RECENT STUDIES ON THE ECONOMIC HISTORY OF BRAZIL

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THE BRAZILIAN ECONOMY: GROWTH AND DEVELOPMENT. By WERNER BAER. Second edition. (New York: Praeger, 1983. Pp. 354. $34.95 cloth, $13.95 paper.)

FILHA BRANCA DE MÃE PRETA: A COMPANHIA DE ESTRADA DE FERRO DOM PEDRO II, 1855–1865. By ALMIR CHAIBAN EL-KAREH. (Petrópolis: Editora Vozes, 1980. Pp. 153.)

A BURGUESIA BRASILEIRA. By JACOB GORENDER. Tudo É Historia number 29. (São Paulo: Brasiliense, 1981.)

UNDERDEVELOPMENT AND DEVELOPMENT IN BRAZIL. Volume 1: ECONOMIC STRUCTURE AND CHANGE, 1822–1947. By NATHANIEL H. LEFF. (London: George Allen and Unwin, 1982. Pp. 251. $29.50.)

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CAFE E INDUSTRIA EM MINAS GERAIS, 1870–1920. By JOÃO HERALDO LIMA. (Petrópolis: Editora Vozes, 1981. Pp. 105.)

LA PREINDUSTRIALISATION DU BRESIL: ESSAIS SUR UNE ECONOMIE EN TRANSITION, 1830–50, 1930–50. Edited by FREDERIC MAURO. (Paris: Editions de Centre National du Recherche Scientifique, 1984. Pp. 357.)

THE LATIN AMERICAN ECONOMIES. Edited by ROBERTO CORTES CONDE and SHANE J. HUNT. (New York: Holmes and Meier, 1985. $45.00.)

METAMORFOSES DE RIQUEZA: SÃO PAULO, 1845–1895. By ZELIA MARIA CARDOSO DE MELLO. (São Paulo: Editora Hucitec and Prefeitura do Município de São Paulo, Secretaria Municipal de Cultura, 1985. Pp. 188.)

DEVELOPMENT AND CRISIS IN BRAZIL, 1930–1982. By LUIS BRESSER PEREIRA. Translated by MARCIA VAN DYKE. (Boulder, Colo.: Westview, 1984. Pp. 241. $25.00.)

PROCESSO DE MODERNIZAÇÃO DO BRASIL, 1850–1930, ECONOMIA E SOCIEDADE: UMA BIBLIOGRAFIA. Edited by ANGELA PORTO, LILIAN DE A. FRITSCH, and SYLVIA F. PADILHA. (Rio de Janeiro: Fundação Casa de Rui Barbosa and Banco Crefisul, 1985. Pp. 364.)

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BARÕES E ESCRAVIDÃO: TRES GERAÇÕES DE FAZENDEIROS E A CRISE DA ESTRUCTURA ESCRAVISTA. By EDUARDO SILVA. (Rio de Janeiro: Editora Nova Fronteira, Instituto Nacional do Livro, Fundação Nacional Pro-Memoria, 1984. Pp. 274.)

Brazil is a capitalist country—that much is clear. But when and how this development occurred and the peculiarities of Brazilian capitalism remain controversial topics. Brazilians have long been concerned with their relative historic backwardness, tired of always being the country of the future. In the nineteenth and early twentieth centuries, they blamed various culprits that unfortunately explained more about the prejudices of the day than about the reasons for Brazil's underdevelopment. Climate, culture, laws, race, and religion were blamed equally by disdainful foreigners and haughty upper-class Brazilians. Only since World War II and particularly since the 1960s has Brazil's economic history been studied in a serious and systematic manner.

In earlier times, economic history was left to persons with no formal training in either economics or history. Prominent analysts of the nineteenth century were usually politicians and lawyers, like Rui Barbosa, Amaro Cavalcanti, and Liberato de Castro Carreira. Many noted economic historians of the early twentieth century were similarly self-taught: Roberto Simonsen was an engineer and businessman, Cáio Prado Junior, a lawyer, Humberto Bastos and Nelson Werneck Sodré, military officers. All of them made important contributions, to be sure, but their studies were usually sweeping overviews with limited empirical bases.

Since the university reforms of the 1960s and 1970s and the growth of graduate programs in history and economics, Brazil's economic history has been receiving increasingly rigorous treatment, although North Americans and Europeans have not joined this wave in appreciable numbers. Of the eighty-nine Brazilian masters' and doctoral theses in Brazilian history written between 1965 and 1977, thirty-two were in economic history. I have no national data for the more recent period, but at one of Brazil's most respected graduate history programs, the Universidade Federal Fluminense, twenty-three of the fifty-six masters' theses completed by 1984 dealt with economic topics. The Brazilian national economics association, the Associação Nacional dos Centros de Pós-Graduação em Economia (ANPEC), devotes at least one session to economic history at each annual meeting.

This trend is greatly enriching understanding of Brazilian development. Because fine graduate programs have sprung up in many of the states, regional studies have begun to illuminate the great economic diversity of this huge country. Unfortunately, however, intellectual information remains decentralized because studies do not circulate much among regions. Exacerbating the situation is the fact that Brazil's recent economic woes have hit the publishing industry particularly hard. Thus while much work is being done, it is difficult to find out exactly what results are being produced. Fortunately, enough studies have been published recently to provide at least a sample of current research.

This decentralization of information makes the bibliography of works on Brazil's economy and society between 1850 and 1930, entitled *Processo de Modernização do Brasil*, an especially useful research tool. The fifteen-page introduction by editors Angela Porto, Lilian Fritsch, and Sylvia Padilha provides a helpful overview of various approaches to studying Brazil's economy and society. Paragraph summaries of 2053 books follow, including statistical compendia, bibliographies, government reports, travelers' accounts, private association reports, and other analyses written between 1850 and 1982. The best bibliography of its kind, the work should be the starting point for any research on Brazil's economy in the period under consideration. It is a shame that articles are not also covered so that fine essays by such authors such as Winston Fritsch and Flávio and Maria Teresa Versiani could have been included. Very recent works are also missing. Still, the editors and the Casa Rui Barbosa, which oversaw the project, should be congratulated for this valuable service.

Most recent works on economic history also concentrate on the years between 1850 and 1930. This era traditionally had been dismissed as a stagnant period with growth but certainly no development. It was supposedly characterized by an export-oriented agrarian oligarchy that was hostile to industry and state economic interference. Foreigners and the influence of the world economy were perceived as conspiring to prevent Brazilian development prior to 1930.

This view of the era before 1930 has been revised by many scholars. One prominent example is the economist and leading government advisor João Manuel Cardoso de Mello. In *O Capitalismo Tardio*, he launched an attack on the oversimplistic dependency approach, arguing that "the direction of the economy's movement . . . is determined in the first instance by internal factors and in the final instance by external factors."[1] Mello continues the attack in a contribution (coauthored with another prominent economist, Maria da Conceição Tavares) to *The Latin American Economies*, edited by Roberto Cortes Conde and Shane Hunt. According to Mello and Tavares's perspective, capitalism in Brazil, which was already emerging in the 1880s, was neither "implanted" nor "transplanted" into Brazil by foreigners. Rather, foreign capital operated as a "catalyst to transform these [Latin American] economies from within" (p. 85). Brazil had already made the "passage from colonial to capitalist economy by way of a national mercantile-slave economy" during the First Republic because of internal dynamics (p. 82).

The key notion is that capital created by Brazil's burgeoning coffee exports was accumulated not only by planters but to a larger extent by the commercial and financial agents of the coffee complex. Building on the insights of Warren Dean, Wilson Cano, Sérgio Silva, and Flávio Versiani, Mello and Tavares point out that Brazil's industrialists did not constitute an incipient revolutionary bourgeois class, being mainly the same merchants and planters who benefited so handsomely from the coffee economy.[2] Mello and Tavares thus posit symbiotic relationships among agrarian, commercial, and industrial capital rather than the allegedly conflictive relationships. Although most of these actors were Brazilians or immigrants, foreign investors have not been overlooked. Indeed, expanding international markets and European and North American capital exports made possible the metamorphosis of capital: "During its competitive stage, . . . capitalism's power of diffusion was limited. . . . [W]ith the emergence of monopoly capitalism between 1880 and 1900, circumstances changed dramatically. Monopoly capitalism greatly accelerated the subversion of social relations and the global diffusion of capitalism by converting the exportation of capital—now directed chiefly at precapitalist areas—into a basic characteristic of the world market" (p. 84). The world market brought immigrants and capital for railroads and indirectly for financing urbanization.

But despite the growth of Brazilian exports and international capital flows, Mello and Tavares do not believe that the transition from agricultural exports to industrialization was inevitable. They concentrate on São Paulo because they believe that it was the only area in Brazil where this transition occurred. Certainly, the Amazon rubber boom did not give birth to industry. The domestic social structure in the state of São Paulo played a central role in channeling capital accumulated in international markets into domestic manufacturing.

A second factor that Mello and Tavares stress is the role of the state. Although the state rarely intervened directly, its tariffs and monetary policy greatly influenced relative prices and profit margins. These policies tended to facilitate the capital accumulation of the coffee complex, but Mello and Tavares assert no state instrumentality: "We must not lose sight of the fact that persistent exchange depreciation originated in the global process of accumulation in the coffee complex; it did not derive . . . from the special interests of the export entrepreneurs" (p. 100). The federal government's zigzag course reflected contradictory interests within the coffee complex and demonstrated that the state was not simply a tool of planters. State policy was able to reconcile conflicting interests because these interests, on a broader plane, were complementary.

As a result of propitious domestic social relations, international capital conditions, and institutional arrangements, Brazil was well on its way to industrialization by World War I. But true industrialization did not arrive until a capital goods industry allowed "the reproduction of industrial capital relatively independent of mercantile-export capital," which occurred only after 1930 (p. 125). Still, by 1914 there existed "the internal conditions of accumulation of an embryonic capitalism whose urban-industrial and agricultural diversification had become increasingly pronounced since the end of the last century" (p. 122). Hence Brazilian industry issued not from the external shocks of World War I or the depression of the 1930s, as has frequently been argued, but from preexisting internal conditions.

Mello and Tavares's approach, which is now widely followed in Brazil, represents a healthy melding of ECLA dependency theory and a more Marxian mode-of-production analysis. On a somewhat abstract level, it captures the systemic complexities of the Brazilian economy. My main complaint about this analysis is that it is based on a small number of sources, most of them secondary. This outcome is hardly surprising, given the theoretical bent of the piece, but unfortunately, too few adequate monographs exist to undergird some of the generalizations. While I believe that Mello and Tavares are largely correct, their perhaps unintentional tendency to consider Brazil to be São Paulo writ large oversimplifies the political and economic forces at work in the national economy. Moreover, despite their sophisticated sense of the variety of impulses behind state policy, they are occasionally guilty of confusing consequences with causes. In fact, state officials were sometimes surprised and even downright dismayed at the consequences of some of their measures. But my reservations do not obscure the significance of Mello and Tavares's line of analysis, which enlightens by accentuating the internal dynamic of the economy.

The stress on internal capital accumulation and the transformation of coffee capital into industrial capital has motivated much research of late. The projects are generally divided into studies of how São Paulo industrialized and studies of why other areas did not. A Paulista who follows Mello's arguments closely is his cousin, Zélia Maria Cardoso de Mello. In *Metamorfoses da Riqueza*, she forwards the work of Alice Canabrava on levels of wealth in São Paulo by concentrating on the period from 1845 to 1895.[3] In examining the wills of 746 individuals in the first Ofício da Família in the city of São Paulo, she investigates "the movement of the forms of wealth as an expression of the moment in which slavery was overcome and capitalism emerged" (p. 26). She seeks to prove two theses central to Paulista historiography: that Paulista planters were particularly entrepreneurial and capitalistic and that planters and urban entrepreneurs merged.

The development of Paulista planters into a bourgeoisie, Zélia Cardoso de Mellos argues, occurred sometime after 1870. In the colonial period, São Paulo was a poor society in which barter was more common than monetary exchanges, land was worth little, and loans were made by individuals, not institutions. Conditions had not greatly altered by the middle of the nineteenth century, although a fairly clear differentiation existed between the urban rich who kept their investments liquid and rural entrepreneurs whose wealth was concentrated in land and slaves.

Over the next decades, these groups fused. As the economy prospered and abolition neared, land and capital appreciated but the value of slaves declined. As a result, planters as well as urban merchants and financiers modified their investments. By the 1870s and 1880s, urban and rural dwellers could no longer be distinguished according to their investments; while planters bought stocks and government bonds, merchants purchased land.

Zélia Cardoso de Mello's rather narrow monograph is the most detailed and persuasive urban study of this phenomenon to date. Her sample is large and convincing, and had she been able to identify the professions of more than one-third of her sample and examined provincial wills as well as those of residents around the capital, her study would be even more compelling. But even as it stands, *Metamorfoses da Riqueza* takes an important step toward empirically confirming long-held beliefs about São Paulo's elite.

Lamentably, Mello oversteps her evidence at the end. The homogenization of investments, she claims, reflected "the constitution of social classes, particularly the process of constitution of the Paulista bourgeoisie that was already playing a historic national role at the end of the [nineteenth] century" (p. 125). She goes on to assert that the bourgeois nature of Paulista planters was the reason that São Paulo industrialized and Rio de Janeiro did not. In the Paraíba Valley and the federal capital, *comissários* (factors) asserted the dominance of commercial capital to inhibit industry, while in São Paulo planters, not comissários, dominated. This situation created "a capitalist alternative that was soon dedicated to the concentration of capital and that arose as a class personifying diverse commercial, financial, and agrarian interests" (p. 150). I do not find this argument convincing. The dychotomy is blurred by the fact that in the Paraíba Valley, the comissários were in reality often planters.[4] Moreover, the fact that Paulista planters invested in stocks, bonds, and urban real estate does not necessarily make them bourgeois entrepreneurs because such behavior could well fit rentiers or gentlemen-capitalists. Mello does not provide sufficient detail on the individuals examined to establish the extent of their innovation and risk taking. Her argument is further vitiated because the comparison with Rio (which will be discussed in more detail) is based on a false premise—Rio did industrialize and indeed remained Brazil's industrial leader until World War I.

While many economic historians champion the uniqueness of the Paulista bourgeoisie, this position is by no means unanimous. Taking a differing stance in *A Burguesia Brasileira* is Jacob Gorender, author of an earlier controversial work on Brazilian slavery.[5] He first disagrees with João Manuel Cardoso de Mello, Sérgio Silva, and others that after independence the economy and social formation changed in any fundamental way. Gorender argues that Brazil continued to be dominated by the "colonial slave" mode of production that nevertheless permitted the accumulation of mercantile capital. But mercantile capital only appropriates surplus value; unlike industrial capital, it does not create surplus value. It therefore does not create capitalism, which arises only when "the productive forces [are] directed by an emerging industrial bourgeoisie" (p. 14). Thus Gorender pointedly disagrees that São Paulo and its planters were capitalist before abolition or even in the first years afterward. First of all, he argues, most coffee surplus was reinvested in coffee, not in urban pursuits. The rapid expansion of land under coffee cultivation supports his thesis. To the extent that coffee capital found its way into industry, it did so only when falling coffee prices closed off the coffee alternative. Moreover, the investing agents were banks, not planters; coffee growers were infrequently industrialists. Thus while the capital generated by the export economy propelled industrialization, it was not because São Paulo *fazendeiros* were particularly enlightened or entrepreneurial, according to Gorender: "I recognize that the industrial supremacy of São Paulo was based in the so-called 'coffee complex'; at the same time, I believe that the 'vanguardism' of Paulista planters, whose charm so fascinates authors, is no more than a myth" (p. 38).

Revealingly, all of the authors discussed thus far define the bourgeoisie as the industrial bourgeoisie and equate capitalism with industrialization. Industrialists are supposedly the most innovative and most concerned with maximizing the production of surplus value. Only when they are at least important could Brazil be considered capitalist. This definition strikes me as too rigid. Certainly agrarian capitalism could and did exist. Its nature and extent are unclear because so few studies have focused on agrarian production after the abolition of slavery and even fewer on the subsistence sector. Nonetheless, while planter investments in stocks and railroads do not necessarily make them bourgeois, neither do their agrarian investments preclude that possibility.

The link between agriculture and industry is in any case complex. In most areas of the country, even in coffee-producing areas, exports did not lead to self-sustained industrialization. Some studies of the state of Rio de Janeiro blame the same "routinism" of the Paraíba Valley planters that many Paulistas decry.[6] Almir Chaiban El-Kareh's *Filha Branca de Mãe Preta*, a revised master's thesis from the Universidade Federal Fluminense, argues that the slave system, rather than individual lethargy, stymied technical advance. To prove his contention, El-Kareh has chosen to study Brazil's largest railroad (also its largest joint stock company at the time), the Dom Pedro Segundo railroad, during the years when it was privately owned (1855–1865).

El-Kareh argues, much as did Moreno Fraginals about Cuba's sugar mills, that Brazil's slave-owning coffee planters chose to respond to greater world demand for coffee not by revolutionizing production but by "introducing capitalist activities outside of production" (p. 28).[7] Foremost among these innovations was the railroad that reduced transportation costs, obviated the need for slaves to drive pack trains, and enhanced specialization on the plantation by reducing the cost of purchasing staples. Thus the capitalist railroad actually strengthened the slave system rather than eroding it.

El-Kareh does not view the Pedro Segundo as evidence of capitalist entrepreneurship by planters either. Urban interests purchased 93 percent of the stock, and he therefore contends that the mercantile-financial sector, not the agrarian sector, launched this capitalist experiment. El-Kareh argues that the railroad was not even a full-blown capitalist enterprise because it was fatally dependent on state privileges from the beginning. Moreover, the state was the "instrument of domination" of the slaveholding aristocracy. As a result, "capitalist activities were subordinated to slave interests that took advantage of their control over the state apparatus" (p. 25). Initially, the state preferred private interests to run the largely state-financed railroad. By 1865, however, it decided to take control. El-Kareh believes that the takeover occurred because "the Brazilian state, fearing that it could not control the forces which it had set into motion, preferred to inhibit private enterprise" (p. 40). The legacy of this capitalist venture within a "colonial slave mode of production" was to "reinforce the power of the slave-owning aristocracy" and to "asphyxiate capitalist entrepreneurial initiative and retard the development of capitalism in Brazil" (p. 141).

Filha Branca de Mãe Preta, a business history of one enterprise based mostly on its annual reports, substantially enhances understanding of the nineteenth-century economy. Unfortunately, however, El-Kareh has restricted the grasp of his research and vastly extended the reach of his conclusions. He does not examine why the state nationalized the Pedro Segundo, and he therefore cannot prove that the reason was fear of a capitalist enterprise. Nationalization was actually motivated by government interest in expanding the railroad faster than the private company was willing or able to do. The Pedro Segundo grew rapidly after 1865. Lacking a more detailed examination of stockholders, one cannot establish that planters were not at least indirect stockowners. After all, half of the shares belonged to banks. Who owned the banks? In light of the dramatic growth of privately financed and operated railroads in the 1870s and 1880s, it is unclear how the nationalization of the Pedro Segundo could have "asphyxiated capitalist entrepreneurial initiative." Nonetheless, El-Kareh's fundamental point about the symbiotic relationship between slave production and a capitalist enterprise illuminates another aspect of the heterogeneous Brazilian social formation.

Another recently published thesis from the Universidade Federal Fluminense also focuses on the reasons for underdevelopment in the state of Rio. Eduardo Silva's *Barões e Escravidão* concentrates on three generations of one of the wealthiest coffee baron families in the state of Rio, the Peixoto de Lacerda Wernecks. The study depicts an enterprising family prevented by slavery from becoming truly bourgeois. The first important family member made his wealth as a merchant and mule driver in the Minas-Rio trade during the eighteenth-century gold boom. He bought land and slaves in the state of Rio to produce food crops for the capital. His son received a *sesmaria* from the Portuguese Crown in return for service in the militia fighting Indians and robbers and protecting bridges and roads. In the second half of the eighteenth century, Francisco Peixoto de Lacerda, an immigrant from a "good family" in the Azores, married into the Werneck family. He also became a militia officer, received a sesmaria, and expanded the family holdings.

By the time Francisco Peixoto de Lacerda Werneck was born in 1795, the family owned three *fazendas* and two hundred slaves. Francisco untimately received the title of Barão de Pati Alferes for defending the Crown in the 1842 revolt in Minas Gerais. As an important local leader, the baron headed the local militia, served a year in the provincial assembly, spent the vast sum of sixty *contos* on constructing a chapel, and largely underwrote a road to carry coffee to Rio. At the same time, he expanded his family's economic interests to seven fazendas and nearly a thousand slaves.

The baron's son Luiz became even more well-rounded. His father described Luiz as "educated in civil law at the University of Paris, . . . a doctor of Roman canonical law, . . . a planter, . . . a noted lawyer, and today . . . a capitalist" (p. 85). Luiz's position was based more on his education and his father's prestige and wealth than on his own service to the Crown. Despite a promising career in the city of Rio, Luiz had to move to the fazenda of his wife's family when her father died and "abandon, perhaps forever, the commercial, financial and political careers I had initiated." He had to turn his full attention to agriculture, which "constituted no small sacrifice on my part" (p. 86). But he acted much more like an agrarian capitalist than a seigneurial lord. Even in the country, he subscribed to several newspapers and served as a director of the Pedro Segundo, an urban development company, and a colonization company. He joined the Institute of the Order of Lawyers and the National Industrial Aid Society and wrote articles on economics for the country's most prestigious newspaper, the *Jornal do Commércio*.

André, Luiz's son and the last Lacerda Werneck studied, was born after Fluminense coffee began to decline. Educated as an engineer, he was a militant Republican abolitionist from early on. After abolition he participated in Rio politics, became a fazendeiro, and started a joint stock company to sell land and promote colonization. By this time, however, the family's fortunes had dwindled due to the exhaustion of its land.

Eduardo Silva has presented us with another example of the boom and bust cycle. He laments the traditionalism of the Wernecks, who were too slow in improving production techniques. But *Barões e Escravidão* is no mere history of backward slavocrats. It is true that the baron and his forebears had not questioned the use of slaves, from which they had profited handsomely. Luiz, however, already recognized the system's shortcomings and unsuccessfully advocated immigrant labor to grow subsistence crops in order to lower the cost of feeding slaves. André fought for emancipation not so much out of humanitarian concerns but because he believed that it represented the only salvation for Fluminense agriculture. These fazendeiros were involved in national politics and urban economy, but they were also captives of the slave system. Unfortunately, Silva concentrates more on their worldviews than on their economic activities, thus ignoring the extent and profitability of their investments. Nonetheless, these individuals were not semifeudal, precapitalist barons but economically rational men. Silva's study based on family papers is an important contribution to the study of rural entrepreneurship. It is surprising that more Brazilians have not followed the examples of Stanley Stein's *Vassouras* and Warren Dean's *Rio Claro* until recently. Fortunately, in-depth local studies are beginning to appear.

Another regional study that focuses on the relationship between coffee and industry is João Heraldo Lima's *Café e Indústria em Minas Gerais*. Unlike the case in São Paulo, coffee in Minas Gerais did not generate large industry, and Lima's goal was to discover the reasons for this outcome. Rather than faulting the export economy, slavery, traditionalism, or seigneurial values, Lima places most of the blame on the nature of Minas's production process. Minas contained less fertile land, which was broken into smaller, steeper valleys than in São Paulo. This terrain impeded the creation of latifundia. Less productive land also meant that when slavery ended, Mineiro planters could not afford the more profitable forms of wage labor employed in São Paulo and had to rely on sharecropping, which encouraged the "dispersion of surplus." Lima therefore eschews pointing to the traditional villain of underde-

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velopment, the latifundista, asserting instead that the absence of latifundistas prevented a concentration of capital and subsequent diversification into industry, finance, and public services. Lima apparently assumes that latifundistas in Minas would have acted more like Paulistas than Fluminenses if they had possessed sufficient capital. He also seems to assume that more inviting investment opportunities would have resulted from a greater concentration of wealth because he blames the smallholding land-tenure pattern for Minas's delayed urbanization and relatively weak internal markets. Most economists presume that a more equal distribution of the wealth among market-oriented farmers would increase the internal market as it did in the Midwest of the United States.

In any case, it is clear that as late as 1920, industry in Minas Gerais was small, undercapitalized, and relatively unproductive. These businesses were virtual cottage industries protected from imports by high transport costs and dispersed throughout the state. According to Lima, Mineiro industry mimicked agriculture in lacking the concentration of capital to initiate dynamic growth.

Lima identifies another key factor in his analysis of Minas Gerais's relative failure to industrialize: Minas's dependence on Rio as its port and its financial and commercial center. Much of Minas's coffee surplus was thus drained off by Carioca mercantile capital. Lima recognizes the importance of the relationship between Minas and Rio but underestimates its extent. The size of Rio's commercial, financial, and industrial complexes dwarfed and inhibited Mineiro competitors. Cariocas earned profits as intermediaries in the coffee trade, received Mineiro investments, housed wealthy Mineiros, and undercut Mineiro industries. To argue that coffee in Minas did not generate industry is to respect state boundaries too highly. It did spur industry—but in Rio, the country's industrial center. After World War I, Minas's coffee production shifted geographically from the Zona da Matta, a tributary of Rio, to the south, tied to São Paulo and the port of Santos. This reorientation helped propel São Paulo into national industrial leadership. But Lima's failure to appreciate fully the effect of Minas's centrifugal regionalism on industrialization should not overshadow the contributions of this insightful analysis. The case of Minas Gerais strengthens the argument for a dynamic relationship between coffee exports and industry but should also caution investigators to be sensitive to regional variations. Failing to command its own port, Minas's coffee mostly helped industrialize its neighbors.

Most Brazilian exports, however, yielded little industrialization. This premise unifies most of the studies in *Le Preindustrialisation de Brésil*, edited by Frédéric Mauro. The seventeen articles presented (eleven by Brazilian graduate students in France) were written by a research

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group from CREDAL associated with the Institut des Hautes Etudes de l'Amérique Latine between 1980 and 1983. Although all of the articles supposedly deal with the preindustrialization of Brazil between 1830 and 1950, they vary greatly in subject and method. The articles are grouped into four subcategories: preindustrialization in general, entrepreneurship and capital markets, and two sections on regionalism. Some are theoretical pieces, others are narrowly empirical. Some deal with economics, others with health conditions, military missions, and newspaper opinion. All, however, deal with the rest of Brazil.

Most of the studies that directly confront the question of preindustrialization subscribe to the Campinas views of Cano, Mello, and Silva. They implicitly and explicitly compare their regions with São Paulo to uncover the reasons for the failure to industrialize, citing numerous causes. Luiz Carlos Soares's study of manufacturing in metropolitan Rio between 1840 and 1870 concludes that greater industrial development was prevented by "the limitations imposed by the dominance of the mercantile slave system of production" (p. 47). Thus the culprit becomes "parasitic" mercantile capital and precapitalist slave owners. Elizabeth Cattapan-Renter examines industry during the Encilhamento (the stock market bubble of the early 1890s) and claims that the industrial surge of the 1890s was possible only because state aid helped to "break the chain that tied the country's economy exclusively to the development of agriculture" (p. 64). She perceives no symbiotic relationship between exports and industry. Maria Eurydice de Barros Ribeiro, focusing on industry in nineteenth-century Rio Grande do Sul, suggests that "a seigneurial mentality obstructed the commercial interests that struggled in a country dominated by the latifundio" (p. 213). She depicts mercantile capital as potentially progressive but subordinate to the landowner. Gabriel Bittencourt argues that the reason that the state-led industrialization effort in Espírito Santo failed before World War I was simply because the state lacked markets, raw materials, and machinery. Neither a retrograde state nor parasitic mercantile capital nor backward agrarian interests appear. Coffee interests supported the industrialization effort, but market conditions doomed it. Jorge Luís Novoa maintains that Bahia's industry lagged far behind São Paulo's because of its weak ties to the world market and consequent dependence on Brazil's Southeast. The lack of capital accumulated in Bahia was exacerbated by the commercial domination of Portuguese merchants who kept capital in circulation rather than investing in production. Frédéric Mauro's explanation of Bahia's nonindustrialization is similar to Novoa's but adds banking and tariff policies of the national government that favored the Southeast. Poor internal markets further impeded industrialization; thus Bahia's inability to attract foreign capital and immigrants sealed its fate.

Given the large variety of factors cited for the lack of industry, it is somewhat surprising that foreigners are almost never blamed. This trend reflects the changes in Brazilian analysis since the days when André Gunder Frank's brand of dependency theory was in vogue. The provinces that fell behind are now viewed as lagging because they had the weakest, not the strongest, ties to the world economy. Foreign capitalists provided infrastructure rather than conspiring against development. Mauro, for example, maintains that French capital "had no influence on the Brazilian economy and often worked against the interests of French industry" (p. 148). Novoa argues, like Mello and Tavares, that it was the world economy's entrance into the phase of monopoly capital that was the "driving force of the process . . . of industrialization" (p. 203). Recognizing that foreign interests and actions were not monolithic and that they often worked to Brazil's long-run advantage is a salutary advance over theories that posit a foreign conspiracy to underdevelop Latin America. Foreign investors sought to make a profit, not to shape Brazil's future. Nonetheless, foreign actions geared toward profit often inhibited industrialization. Moreover, foreign governments and investors attempted to weaken Brazilian control over their own economy in such areas as monetary and tariff policies, none of which is discussed in these essays.

Preindustrialisation du Brésil is an interesting sampler of tendencies in economic history popular in Brazil and France. Unfortunately, so many disparate studies are included that none commands enough space to develop and prove its argument fully. Most of the studies are based on a small number of secondary sources, and the few that employ primary materials usually do not link their evidence to conclusions. For example, Cattapan-Renter asserts that industry grew because of government policy in the 1890s but does not examine government policy. Novoa claims that Bahia suffered from internal colonialism and Portuguese merchants but examines neither topic. It is wonderful that so many regional studies are now blossoming in Brazil, but they must do more than simply impose concerns and conclusions drawn from studies of São Paulo. Otherwise they may fall victim to a sort of internal cultural imperialism.

The most intriguing and suggestive recent contribution to Brazilian economic history is Nathaniel Leff's two-volume study, *Underdevelopment and Development in Brazil*. This sophisticated work applies conventional economic analysis and some econometrics to determine why Brazil did not grow as quickly as the United States in the nineteenth century. In 1800 the two countries were fairly close in production, and since 1900 Brazil's economy has grown faster than that of the United States. Leff agrees with Celso Furtado that the nineteenth-century experience was responsible for Brazil falling so far behind the United States (although no country in the world matched the U.S. growth spurt in the nineteenth century, so the frame of reference may be ill chosen). Leff argues that Brazilian per capita output remained relatively stagnant for the whole century rather than picking up after the middle of the century, as Furtado maintains. For Leff, the first decades of the coffee boom did not spur per capita economic growth because subsistence agriculture stagnated and Northeastern exports declined. Thus Leff blames the economic performance of the entire nineteenth century for Brazil's relative backwardness.

Leff attributes the nineteenth-century lag to some of the same causes as do the authors already discussed. He too focuses on the internal economy in seeking the impediments to development, and to a greater degree than the Campinas group. He too believes that agriculture ultimately gave birth to industry rather than aborting it.

But Leff largely discounts a number of factors that have been highly regarded in most analyses of Brazil's underdevelopment. He assumes that Brazilian planters were economically rational: they were not addicted to routine, leisure, or conspicuous consumption; and they made the correct decisions, given the limited opportunities present. Rather than being especially parasitic or timid, merchants were economically wise. The state was partly to blame for Brazil's poor performance because of insufficient efforts to provide the necessary transportation infrastructure. But for Leff, this result came not from precapitalist or anticapitalist state officials nor from the strength of laissez faire doctrine. Rather, inadequate revenues and the distractions of nation building deterred the state. Neither does foreign imperialism explain Brazil's nineteenth-century stagnation, according to Leff. The terms of trade favored Brazil for most of the century; foreign investment was small and often received smaller returns than native Brazilian investments; and foreigners had little influence over state policy.

Instead of citing the usual barriers to growth, Leff emphasizes weakness in the domestic economy, particularly in subsistence agriculture. He points out that over 85 percent of the population was not involved in coffee production, with most working in subsistence agriculture. This sector's inferred low productivity and low profitability reduced capital accumulation nationally. Equally important, subsistence agriculture failed to supply surplus laborers for export crop cultivation and cheap food for plantation and urban workers. Domestic agriculture's inelastic supply also created inflation during times of prosperity, undercutting not only urban profits but the international value of Brazil's currency, thereby exacerbating problems with the balance of payments.

According to Leff, poor and expensive transportation further inhibited subsistence agricultural production, restricted the growth of exports, and retarded internal markets. Ironically, he argues, social savings created by the railroad were potentially larger in Brazil than in the United States because of the absence of suitable alternative means of transport in Brazil such as internal rivers and canals. But most of these savings went unrealized because the state was slow to invest due to insufficient funds while foreign capitalists were reluctant because of inadequate round-trip cargo. As a result, Brazil continued to suffer high carrying costs and its national market developed very late.

Leff also faults the importation of laborers from abroad. But unlike most analysts, he includes Europeans, not just Africans. Slave labor, to which Leff gives relatively little attention, retarded technological innovation and consumed capital. It also created a large underemployed mass of free workers who kept wages low. After emancipation, European immigrants entered the picture. Brazilian historiography usually applauds this development as the beginning of free labor and the influx of innovative entrepreneurs. But Leff argues that immigrants kept wages low by providing a surplus labor force. As a result, planters had no incentive to increase productivity through technological advancements. Moreover, the distribution of wealth remained concentrated, and a more dynamic growth of internal markets was blocked.

These barriers existed throughout the country, but the Northeast faced particular problems because its prime export, sugar, could not compete in the world market. Moreover, Leff maintains, the Northeast suffered from national monetary and tariff policies formed to aid the Southeast. Few foreigners cared to invest in such an environment, and the Northeast consequently stagnated. Because the Northeast contained over one-third of Brazil's population, this regional tragedy retarded the entire national economy.

Exports were the motor of the Southeastern economy that allowed the necessary capital accumulation for later industrialization. But as Leff argues, exports did not revolutionize the relations or techniques of production nor did they draw in marginal workers. Moreover, exports were slow to diversify. As a result, a dual economy ensued that produced great regional differences.

Only after the turn of this century did the economy begin to develop rapidly. The state affected the "pace and thrust of the development process," but new market conditions were mainly responsible for the upsurge (1:207). An expanded rail network, urban markets, and growing subsistence agriculture apparently contributed much more than any change in international conditions. I say "apparently" because Leff is somewhat vague about the causes of industrialization. He devotes much more attention to its barriers. Given Leff's assumption that no transformation occurred in entrepreneurship, statesmanship, or ideology, qualitatively new market conditions must have arisen when capital, population, and infrastructure reached a critical mass around the turn of the century.

Leff's two-volume study is provocative and should provide fertile ground for future research. He demonstrates the power of deductive economic reasoning in positing frequently ignored factors. His reasoning is generally judicious and his use of questionable data is careful. Unfortunately, however, he is in a sense a victim of his originality. Relatively little work has been done on subsistence agriculture and internal transport. Because Leff admittedly conducted no original research himself, he bases most of his conclusions on scanty evidence or deductive reasoning. His arguments are often underpinned by references to economic theory or economic studies of other countries, rather than by Brazilian data. Many of his conclusions should therefore be taken as hypotheses—important and (I would guess) largely correct hypotheses, but theories nonetheless in need of further proof.

A good example of an assumption in need of further substantiation is that the idea that culture and ideology had little to do with economic decisions. This position is a salutary one, given the all-too-common tendency to use a "black box" called "culture" to explain all. Still, while the actions of Brazilians were probably economically rational, they may have enjoyed a peculiar form of rationality, as Silva's study of the Lacerda Werneck family demonstrates. After all, *rational* does not necessarily mean *bourgeois*.

A few relatively minor points should be mentioned about Leff's presentation. First, the title of the first volume, *Economic Structure and Change, 1822–1947*, misrepresents the study, which scarcely touches on anything beyond 1930 and little beyond 1900. Second, the publisher should have integrated these two slender volumes into one that could have been sold at a more slender price. Adding some sort of bibliography would have been very helpful. Finally, the economic jargon is often too dense for the noneconomist, an unfortunate situation because this work deserves to reach a larger audience.

To comprehend the extent to which recent studies have transformed the accepted view of Brazil's economy prior to 1930, one need only look at Luis Bresser Pereira's characterization of the export economy. Written in 1968 with chapters added in 1970 and 1972 and two new ones for this English edition, *Dependency and Crisis in Brazil* reflects the old conventional wisdom. Although the thrust of the book covers the period from 1930 to 1983, Bresser Pereira discusses the earlier era in order to emphasize the importance of 1930. He terms the year a "watershed" in which "events occurred with such an impact that history took one of those typical leaps in a new direction" (p. 9). Prior to this revolution, little industry existed because planters were not entrepreneurial and the state was "indifferent and hostile" to industrialization in this "simultaneously feudal and capitalistic regime" (p. 11).

Bresser Pereira's view of the pre-1930 period is further reflected in his explanation of the "industrial revolution" that occurred only after 1930. The world depression protected national industry from imports and freed agrarian capital for urban investments. Concomittantly, a political change occurred when the industrial bourgeoisie combined with the industrial working class to assume a large share of political power. This phase is crucial because for Bresser Pereira, "where a middle-class group takes power and becomes the dominant class, this takeover (together with a series of other economic factors . . .) signals the beginning of the development process" (p. 9). The state after 1930 began to direct development through policies aimed at fostering import-substitution industrialization (ISI). The third component necessary for the industrial surge under Vargas and afterward was the rise of capitalist entrepreneurs willing to take risks. Specifically, Bresser Pereira points to middle-class immigrants (planters and other members of the agro-export complex were impediments to development). This view of the nature of the export economy and the dimensions of changes brought about by the 1930 revolution ignores much of the complex internal dynamic of Brazil's pre-1930 economy.

Fortunately, this shortcoming does not detract from Bresser Pereira's discussion of the path of development after World War II, his principal concern. His political-economic analysis of the more recent period is much more perceptive and nuanced. The 1950s are particularly important, according to Bresser Pereira, because only under Kubitschek (1956–1960) did the state shift from "defining economic policy" to "executing the policy through large [state] investments" (p. 36). These years were the glorious days of development and democracy, but they carried within them the seeds of their own destruction.

Postwar industrialization was spurred by urbanization, the growth of the population, real wages, and consumption, as well as by limits on the capacity to import. Forced savings through inflation, regional disequilibria, and increased government intervention were other manifestations of the ISI policies, and they ultimately disrupted the political alliance of industrialists and workers. As the bourgeoisie became prosperous, they became conservative; nationalism, populism, and state interventionism ceased to appeal to them. These causes became the standard of the left instead. The polarization and realignment of political forces inherent in the development process were accentuated by a downturn in the economy as the ISI model seemed to expire. The 1964 coup resulted.

Bresser Pereira argues that after 1964, an alliance of military personnel and middle-class technocrats forged a new mode of production, which he terms *industrialized underdevelopment*. Although incorporating some of the Kubitschek tendencies, the new regime differed qualitatively. It was characterized by authoritarian, technocratic rule, a concentration of income, and "capitalist control of the productive process by this same government as well as by national and especially international capitalist groups" (p. 152).

This model enjoyed a decade of tremendous success. But in the late 1970s, Brazil began to experience serious problems with inflation, the foreign debt, and trade deficits. According to Bresser Pereira, this trend signaled that "the industrialized underdevelopment model . . . has reached its end" (p. 186). A "redistributive crisis" and a political crisis arose. The authoritarian model, which excluded the vast majority of the population and even aroused the opposition of many members of the bourgeoisie, came under attack.

The last two chapters (written specifically for this English edition) are something of a manifesto of the Partido Movimento Democrático Brasileiro, the party in which Bresser Pereira plays an important role. He calls for development and democracy, state interventions, and private entrepreneurship and concludes by reflecting on "half-truths" cherished by some Brazilian leftists. For Bresser Pereira, Brazil's main problems are not the fault of foreigners but have arisen internally because of Brazil's increasing autonomy. Brazil is not peripheral, dependent, or underdeveloped in the classical sense because of the level of economic complexity and integration; however, it suffers "industrialized underdevelopment" because so many Brazilians are still so poor. Technocrats—no mere puppets of the bourgeoisie—enjoy some freedom to maneuver. The bourgeoisie, although conservative, authoritarian, and dependent on the state, is a "new powerful class" with democratic potential. The main problem is not inflation but the structure of the economy and particularly the concentration of wealth. Bresser Pereira is basically presenting a social democratic argument: given Brazil's economic complexity, sophisticated state apparatus, skilled technocrats, and potentially progressive bourgeoisie, the country has the capacity to become a much more just society without revolution.

Development and Crisis in Brazil is an eloquent presentation of the 1960s developmentalist view of history combined with a more radicalized 1980s perspective. The early chapters comprise an interesting period piece because they have been left unaltered. This approach, in my opinion, was a mistake. One finds too many statements that may have been true in 1968 but are no longer valid, for example, "Social research still has not begun in Brazil." The limited economic data are also out of date, with few from the 1970s and 1980s. Moreover, the dramatic nature of the transformations supposedly wrought by the 1930 revolution reflect none of the considerable research that has emerged in the last eighteen years. These drawbacks do not detract seriously from the value of *Development and Crisis in Brazil*, however. The popularity of the book, which has gone through thirteen printings in Brazil, inheres in its persuasiveness and passion. Readily accessible, the book would make a fine text for a U.S. course on Brazil. The analysis is sometimes a bit simplistic but is clear and often compelling.

Werner Baer's second edition of *The Brazilian Economy* is a differing but complementary "survey of the Brazilian economy with an emphasis on its historic evolution and its present-day institutional setting." This edition adds new chapters on the impact of external shocks between 1973 and 1983 and on foreign investment, as well as updated discussions of inflation and indexing. Baer seeks a relatively balanced analysis in his concentration on specifically economic phenomena. Unlike Bresser Pereira's Marxian analysis, Baer's work employs a functionalist approach.

The first six chapters chart the historic evolution of Brazil's economy from the colonial period to 1983. Baer differs from Bresser Pereira in recognizing a fair amount of industrial growth and even some ISI before 1930. He acknowledges that the state was already playing an important economic role, but true industrialization had not yet arrived because industry still "depended mostly on agricultural exports" and no significant structural changes had occurred. Industrialization came only after 1930, when industry became "the leading growth sector of the economy" (p. 48). The distinction is significant, but Baer is unclear about how the transition from industrial growth to industrialization was made without important structural changes in the earlier period.

After 1930 industry expanded rapidly, with protection from foreign imports afforded by the world depression and a more helpful state. Still, Baer agrees that only by the 1950s had industrialization become "no longer a defensive reaction to external events. It had become the principal method for the government to modernize and raise the rate of growth of the economy" (p. 59).

Given Baer's limited discussion of the period before 1930, the state becomes the principal actor in development. But it is apparently an autonomous state that reacts to economic stimuli rather than to political forces. Although Baer is aware that state policies affect civil society in class-specific ways (and he analyzes them admirably in this fashion in the last six chapters), he is less concerned with how civil society affects state policy. One finds no discussion of the growth of interest groups or an autonomous technocracy. The 1964 coup flits past without any mention of how it reflected a realignment of political forces and new demands on the state. Baer focuses instead on the economic sphere.

He perceives important modifications in the Brazilian economy after 1964 but certainly no new mode of production. Most important was expanded state participation. Baer argues that "much of the growth since 1968 is due to the impact of government programs" because "the allocation of resources is more the result of government policies than of market forces" (p. 105). Thus entrepreneurship, culture, and even the world economy no longer fill the same privileged positions that they occupied in analyses of the pre-1930 period. In fact, Baer essentially rejects the dependency notion altogether. Because of the growth of the state's role, greater economic complexity, and diversification of foreign markets and capital, Brazil today is "interdependent," its fate depending "largely on the skills of its policymakers and economic diplomats" (p. 169). The state's freedom to manuever is stressed much more than foreign-imposed constraints on that freedom.

Perhaps this view is one reason why Baer is optimistic about Brazil's future. He believes that "adjustments to changing world conditions" are in order, not a fundamentally different system. Also, he apparently sees no necessary connection between a return to democracy and an economic resurgence, as does Bresser Pereira. Baer notes that the economy is displaying numerous positive signs despite rampant inflation and a crushing debt: exports and the trade surplus have burgeoned; petroleum imports have been increasingly replaced by domestic production and consumption has fallen; the population's growth is slowing; and the government is improving its planning and control over foreign firms.

The Brazilian Economy goes beyond being a fine introductory survey for economists and noneconomists alike because of Baer's prodigious tables and sophisticated, judicious analysis. His balanced approach is particularly evident in the discussions of state capitalism, foreign investment, inflation, and the impact of external shocks. Occasionally, I must admit to wishing that he would come down on one side of a controversy rather than presenting both arguments and calling for further research, but researchers will find this approach useful, and others will appreciate the complexity of the issues. One small quibble is that statistics given to the second decimal point often reflect a specious accuracy. Can one believe that São Paulo's unemployment rate was 5.38 percent in 1980 when perhaps as much as a quarter of the GNP is produced by the unrecorded underground economy and a large share of the population is underemployed? This datum was produced by the Brazilian government, not Baer, but one could be more suspicious. This minor point notwithstanding, Baer joins Bresser Pereira in presenting fine overviews of Brazilian state policy and development on an aggregate level since 1930.

It is heartening to see so much attention being given to Brazil's economic history of late. Approaches differ significantly, of course. Students of the pre-1930 period are usually historians concerned with the wider social and political context of development while the post-1930 era is generally the domain of economists focusing more specifically on

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economic questions. Studies on the age of exports focus on the private sector while those on more recent decades concentrate on state policy. Students of the nineteenth century tend to pursue regional studies and suffer a shortage of data while analysts of the more recent years often undertake more aggregate studies and generate a plethora of public and private statistics. All the studies share a key similarity, however: internal factors—whether the forces of production, mentality, state actions, or market conditions—take precedence over external dependency in explaining the course of Brazilian development. I hope that this trend will lead to more detailed investigation of internal factors. Some important areas demand research: subsistence agriculture, land tenure patterns, the transportation system, the growth of national commodity and capital markets, collective biographies of capitalists (particularly merchants and financiers), and business histories. When these kinds of information become available, we will be better able to understand the course and nature of Brazilian capitalism, which is the first step toward reforming it.

NOTES

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5. Jacob Gorender, *O Escravismo Colonial* (São Paulo: Atica, 1978).
6. See José Roberto do Amaral Lapa, in *A Economia Cafeeira*, Tudo É História no. 72 (São Paulo: Brasiliense, 1983) for a succinct breakdown of the alleged differences between coffee production in the Paraíba Valley and in Western São Paulo, 29–30.
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