, defended the establishment of modern industrial capitalism in the country. Their main distinguishing feature was a strong inclination towards State intervention in the economy through policies to support industrialization –integrated as far as possible into a system of planning– including State investments in sectors considered to be of fundamental importance.

They considered that capital accumulation in these sectors could not wait for the initiative and arbitrary decisions of foreign capital and instead needed the control and direction of national capital: that is to say, the State, since the weakness of private national capital ruled out private solutions.

In particular, with regard to the sectors then dominated by big foreign capital interests –such as transport and electric power– or the sectors which such capital would have liked to dominate –such as petroleum and mining in general– the industrialization ideology took on a strongly nationalist and State-owned tone. The same was true with regard to some sectors of basic industry, especially large-scale chemical industry and the iron and steel industry. In the other industrial sectors, however, foreign capital was welcomed by the nationalist developmentalists. This is a point which is not always grasped by those interested in the history of Brazilian industrialization. This explains, for example, why the nationalist Lucio Meira was the great promoter of the "Plan de Metas" with regard to bringing the foreign automobile industry to the country. The restrictions which the developmentalists called for in these cases referred to the need for controls, especially on remittances of profits abroad, which they considered a serious threat to the balance of payments and hence to the continuation of the industrialization process.

As well as the emphasis on State investment, two other features of the nationalist way of thinking which distinguished it from the other developmentalist ideas may be mentioned. Firstly, the nationalist economists systematically defended the subordination of monetary policy to development policy. In this respect, they were allied with the private sector economists, but they differed from them in their interpretation of the process of inflation and the way to combat it: they introduced and disseminated ECLAC structuralism into Brazil and, with few exceptions, did not countenance short-term measures –which for the private sector developmentalists frequently included wage and tax reductions.

The other feature distinguishing the nationalists from the other developmentalist currents was their political inclination towards economic measures with a social content. The great majority of nationalist economists felt particular concern for unemployment, poverty and the cultural backwardness of the Brazilian population, as well as the archaic nature of the country's institutions. The influence that these aspects had on their thinking should not be exaggerated, however, since they were much less important than the proposals on State intervention and anti-inflation policy. In the 1940s and 1950s, the basic message transmitted by their texts was limited almost entirely to maintaining that industrialization was a process of change capable by itself of doing away with the conservative bases of society and making it feasible to

overcome poverty. The "reformism" of the nationalist developmentalists only clearly appeared in the early 1960s, already in the crisis situation which culminated in the coup d'état which deprived them of the historical time needed to redefine the developmentalist project in order to incorporate into their political agenda the necessary "basic reforms". We shall return to this point later.

Celso Furtado was the leading economist of nationalist developmentalism. After having participated from the very beginning in the initial discussions promoted by Prebisch in ECLAC, Furtado proceeded to apply the new ECLAC analytical scheme to the interpretation of the Brazilian economy. He disseminated it very skillfully in Brazil, and gave analytical consistency and unity to the economic thinking of a large part of the government technicians working in favour of the project for the industrialization of Brazil. He thus provided them with the analytical instruments needed to understand Brazilian underdevelopment and to combat the interpretations and proposals of their opponents. The powerful leadership exercised by Furtado is explained by his admirable capacity to combine intellectual creation with executive force and to open up a space for the implementation of development tasks. For these reasons, he became a kind of symbol of Brazilian developmentalist hopes in the 1950s.

His intellectual work in the period analysed here was a creative exercise of refinement, application and dissemination of structuralist thinking. His work contains the three features which, together, give its special quality to the political content of the economic thinking of the nationalists as compared with the other developmentalist currents. First of all, he emphasizes the need to defend the State's leadership in promoting development through investments in strategic sectors and, above all, economic planning. Secondly, his work contains the structuralist proposal that monetary and exchange policies should be subordinated to development policy, which was the basis of the nationalist arguments with regard to the stabilization programmes proposed by the IMF. Finally, it shows a commitment to reforms of social content: this commitment became increasingly prominent in his works, beginning with his defence of progressive taxation, continuing through the project for the development of the most backward region of the country –the creation of the Superintendency for the Development of the Northeast (SUDENE)– and culminating in his support for agrarian reform.

His book *Formação Econômica do Brasil* is one of the main works of ECLAC structuralism. This book, which was immediately identified as a landmark in Brazilian economic literature, was one of the instruments used by him in his work of consolidating developmentalist awareness in Brazil, which needed a basis of historical arguments. This work led to great advances in the structuralist approach in the country.

In order to understand its importance, it must be remembered that in the early 1950s this approach was doubly vulnerable. First of all, the structuralist analytical proposal still lacked a systematic form. Secondly, in order to secure a good welcome for the proposal it was important to show that the historical evolution of the countries which continued to be underdeveloped in the mid twentieth century was necessarily different from that of the developed countries. Only in this way was it possible to legitimize the idea that their economic structures and the problems of their transformation were also different, to the point of calling for a judicious adaptation of the theories in vogue and an effort for the countries to work out their own theories. This book is a response to this dual vulnerability. Firstly, because even though it does not pretend to theorize on the structuralist approach, the clarity of its text automatically strengthened the message of the ECLAC theories. Secondly –and even more importantly– because it presented an historical study which was of decisive importance for the acceptance of that approach, at least in the case of Brazil.

3. *The socialist current*

Developmentalism advocated overcoming poverty and the backwardness of the Brazilian economy through industrialization. It was the ideology behind the economic project aimed at creating industrial capitalism in the country. To its left, there was a current of thought whose economic ideas were based on the outlook of the socialist revolution or transition to socialism. This current, made up of intellectuals associated with the Communist Party –and, in the early 1960s, also of intellectuals dissenting with the party– has been termed the "socialist" current in this study.

The contrast between the economic thinking of the socialist and developmentalist currents is enlightening. Like the developmentalists, the socialists defended the industrialization strategy involving heavy State intervention –as a way of "developing the forces of production", in their language– and they also defended State investments in basic sectors of the economy, as well as control over foreign capital. The standpoint from which the socialists made their analyses was completely different, however, since all their reflections were based on the discussion of the phase of the socialist revolution, as defined by the Brazilian Communist Party. In the case of the question of State investments, for example, whereas the developmentalists proposed these investments merely as a way of guaranteeing industrialization, without going into further considerations of a political nature, the socialists saw this as part of the discussion on the transition to socialism and the political agenda to promote that transition. In fact, even thought the leaders of the party viewed their intellectuals with some mistrust, the entire economic reflection of the socialist current was subordinated to the internal discussions in the party on their revolutionary tactics and their platform of political struggle. This was so in all the economic questions analysed: foreign capital versus nationalization; inflation and the balance of payments; agrarian reform, or any other economic policy issue of the period.

The socialist current was perhaps the group mainly responsible for the introduction into the economic debate of the aspects concerning the "production relations". Moreover, through such men as Caio Prado Jr. and Nelson Werneck Sodré, it also had a great deal of influence on the introduction and dissemination of an historical perspective into the debate on the Brazilian economy. In spite of these indisputable merits, however, economic analysis proper was relatively weak in this current of thought.

The discussion of the revolutionary process had as its theoretical matrix historical materialism. The marxist idea that the historical evolution of mankind takes place through a well-defined succession of forms of production, and that these movements take place through the class struggle, dominated the socialists' analysis in the political field and hence determined the main lines of their economic analysis. In reality, in the case of the socialists it is difficult to speak of the economic theory underlying their analysis. On the one hand they rejected the application of current economic theory to the interpretation of the Brazilian economy, even more radically than the structuralists (who only proposed that it should be used in a selective manner, adapted to the case of the peripheral countries, and that the latter should have the right to formulate and use their own theories). On the other hand, they did not make an analytical effort even remotely comparable with that of the structuralists. Even the use made of marxist economics was quite limited. For example, the texts by Caio Prado Jr. –the most important intellectual engaged in the dissemination of the marxist analysis– were of a theoretical and didactic nature and did not deal with the analysis of the Brazilian economy.

The application of historical materialism to the Brazilian case led, in summary, to the idea that Brazilian society was passing through a stage in which it was emerging from the colonial export economy and was in transition towards a modern industrial economy. Up to that point, the interpretation would be identical with that of the developmentalists, were it not for two basic aspects: firstly, that this transition was seen as a necessary stage in the struggle for the establishment of socialism, and secondly, that in order to guarantee this it was necessary to proceed to the radical elimination of two contradictions inherited from the previous period: the monopoly of land ownership (the internal contradiction) and imperialism (the external contradiction). The economic analysis of the socialist current, which was deeply committed, as already noted, with the political struggles of the Communist Party, had as its points of reference and stimulus the struggle for agrarian reform and for the elimination of imperialism, and all the basic problems of the Brazilian economy were treated from that viewpoint.

The socialist current did little to analyse the issue of trade, and when it did so, its reflections were subject to the relationship between liberalism and imperialism. Inflation was also a secondary issue in the thinking of the socialist authors, and its treatment was well below the analytical level attained in the debate between structuralists and monetarists; in most cases, the main objective in presenting the arguments was to enhance the political conclusions that could be drawn from them: for example, that inflation was the result of exchange rate devaluation, which in turn was the result of the

shortage of foreign exchange caused by the remittance of profits abroad or the insufficient agricultural supply due to the monopoly of land ownership. The only study in the socialist current which represented a real effort at systematization of the treatment of the topic was that by Guimarães (1963), in which it was held that inflation was the result, primarily, of the concentrated structure of ownership and secondly, of an economic policy which was at the service of big capital (exchange reforms and lack of control over external trade, public expenditure and credit designed to increase profits or socialize losses). This interpretation had an affinity with another concern of the socialist intellectuals, especially Heitor Ferreira Lima and Aristóteles Moura, namely, that of proving that there was a great concentration of ownership, especially in the sectors of the economy where foreign capital predominated.

4. *The thinking of an independent: Ignácio Rangel*

Ignácio Rangel was the most creative and original of the analysts of Brazilian economic development. He worked in several specialized institutions dealing with the development process after the war. Between 1951 and 1954 for example, in the economic advisory team of President Vargas, he took part in the preparation of the projects for the creation of PETROBRAS and ELETROBRAS, and subsequently, in the BNDE, he took part in the execution of the "Plan de Metas" and was head of the Economics Department for a time. He was thus able to see Brazil from the privileged viewpoint of some of the main economic decision-making centres of the country.

Rangel was a socialist who, from the point of view of "political tactics", was close to the nationalist developmentalist current, while from the point of view of analysis and concrete economic policy proposals he was an independent. This independence prevents us from classifying him in the currents of thought described earlier, especially as he himself was the author of the analytical scheme which guided his reflections on the Brazilian economy.

In point of fact, and in contrast with the adhesion to ECLAC structuralism by the nationalist developmentalists and the adoption of historical materialism by the socialists, Rangel constructed his own analytical framework –the theory of the "basic duality of the Brazilian economy"– and examined almost all the central issues in the economic debate of the time within that framework.

Rangel did not disagree with the basic theories of marxist historical materialism. He considered, however, that Brazil's form of insertion in the world economy, that is to say, the fact that it was a complementary or peripheral economy, demanded that such theories be assimilated in a critical manner.

In order to take account of this difference, Rangel divided the concept of production relations into "internal relations" and "external relations". Through this subdivision, he expressed his theory that the history of the country corresponded to a series of stages characterized by the simultaneous presence of two forms of production, i.e., a series of "stages of dualities". According to this theory, in the 1950s the country was in the third duality (the first was the phase of slavery/mercantile capitalism which took up a large part of the nineteenth century, and the second was the feudal/mercantile capitalist stage which began with the crisis of slavery in the last decades of that century). The third duality had begun with the crisis in the external relations of production which led to the serious problems of the 1930s. At that moment, the development of the national productive forces was obstructed by the contraction of the international market, giving rise to profound changes in the internal production relations and in the economy of the country. The "dominant formation" in the "internal pole" of the economy continued to be the latifundio, while in the case of the "external pole" the new dominant formation was industrial capitalism, which took the place of mercantile capitalism.

On the basis of these ideas, Rangel analysed the role of the State, planning, financial reform, the nature of Brazilian agriculture, etc. He also took on the whole of the left in the intense controversy over agrarian reform (he considered that such reform, although just, was not viable from the political point of view –in view of the strength of the latifundio owners– nor indeed was it necessary, not only because agriculture was not obstructing capitalist development, but also because such development itself carried out the function of undermining the basis of the "feudal" agrarian structure). He also analysed the Brazilian crisis of the early 1960s, adding to the economic factors involved in it the marxist idea, not previously applied in the country, that it was a "crisis of realization".

II

The evolution of economic thinking: the ideological cycle of developmentalism (1930-1964)

This section briefly summarizes the evolution of Brazilian economic thinking in the period 1930-1964. As in the previous section, attention is centered on the "developmentalist" debate, understood as that which took place with regard to the project for industrialization with heavy State support.

The periods used here in order to chart the movement of ideas were defined according to the main changes in the intellectual history of the industrialization project in Brazil. In the economic literature, four great phases may be identified in the process of formulation of that project: the birth of developmentalism (1930-1945), its maturity (1945-1955), the heyday of this current of thinking (1956-1960), and its crisis period (1961-1964).

1. *The birth of developmentalism: 1930-1945*

Among the studies on the history of Brazilian industrialization, there are several which show that an awareness of the need for industrialization existed since the last century (Carone, 1976; Dean, 1971; Luz, 1961; Leme, 1978 and Lima, 1975). The reading of these works makes it possible to identify, in the views expressed by supporters of industrialization prior to 1930, three elements which were also to be integrated in the ideological framework of the transitional period of the 1930s and 1940s: i) the attack on liberalism associated with the defence of protectionism; ii) the attack on liberalism associated with other forms of support for the industrial sector, such as credits and tax and tariff exemptions, and iii) the association between industry and "prosperity" or "progress".

This ideology of the dawn of Brazilian industrialization was marginal to the life of the country, just as industry itself was. In the defence of industry, it was not seen as a sector of fundamental importance for the transformation of Brazilian society, and the arguments only sought attention for the immediate interests of infant industry. The 1930s and the years of the Second World War were the starting point for profound changes.

At that time, four ideological elements appeared more or less simultaneously which were of fundamental importance for the developmentalist project and were superimposed on and went beyond the limits of the previous industrialization ideas.

Firstly, it was understood that it was necessary and viable to establish an integrated industrial sector capable of producing domestically the inputs and capital goods needed for the production of final goods. Secondly, it was understood that it was necessary to establish mechanisms for centralizing financial resources in order to make possible the desired industrial accumulation. Contributions were made to this, for example, by the discussions on the viability of great projects such as the pioneering National Iron and Steel Corporation (established in the first half of the 1940s). Thirdly, the idea that the State should support private enterprise ceased to be an isolated proposal of a few industrialists and gained greater legitimacy among the entrepreneurial and technical elites of the country. Fourthly, economic nationalism, which until then had shown itself very little in the country, came to be important. Not only was there an increase in the feeling that industrial development should be protected and in the desire to control the use made of national natural resources, but the idea was also introduced that industrialization required direct State planning and investments in transport, mining, energy and basic industry.

This was still the period of the "origins" of the developmentalist ideology. In order to avoid confusion in this respect, it must be recalled that the "revolution of the 1930s" was not an event that had anything to do with industrialization. To be exact, the current interpretation of its significance does not go any further than asserting that it marked the breakdown of the political hegemony of the regional oligarchies, thus opening up a space for the entry of new actors into the limited cast of the ruling elites of the country. At the most, it might be said –as in Ianni (1971)– that suitable conditions were created for the development of a bourgeois State.

Developmentalism –that is to say, the ideology of overcoming underdevelopment on the basis of a strategy of capital accumulation in industry– was only to mature and occupy the leading position in the second half of the 1950s. In the 1930-1945 period, there was a first, limited awareness of the project by a small elite of entrepreneurs and above all by a small nucleus of civil and military government technicians who formed the technical cadres of the new institutions set up by the centralized State under Vargas. The questions of national scope which these technicians tackled in their offices led them to think about the long-term problems of the economy and hence about the possibility of the historical solution of industrialization. This phenomenon was probably more important than the spread of an awareness of the importance of industrialization within the industrial class itself.

2. *The maturity of developmentalism: 1945-1955*

Developmentalism reached its stage of maturity between 1945 and 1955. The idea of maturity is used here in two senses: that of progress in the spread of developmentalist ideas in the economic literature, and that of progress in the analytical content of the proposals put forward. In this section, three markedly different stages in this process will be examined.

a) *The first stage: liberalism and the developmentalist resistance to it in the post-war transition (1945-1947)*

The democratic transition in the early post-war years brought with it intensive political and institutional mobilization in the country, and this naturally influenced Brazil's intellectual life. The establishment of political parties, the elections for President of the Republic and for the members of the Constituent Assembly, the preparation of the Constitution, the organization of new institutions in civil society, were all aspects which helped to create a climate of controversy that the country had not previously known.

With regard to economic problems, the debate was also enlivened by two very special circumstances. Firstly, because at the end of the war basic queries naturally arose about the economic future of the country at both the domestic level and with regard to its international relations. Secondly, because the wave of political liberalism was used by the opponents of Vargas –and by the new government of President Dutra– as ideological support for dismantling the machinery for State intervention in the economy which Vargas set up during the *Estado Novo* and which was considered to be an element of continuity of the real political power of Vargas. The climate was therefore favourable both for discussion on the medium and long-term future of the Brazilian economy and for intense disputes between liberalism and developmentalism.

Indeed, as far as the evolution of economic thinking was concerned, these years of transition were very special, marking the beginning of a broad public debate in Brazilian society on all the basic questions of the country's economic development. This was a "doctrinaire" period *par excellence*, in which economic liberalism, fed by expectations of the normalization of international trade, confronted the young developmentalist ideology in a dispute over the ideological orientation of the "Brazilian economic order", in which finally there were no clear victors.

Historians interested in recording the climate of economic liberalism of that period will surely not be short of material. In line with the liberalism of the economic policy which was applied (involving in general the softening or elimination of the mechanisms for State control over external trade and economic activities), numerous analyses and expressions of support are to be found in the economic literature of the period.

However, the liberalizing climate is only half the story of economic thinking in the early post-war years. The other half consists of the story of how the developmentalist ideology which had originated in the preceding period resisted this climate and endured, without yielding any ground, the acid test of the ideological mingling of political and economic liberalism which was favoured by the prevailing circumstances.

The very need to resist demanded an effort of organization of ideas which represented an advance for the developmentalist position. Perhaps the best example of this was the famous controversy between the liberal Eugenio Gudin and the pioneer of developmentalism, Roberto Simonsen, which took place in 1944 (Simonsen, 1977). Although the first-named of these contestants was better prepared analytically, and although there is no point in trying to decide who "won" the debate, it can be asserted that the efforts of Simonsen were

themselves responsible for the first basically complete and organized statement of the developmentalist position. The intensification of the debate and the increase in the number of channels of intellectual expression in the following years mean that this period may be considered as a turning point in the developmentalist ideological cycle, or more exactly as the beginning of the maturity of the ideas of that current.

b) *The second stage: the maturity of developmentalism in a favourable historical context (1948-1952)*

When dealing with the decade following the Second World War, students of Brazilian history usually subdivide this period according to the successive governments (1946-1950, President Dutra; 1951-1954, second government of Vargas, and 1954-1955, government of President Café Filho and provisional governments which followed his exit).

From the point of view which interests us here, however: that is to say, describing the process of maturity of developmentalism in the economic literature, some changes may usefully be made in this subdivision. Firstly, it is necessary to highlight the years of political transition following the war, as we already did in the previous section. Moreover, there is some justification for dividing up the years from then until 1956 (the year when the Kubitschek administration began) in a more heterodox manner, considering separately the years from 1948 to 1952 on the one hand, and the three-year period 1953-1955 on the other.

There were indeed many elements of continuity in the period 1948-1952, beginning with what happened in the economic and political fields. With regard to the first of these, there was rapid growth and relative monetary and exchange rate stability between two difficult years (in 1947 there was a relative contraction in economic activity and an exchange crisis, and in 1953 there was a monetary and exchange crisis, as well as a crisis in agriculture). There was also an improvement in the terms of trade, which made it possible to satisfy the growing needs for imports.

In the political field, a conservative power pact came into effect which had been established in 1947 (a year of change from the democratic liberalism of the immediate post-war period, with the outlawing of the Communist Party and political repression) between the Social Democratic Party (PSD), the party of President Dutra, and the National Democratic Union (UDN), the main opposition party (Fiori, 1984). Vargas tried to respect this pact at the beginning of his administration, and succeeded in securing a certain degree of political stability in 1951 and 1952. Populism, which was the tactic he used to support his policies independently of the conservative elites, was only to become a factor of destabilization from 1953 onwards.

Brazilian economic thinking in the period 1948-1952 differed from that of the three-year period immediately preceding it because on the one hand it did not reflect the reorganizations and rearrangements in the power structure which were characteristic of the post-war transition, and also because it did not reflect as intensively the uncertainties, hopes and perplexity connected with the basic problem of that time: the normalization of the economy in times of peace. On the other hand, it also differed from the three-year period immediately following it because of the prevailing economic and political stability, which was not to be a feature of the years 1953-1955.

In the following sections, some historical elements which contributed to the maturity of developmentalism in the period in question are highlighted:

i) In 1947 there was a sharp reversal in the expectations that the machinery of international trade would soon be normalized (non-convertibility of the pound sterling, proliferation of bilateral treaties, etc.). This fact became particularly clear when the country had to face an unexpected exchange crisis. At that moment, Brazilian external trade policy once again underwent heavy State intervention, causing frustration to the liberals but being interpreted by the developmentalists as support for their proposals.

ii) An important element in this period was the concern to replace the stock of machinery (*reaparelhamento econômico*, in the rather curious expression originally used in Portuguese). Since the last years of the war, this expression referred to the need to expand the replacement of producer goods in the Brazilian economy. This concern was important for the maturity of developmentalism, because it naturally led to reflections on economic planning and industrialization. The debate on these

issues was further intensified after the frustration of the expectations of using the foreign exchange reserves accumulated during the war to import capital goods for industry and the infrastructure. In addition, there were other elements, such as the criticisms that the Marshall Plan was simply going to leave out Latin America, the negotiations with the United States on special treatment for Brazil in exchange for unrestricted political alignment (in the context of the Cold War), and the growing fear of a third world war (which it was felt would take the Brazilian economy by surprise and find it unprepared for such a situation). The debate on *reaparelhamento* culminated, on the one hand, in massive imports in 1951 and 1952 and the establishment of the Brazil-United States Joint Commission (a body for planning major investments) in 1951 and of the BNDE in 1952, while on the other hand the election of Eisenhower represented a clear interruption of any expectations of obtaining major support from the United States for basic investments in the country.

iii) This period was intensely nationalist, because of the campaign for the nationalization of the petroleum industry. The decision on this issue was taken by Parliament in 1952 with the creation of PETROBRAS, followed by a natural retraction in nationalist ideology.

iv) Finally, there was an important linking element between the liberalism of the Dutra administration and the developmentalist current of the Vargas administration: the economic ideology of the latter, which originated in the 1930s, was strengthened during the Dutra administration with an intensive process of criticism of the passivity and liberalism of the latter government. Up to a certain point, the conscious developmentalism of the Vargas administration was a direct result of the frustrations caused by the Dutra administration to those who advocated a policy of industrialization for the country.

In this favourable climate, the economic literature gradually began to reflect the relative strengthening of the developmentalist view. To the right of this, in rather a timid manner, the liberals witnessed a form of evolution of events which ran counter to their principles: they tried to explain that the tendency of the international system was towards the recovery of equilibrium, and they concentrated their attention on the problem of monetary stability. To the left of the developmentalists, the socialists divorced themselves from the national situation under the impulse of the radicalization of the Communist Party's political tactics due to the repression suffered by it. The participation by the socialists in the intellectual life of this period was restricted almost entirely to the campaign for the nationalization of the petroleum industry, the debates on which they followed closely, especially through their military sympathizers and the *Revista do Clube Militar*.

In this period, developmentalist ideas gained wide currency in the economic literature. For example, the National Confederation of Industry began in 1950 to publish the magazine *Estudos Econômicos*, the first issues of which (1950 and 1951) are of considerable historical value, since they contain, among other important documents, a summary of the ECLAC *Economic Survey of Latin America, 1949* and a preliminary version of the famous text by Raúl Prebisch, "Theoretical and Practical Problems of Economic Growth".

In 1947, the Getúlio Vargas Foundation began publication of the review *Conjuntura Econômica*, headed by a team of developmentalist economists. A little later, publication of the *Revista Brasileira de Economia* began, with a team of neo-liberals directed by Eugenio Gudin and Octácio Gouveia de Bulhoes. In spite of its own theoretical and ideological leanings, this latter publication also included articles of different tendencies, including the "Economic Manifesto" of Prebisch (in September 1949, before its publication in ECLAC, 1950); the Introduction to the *Economic Survey of Latin America, 1949* (ECLAC, 1951), and the text by Hans Singer (1950) on the deterioration of the terms of trade.

The publication of the first theoretical papers by ECLAC made a dual contribution to the maturity of developmentalism. Firstly, because the ECLAC texts gave a boost to the developmentalist ideology: they were nothing less than signed declarations by a United Nations body which not only asserted that a vigorous process of industrialization was underway in the continent, but which also considered it a new stage in the history of mankind. And, secondly, because they gave the defenders of State planning and support for industrialization a whole new set of arguments built on analytical bases which were far superior to those used hitherto.

c) *The third stage: the resurgence of liberal ideas and the reassertion of developmentalism*

The period from 1953 to 1955 was one of marked political instability. From 1953 onwards there was increasing opposition to Vargas from various sectors of the Brazilian civil and military élite. The crisis culminated in the suicide of the President in August 1954, but the instability continued, jeopardizing and almost preventing the assumption of office by President Juscelino Kubitschek, elected at the end of 1955.

As is usually acknowledged in Brazilian historiography, this was an essentially political crisis. This does not mean, however, that there were not also elements which disturbed the economic situation. An exchange crisis in 1953 and 1954, and above all the upward trend of inflation in those years, heightened the general climate of political instability and provided the opponents of Vargas with telling arguments.

Indeed, the opposition took advantage of the situation to exaggerate the seriousness of the economic problems, thereby strengthening the perception of the public that the country was in the midst of an economic crisis and fomenting the idea that the Vargas administration was responsible for this because of its "interventionist" and "inflationary" nature.

The context was consequently very favourable for a liberal counter-attack on developmentalist ideas, and in fact this was clearly to be observed. The developmentalists carefully analysed the attacks of the liberals and reacted with a reassertion of their fundamental principles. Perhaps the most important feature of this interesting dispute in the field of ideas was that it brought out the fact that the formulation and acceptance of the industrialization strategy had matured considerably in the country.

At that moment, in contrast with previous periods, what was being discussed was not the validity of an economic policy of support for industrialization, but the degree of intensity of State intervention and the rate at which urban-industrial development should be carried out. This debate split up the discussions on the permissible degree of tolerance of the monetary and exchange imbalances generated by the process under way and on the relationship between State intervention, the correction of the imbalances, and the continuity of development.

The views of Eugenio Gudin, for example, continued to have validity and force when the neoliberal leader spoke of reducing State intervention or achieving monetary stabilization, but they began to seem out of date when he insisted in questioning the very possibilities of industrialization. This type of talk represented less and less of a threat to the developmentalist project. Furthermore, the ideas put forward in opposition to the project were promptly refuted in a manner which was often further strengthened by the analytical instruments contributed by ECLAC.

The period 1953-1955 may be considered as an advanced phase in the process of maturity of the developmentalist project, since in this period the range of institutions engaged in intellectual production was renovated and expanded. This meant a big advance towards greater awareness of the importance of the political struggle in the intellectual field.

The five great currents of thought referred to in the first part of this article –the neoliberal current, the three developmentalist ones, and the socialist current– were very clearly located in their respective institutions.

The neoliberals gained complete domination over the Getúlio Vargas Foundation with the exit of the developmentalists from control of the review *Conjuntura Econômica*; they also controlled the reviews of the National Economic Council and the National Confederation of Trade. The non-nationalist developmentalists –less numerous, but maintaining active intellectual participation– made up the Brazil-United States Joint Commission and also had influence in the BNDE. The nationalist developmentalists set up two important institutions: the Higher Institute of Brazilian Studies (ISEB) and the *Clube dos Economistas*, the latter being initially formed on the basis of a nucleus from BNDE, under the leadership of Celso Furtado (who had moved from Santiago, Chile, to Rio de Janeiro in order to work in the ECLAC-BNDE Joint Commission on a project on economic planning in Brazil. The private sector developmentalists –who were less important in this phase– continued to publish the review *Estudos Econômicos* in the National Confederation of Industry, and finally the socialists, grouped together in the Brazilian Communist

Party, once again stepped up their participation in the intellectual life of the country after the death of Vargas (the important review *Revista Brasiliense*, for example, appeared for the first time in 1955).

3. *The heyday of developmentalism: 1956-1960*

The Kubitschek administration (1956-1960) combined relative political stability with rapid economic and industrial growth and clearly reflected a developmentalist strategy. Already in his Presidential campaign in 1955, Kubitschek had announced that in his mandate he would achieve "fifty years of progress in five". In the early days of his administration he set up the *Conselho Nacional de Desenvolvimento*, which formulated and followed up the implementation of what is considered to be the most important planning instrument in the history of the country, namely, the *Plan de Metas*. In 1956 the situation of perplexity and vagueness over the economic courses to be followed, which had affected the country in previous years as a result of the political crisis, had already been overcome. The developmentalist ideology was now incorporated into the official policy statements of the government.

The economic literature very clearly expresses the perception that the intellectual elites of the country had of these changes. The developmentalist economic thinking, which had matured in the previous ten years, now entered its heyday. In other words:

i) The planned industrialization project was widely disseminated in the economic literature and also gained the upper hand over the neoliberal school of thought. Although the latter did try to return to the attack, it had been weakened by historical circumstances and was now on the defensive. The school of thought which was to pass over to the offensive was the socialist school, which helped in this period to disseminate certain elements (regarding nationalism and questions of distribution) which were to be of great importance later on in the crisis of developmentalism.

ii) Economic reflection, which had been strongly influenced in previous years by the debate on monetary stabilization and the need for equilibrium in the balance of payments, came to be totally subordinated to the discussion of the question of economic development. In brief, what dominated the discussions at this time was the proposal to intensify the industrialization process by planning it, expanding the infrastructure of goods and services, guaranteeing the necessary imports, and avoiding contractionary anti-inflation policies.

This was a particularly opportune moment for the use of the structuralist arguments on external imbalance and inflation. The ECLAC analysis of the structural causes of balance-of-payments problems had already been used for a number of years, and it continued to be an important instrument against the arguments of the IMF that it was necessary to grow in a "balanced" manner and to adjust the growth rate of the economy to this principle.

The structuralist theory regarding the causes of inflation –a theory which arose around that time within ECLAC (Vásquez, 1956; Sunkel, 1958 and Pinto, 1957)– was very widely used and disseminated by the economists of the nationalist developmentalist current. Those were the years when the structuralists energetically defended the need for some tolerance of inflation. Obviously, the idea that inflation is a phenomenon which is inevitably associated with industrialization in countries with a poorly diversified structure fitted in perfectly with the arguments against the political pressures for the application of severe measures to control inflation (in contrast with Argentina, where the IMF imposed a stabilization programme, the Kubitschek administration broke with the IMF in 1959, which shows how favourable the Brazilian historical context of that time was for the dissemination of structuralist ideas).

4. *The crisis of developmentalism*

Between 1961 and the military coup in 1964, there was great political instability in the country, unprecedented mobilization in favour of social reforms, serious monetary, financial and exchange difficulties, and (as from 1962 but above all in 1963) pronounced declines in the growth rates of the product and employment.

As a reflection of this new situation, of the higher degree of politicization reached by society and –no less important– the fact that industrialization was already basically consolidated (or that the industrialization ideology had ceased to have any novelty appeal), the developmentalist school of thought entered into crisis.

The industrialization project, which until a few years before had been increasingly guiding the thinking of Brazilian economists, ceased to act as the ideological backbone of economic proposals and analyses (as was occurring all over Latin America, and especially in the thinking of ECLAC).

The crisis in developmentalist economic thinking may be summed up as follows:

i) Economic reflection was subordinated primarily to two aspects: the structural problems of inflation and the balance of payments, and the "basic reforms". In particular, the question of social reforms –especially in agrarian matters– became for the first time a basic element in the economic debate, as part of an appraisal of previous experience and of the future development possibilities of the economy.

ii) There was thus an interesting combination between the emphasis on short-term problems, typical of a current crisis, and the emphasis on the more general problem of the introduction of basic changes in the growth pattern, typical of a structural crisis. The latter feature was further heightened by an ideological element which returned once again to the Brazilian scene: economic nationalism, which, by stimulating the debate on the economic and political assertion of the nation, also helped to stimulate discussion on the changes in the course followed by the Brazilian economy.

iii) Obviously, the new agenda left much less space available for the developmentalist concerns of the past, such as the planning of industrial investments.

iv) What was now involved was a test of a new style of developmentalism, profoundly changed, less optimistic, and wrapped up in "reformist" campaigns. There was more widespread currency of the notion that continuity of development was difficult, if not impossible, within the existing institutional structures. There were various aspects which contributed to this. Firstly, it was felt that there was a lack of a financial equation which would permit growth without serious fiscal and monetary imbalances, and this would call for far-reaching fiscal and financial reforms; indeed, there was even a reasonable degree of consensus that the Brazilian State was not prepared financially for coping with the demands that the country imposed on it. Secondly, it was asserted that unless there were reforms in agrarian structure and a change in income distribution, industrial development would not be able to solve the problems of unemployment and poverty of the majority of the population and of extensive regions of the country; the 1963 recession further accentuated this pessimism and helped to undermine the traditional developmentalist outlook. Thirdly, the country was beginning to take account of the theory, recently introduced into Latin America, that institutional reforms in income distribution were not only necessary as a question of social justice, but were also essential in order to recover the growth capacity of the economies: in other words, the ECLAC analyses on the tendency to stagnation, incorporated in reformist proposals, were already beginning to circulate in the country.

In this final phase of the developmentalist ideological cycle, the concepts we used earlier to define the various currents of economic thinking began to lose validity. At that time, the analytical category which permitted us to organize this history of economic thinking in the 1930s, 1940s and 1950s –that is to say, the concept of "developmentalism"– began to lose its capacity to explain the ideas of the economists.

The problem which arose in the early 1960s was no longer that of defending or attacking the strategy of creating an industrial economy, since the irreversible nature of this was perceived by all. What was now involved was the need to define the goal towards which the Brazilian industrial economy should lead, since it had started off with serious distortions, especially in the social field. Faced with this thematic redefinition, the economists regrouped themselves in accordance with political and ideological considerations which had not existed in the past.

Thus, for example, the "right" of the political spectrum: the neoliberals and the non-nationalist developmentalists –and to some extent also the private sector developmentalists– began with a few exceptions to think and sometimes even to work together. The best example of such fusion was perhaps that of the "partnership" between Bulhoes and Campos, respectively ministers of finance and of planning in the first military government (1964-1967), while the best example of separation was perhaps that of the split-up of the Brazilian left, which spread out over a multitude of tendencies and organizations.

III

Final reflections

This final section of the article has been reserved for some considerations of a subjective and speculative nature.

The first of these concerns the quality of the objective of this study: has the intellectual production in the field of economics contributed to the development of the country? The answer would appear to be fully affirmative. The economic debate appears to have fulfilled its fundamental social function by permitting the heightening and spread of critical analysis of the economic and social problems of the country, thus improving the quality of the decision-making process and rendering it more democratic. The intensity attained by the debate among economists and the clarity with which the political and intellectual elites came to understand the process under way are undoubtedly impressive.

On the other hand, it is not surprising that the question of social reforms was only incorporated into the debate in the 1960s. From the very beginning of this research study, when he was still seeking the foundations of developmentalist thinking, the author suspected that society in the developmentalist era was not politically prepared for the spread of an ideology advocating an alternative (reformist) type of capitalism.

This initial impression grew stronger in the course of the study: it would appear that, in view of the features of the political and social structure of that time –the institutional framework, structures of property and domination, etc.– the only forward-looking project that could be asserted historically was that of industrialization pure and simple. This is why the only political group which defended the introduction of reforms ever since the 1930s –i.e., the Brazilian Communist Party– only exerted any substantial ideological influence, before the 1960s, during its fleeting period of legality immediately after the war.

As already noted, during the crisis of developmentalism –in the early 1960s– the first analytical formulations began to appear which advocated a form of capitalism with greater social justice and better distribution of income and property. It could be said, as a final speculation, that the military coup aborted what might well have been a slow but steady process of social progress, and at the same time it aborted what might have been its ideological counterpart at the level of economic thinking: i.e., a new cycle of the "developmentalist-reformist" type.

It is possible that historians specializing in the economic ideas of the phase which came after 1964 may identify as the hub of the Brazilian economic debate an ideology based on the "heightening of capitalism" without major social concerns, despite the attacks of an intelligentsia which, although having progressive ideas, had only limited ideological influence. They may perhaps also conclude that, with the re-democratization of Brazilian society in the 1980s, the reason why the reformist approach is not a central feature of the economic debate today is that the country is currently experiencing an acute economic crisis.

It is to be hoped that the historical conditions needed for the resumption of the hypothetical reformist ideological cycle will not be long in coming.

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