#### Remarks on the history of Brazilian economy with particular attention to the industrial policies during the 20th century

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#### Part I

#### **Overview of Brazilian history (16th – 19th centuries)**

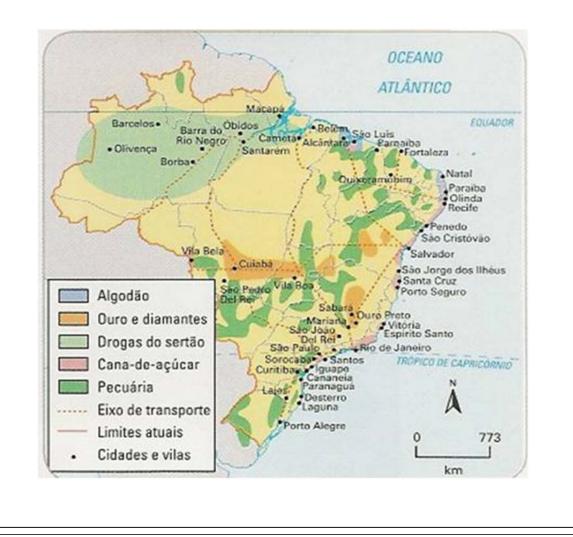
## I.1 - The Portuguese Empire and the design of a colonial system in Brazil

- The beginning of the Portuguese territorial occupation in Brazil was dispersed.
- This process intensifies only in the 17<sup>th</sup> century (sugar cane plantation + slave trade)
- Displacement of the centrality of the economic dynamics in Portuguese Empire, from east to west.

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# I.2 – The colonial economy dynamics and the different productive contexts

- Extractive economy: "Pau-brasil" (pernambuco wood) on the coast, and later the so-called "drogas do sertão" (Brazilian spices) in the Amazon (16<sup>th</sup>-19<sup>th</sup>)
- Extensive livestock farming in the Northeast and South regions (16<sup>th</sup>-19<sup>th</sup>)
- Sugarcane plantation (17<sup>th</sup>-19<sup>th</sup>) in the Northeast
- Mining (gold and diamonds) in Minas Gerais



### I.3 – The Independence in the 19<sup>th</sup> century in the Latin America context

- The Brazilian Independence (1822) and the creation of the "Empire of Brazil" with the heir to the Portuguese throne
- Spanish America divide in different countries with intense political transformation
- The risk of mythologizing Brazilian experience as a peaceful history because of the absence of a declared civil war.

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### I.4 – Change to keep everything the same

- The same old story in the economic and political dynamics in Brazil
- The reproduction of the economic and social conditions of inequality in the income distribution
- The "captivity of the land" as an example: the abolition of the slave trade was declared in the same year (1850) of the creation of the Land Law

#### Part II

### Industrial Policy and Institutional Coordination in Brazil between 1930 and 1970

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### II.1 – Industrial policy instead of isolated initiatives

- There is no systematic concern with the promotion of industrial development until de 1930s
- A persistent and deliberate action aimed at industrialization began in the 30s, as well as an institution building effort
- But only in the second half of the 50s achieves a degree of coordination which approximates the proper notion of "industrial policy"

**II.2** – The two periods of effective implementation of industrial policy

- The "Plano de Metas" (Target Plan): 1956-1961 and the "II PND - Plano Nacional de Desenvolvimento" (National Development Plan): 1974-1979
  - Indicative plan and formal mechanisms for coordination of instruments and auxiliary policies with the macroeconomic policy
  - a political choice by the industrial development

## **II.2** – The two periods of effective implementation of industrial policy

- Characteristics in common:
  - Part of broader strategy of economic development;
  - Orientation for an indicative plan with guidelines and sectoral goals;
  - Implemented by a specific institutional organization;
  - Stimulated by a set of auxiliary instruments and policies
  - Beneficiated by investments that generate economic infrastructure and an educational system.

#### **II.3** – Results and problems

- This set of experiments allowed the structuring of the manufacturing in Brazil (completing production chains) and the early establishment of a national system of technological development in Brazil as well as the first steps toward incorporating advanced technology industries.
- This resulted in rapid growth of industrial production and GDP and a high rate of productivity growth (about 3.5% per year in the 70s).

#### **II.3** – Results and problems

- The consecrated practice of industrial policy and the form of institutional organization resulted in some obstacles in the 80s.
- The problems then accumulated to the next decade are specifically related to:
  - Heavy and non-selective protectionism, no targets or deadlines for phasing out, and without any consideration in terms of performance;
  - Late and insufficient emphasis on export promotion;
  - Almost carelessness regarding technological capability to innovate

#### II.3 – Results and problems

- Subsidies (financial and tax) in excess to the industrial capital formation;
- Strong regulatory intervention; and
- Non-sequential plans and policies.
- The overall result was a process of development with income concentration and worsening of social inequality, as well as the spread of rentier activities favored by the combination of protection and subsidies.

### ご静聴ありがとうございました

Thank you very much!

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