

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

**Alexandre Cunha**

Universidade Federal de Minas Gerais

1

## **Part I**

**Overview of Brazilian history (16<sup>th</sup> – 19<sup>th</sup> centuries)**

2

## **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.

3

## **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

4



5

## 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.

6

## **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**

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

- There is no systematic concern with the promotion of industrial development until the 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"

9

## **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

10

## **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.

11

## **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).

12

## 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!