

**VARGAS E AS RAÍZES DO PROJETO DESENVOLVIMENTISTA NO BRASIL**

***VARGAS Y LAS RAÍCES DEL PROYECTO DE DESARROLLO EN BRASIL***

***VARGAS AND THE ROOTS OF THE DEVELOPMENT PROJECT IN BRAZIL***

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**RESUMO:** O desenvolvimentismo no Brasil, quando objeto de estudo, é comumente examinado a partir do recorte posterior à ascensão de Vargas na década de 1930. Este artigo, entretanto, procura examinar as bases que estruturam o projeto desenvolvimentista de Vargas, partindo da experiência subnacional observada no governo do estado do Rio Grande do Sul, bem como das quatro correntes de ideias que Pedro Cezar Dutra Fonseca concebe, quando associadas e concatenadas, como matrizes do desenvolvimentismo no Brasil.

**PALAVRAS-CHAVE:** Vargas. Desenvolvimentismo. Intervencionismo. Industrialização. Positivismo.

**RESUMEN:** *El desarrollo en Brasil, cuando es objeto de estudio, es comúnmente examinado a partir del recorte posterior al ascenso de Vargas en la década de 1930. Este artículo, sin embargo, busca examinar las bases que estructuran el proyecto desarrollista de Vargas, partiendo de la experiencia subnacional observada en el experimento subnacional el gobierno del estado de Rio Grande do Sul, así como de las cuatro corrientes de ideas que Pedro Cezar Dutra Fonseca concibe, cuando asociadas y concatenadas, como matrices del desarrollismo en Brasil.*

**PALABRAS CLAVE:** *Vargas. Desarrollismo. Intervencionismo. Industrialización. Positivismo.*

**ABSTRACT:** *Developmentalism in Brazil, as object of study, is commonly examined from the post-Vargas rise in the 1930s. This article, however, seeks to examine the foundations underlying Vargas's developmentalist project, based on the subnational experience observed in government of the state of Rio Grande do Sul, as well as of the four currents of ideas that Pedro Cezar Dutra Fonseca conceives, when associated and concatenated, like matrices of the developmentalism in Brazil.*

**KEYWORDS:** *Vargas. Developmentalism. Interventionism. Industrialization. Positivism.*

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## Introduction

This article aims to analyze the origins of developmentalism at the beginning of the so-called Vargas Era, starting in the 1930s, examining its uplifting bases in the national context in view of the international conjuncture in that period and its precursor elements from the economic point of view.

As is well known, Getúlio Vargas took the lead of the national executive branch in its first period, breaking with the Old Republic in an environment of political instability and genesis in the economy primarily practiced in Brazil, which was set at the 1930 Revolution. The focus here is not on Vargas's rise to leadership of the republic, but on the economic policy pursued by him when he was already at the head of the federal power, but on its former roots, and its importance for the construction and uplift of the developmental state in the country, beginning when Brazil starts the resumption of its ideas on economics, notably on the issues that are crucial for the consolidation of the origins of developmentalism. Issues that encompass state interventionism and the processes of national industrialization, as well as the positions adopted towards foreign capital, with strong intensified nationalist appeal.

The Brazilian economy in the Old Republic favored the maintenance of the tendency and inclination of national production towards primary-exporting practices deriving from liberal precepts of self-regulated markets, when, in vigorous reaction to the Great Depression, Vargas established the matrices of what would later be classified as developmentalism in Brazil, a concept that goes back to the eclacian theories, defined only in the 1960s and 1970s with the construction of Latin American economic thought by the Economic Commission for Latin America and the Caribbean - ECLAC, and which historically in the identified national model is marked by Getúlio Vargas and subsequently by Juscelino Kubitschek.

As a very emblematic aspect of these developmental matrices, the defense policy of the national economy must be recovered in the face of the drastic fall in coffee prices resulting from the 1929 crisis, with the purchase of stored surplus bags and the moratorium, which together with the reflexes Depression and the disruption of the world market boosted the country's calculated destiny for industrialization, with the urban-industrial economy gradually occupying the spaces in the national market through the substitution of imports, although it would be necessary to respond adequately to the national market's dependence on primary exports, which in the midst of the depression faced the difficulties caused by cyclical fluctuations in demand, a trend that intensified further with the outbreak of World War II.

According to Fonseca (2004a, p. 225-226), developmentalism is sometimes confused with state interventionism, the defense of industrialization, nationalism, and expansionist economic policies, with the institution of state actors to act in the market, such as banks and public companies. Although there is no precise definition at that point, it is characterized by a “hard core” consisting of the defense of industrialization, pro-growth interventionism and nationalism, although it also presents with broader and radical variations even a break with foreign capital. However, it would not be enough to be in front of governments that presented these elements to consider them as developmental, because these constituent parts of the “hard core” could also be observed in a period prior to what was conventionally called developmentalism, after Vargas's rise. However, the three elements of the so-called “hard core” must be structured and concatenated in association with a common goal, which would be characterized as a prerequisite for talking about developmentalism, that is, it is necessary to observe the moment of conjugation of these elements to identify developmentalism and its foundations.

With these considerations, in order to work the roots of Vargas' developmental project, it is necessary to address the four currents of ideals that precede it and its confluence for the formation of this phenomenon of the national economic history, notably the three that make up the “hard core”: the nationalist, pro-growth and pro-industrialization interventionist currents, allied with the positivist current, which led to the construction of developmentalism in Brazil and a conscious adoption of verified economic policies (FONSECA, 2004a, p. 227).

### **Subnational Experience**

Getulio Vargas, before assuming power at the national level and initiating the policies that embodied the developmentalist project with deliberate initiatives in the context, already superficially delineated of the 1930s, was responsible for taking effect, even at the subnational level, while at the command of Rio Grande do Sul, between 1928 and 1930, the most eloquent materialization of the embryonic ideas of developmentalism (SALOMÃO, 2017, p. 429).

Author of several studies on the Vargas Era and developmentalism in Brazil, Fonseca (2004a, p. 242) conceives that it was precisely in this subnational experience, in the government of Rio Grande do Sul, that the three elements that constitute the referred “hard core” of developmentalism were first observed in association with positivism, so that it would be the first and most concrete expression of the model, that is, from measures actually implemented

by the government, and not just as proposals, that were putting the State in the leading role in its relationship with the economy and society as a means of stimulating development.

In his dense historical study of the Vargas government in Rio Grande do Sul, Axt (2002, p. 124) emphasizes the creation of the Rio Grande do Sul State Bank BERGS by Decree nº 4.079, of June 22, 1928, expanding the availability of credit and easing the criteria for its approval, which, in addition to tailoring the support of the federalists who would later assist him at the national level, denoted a solid state concern for development, circumventing the pre-insolvency situation.

According to Fonseca (2004a, p. 244), however, although this rather symbolic measure of the creation of the state bank indicated the adoption of a new state stance regarding the economy, the nationalist aspect was not present in its most radical form, mainly because the origin of its capital led to the renegotiation of loans obtained from foreign capital, but evidenced the alignment with the pragmatic nationalism of the avant-garde in the defense of industrialization, because they considered the foreign loans well accepted when made to propitiate the development project of the domestic industry, still quite incipient.

Nevertheless, from the analysis of Vargas' discourses in that period in which he commanded the state, the substitution of the term "progress" for "development" would be the inheritance of the positivist matrix that would later mark this process of adopting new economic practices, because it would indicate the notion of evolution, of progressive march, placing government and, consequently, the State itself at the forefront of the construction of a destiny in history.

### **The currents of ideas that precede developmentalism**

Of proem, it should be noted that for some authors the defense of industrialization, although isolated from the other elements that will be addressed, would be the draft of the developmentalism that would be built, as is the case of Bielschowaky (2004, p. 248), when presenting the outline of the developmentalist project recognizes, since the 19th century, the existence of discourses in defense of industrialization policies, denoting an industrialist conscience that, in itself, would be the developmental seed that would germinate after the Old Republic was surpassed, already in the Vargas Era.

However, when we approach the currents of ideas that precede developmentalism in this topic, the conceptions treated are those described by Pedro Cezar Dutra Fonseca (2004a).

As already foreseen, the emergence of developmentalism in Brazil, which intersects with the consolidation of the building blocks of Vargas's developmental project after its rise to the federal level in the 1930s, stems from the association of four streams of ideas that, in tandem, incline in the sense that the government's main duty is to pursue economic development, its reason of being, which is why its actions would be consciously directed in that direction.

The nationalist current, the oldest of the four that built developmentalism and still of origin in colonial Brazil, sought not only to break the link of dependency and submission that existed with Portugal, but to repudiate the obstacles from the economic point of view that institutions, monopolies and legislation generally imposed on the market.

Indeed, it is important to note that nationalism, at first, was not opposed to liberalism and still flanked it. Notably because the tariff policies, considered as the first nationalist manifestations with the objective of also protecting the internal market, intended to defend the manufacture complementing the incentive of primary specialization, a fact that would corroborate the conception that was well defined later in the developmentalism that Industry interests and national interests are not antagonistic, with the idea that, while the domestic market should be the focus of economic policy, the country should not immediately break with foreign markets and foreign capital.

However, nationalism, essentially agrarianism, saw in Brazil's primary exporting model the economic vocation of Brazil and the need for more pragmatic measures to emerge. Measures that in the following decade were crucial for the structuring of developmentalism, then came the second current: from the defenders of the industry, who saw in industrialization the paths that would lead Brazil to the direction of development.

The idea in favor of industry began to be observed in the early days of the Republic in Brazil and since the last years of the Empire, it can be said that defenders of industry commonly evoked republican and modern yearnings, especially because it was with the Empire that the notion of backwardness, slavery and rural life was linked.

Already in its early years, the Republic pointed out that the secondary sector grew significantly, which created a favorable space for the market's distrust of expansionist policies, notably also in the context of the *Encilhamento* crisis, associating the industrialist proposals as responsible for inflation, sharpening and dividing opinions about the direction of the Brazilian economy, since with the expansion of industrial capital, financial capital and speculation grew.

It is also important to note that at that time, industrialization policies were focused on the benefit of raw materials, allied to the primary sector, where protectionism was dispensable,

when the expressions of natural, focused on these domestic issues of resources, and artificial industry were coined, which depended on intensified protectionism, with the criticism regarding the artificiality contained in the artificial production of a favorable field to the internal production that subjected the national consumer to products more expensive and worse than those produced by the foreign market and imported, mainly because the labor force was not qualified enough to produce from advanced technologies and the capital required to foster this artificiality was very high and was not compatible with the Brazilian reality. As a result, the secondary sector was blamed for inflation and deeply distrusted.

However, even if incipiently, the national businessmen started to defend industrialization still in the Empire, attributing to liberalism the economic stagnation and the subjection to the maintenance of primary production as a driving force of the national economy, such that the industrialist discourse emerges in the internal context from conceptions eminently derived from nationalism, because it came associated with the notion of economic independence of Brazil, with the yearning to break with the colonial system, typical of the countries where agriculture is the main activity.

It is clear that all these authors or industry advocates resorted to a certain nationalism, although this is not exclusively industrial (as noted above, there is agrarian nationalism). However, the fiery character of rhetoric most often did not correspond to concrete actions. Criticizing the country's "colonial" situation did not necessarily mean disregarding foreign capital or failing to recognize its importance for industrialization itself. Most supporters of the industry lamented the omission of governments and advocated greater interventionism, including tariffs, but felt that radical measures could be detrimental to relations with large centers which, in addition to consuming markets, were both supplying capital goods and financing, realistically remembered as indispensable for industrialization (FONSECA, 2004a, p. 232-234).<sup>2</sup>

At this point, we also identify the pragmatism of this current of ideas of the defenders of industrialization, although the break with the colony and the pursuit of economic independence did not mean for the adherents the total rejection of the international market, but

<sup>2</sup> Fica claro que todos estes autores ou políticos defensores da indústria recorriam a certo nacionalismo, embora este não seja exclusivamente industrial (como se assinalou, há o nacionalismo agrário). Todavia, o caráter inflamado da retórica na maioria das vezes não correspondeu a ações concretas. A crítica à situação "colonial" do país não significava necessariamente desprezar o capital estrangeiro nem deixava de reconhecer sua importância para a própria industrialização. A maior parte dos defensores da indústria lamentava a omissão dos governos e propugnava maior intervencionismo, inclusive tarifas, mas julgava desaconselhável medidas radicais que pudessem prejudicar as relações com os grandes centros que, além de mercados consumidores, eram supridores tanto de bens de capital como de financiamento, todos realisticamente lembrados como indispensáveis à industrialização (FONSECA, 2004a, p. 232-234).

rather a good coexistence instrumentalized by the customs regime, creating protectionist environment of good coexistence of national and foreign capital.

This pragmatic aspect demonstrates that the speech for the defense of industrialization sought to elaborate a moderate position on the market ideas and state intervention necessary to make the proposal viable, mainly because there was a concern with the reality and with the coherence of the practical application of the intended measures.

Indeed, this tonic of moderation and pragmatism that was taking shape in the industrialist discourse was intended to strengthen the voices of the defenders of industrialization, with the conquest of supporters of the colonial model, who, in a conservative stance, still believed and defended the maintenance of the system. Brazil's natural vocation to agriculture and primary export practices, trying to convince them with the argument that interventionism in favor of industry would not only be an abstract deduction from the coming reality, but justified by the historical analysis of the development process observed in the global scenario, which has always been aligned with the favor of the national industry.

It is noted that there is no xenophobic tone, on the contrary: one should take advantage of the historical experience of industrialization of other countries as a teaching, discourse different from another, more radical, which advocates that each nation should seek its own way, more common to Marxist authors of the twentieth century (FONSECA, 2004a, p. 234).<sup>3</sup>

Following the same pragmatic examples as industry advocates, the paperists were also grounded in the practicality of initiatives to counteract the so-called metalists and models of orthodoxy in which the gold standard was defended, particularly because of the difficulties of convertibility, by reassembling monetary and foreign exchange issues, which are particularities observed in peripheral countries such as Brazil at the time and which had as a consequence the reduction of investment possibilities in production, given the difficulty of sustaining this model of currency backed by gold reserves.

Essentially, for the paperists, be the moderate or radical, in the latter would be Rui Barbosa and the precursor policies of what has been referred to as the *Encilhamento* crisis, is major the concern of stimulating economic activity, increasing its levels, in such a way that the amount of money would be following the amount of turnover in a resilient manner consistent with the market.

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<sup>3</sup> Nota-se que não há nenhum tom xenófobo, ao contrário: deve-se aproveitar a experiência histórica de industrialização de outros países como ensinamento, discurso diverso de outro, mais radical, que advoga que cada nação deve buscar seu próprio caminho, mais comum a autores marxistas do século XX (FONSECA, 2004a, p. 234).

This paperist conception, however, was widely condemned by the metalists, notably because their concern was precisely on the stability of the market and exchange rate policy, so that to subordinate the currency to the elasticity of the market would be a misconception with potential crisis inclination, only the gold standard, relating monetary policy and the balance of payments, with a view to ensuring that money supply is backed and inflation avoided, as there would be a balance between money and capital that would not be confuse.

Paperism played a major role in the origins of developmentalism. Firstly, by breaking with basic principles of conventional economic theory, confronting almost consensual dogmas such as convertibility and the passive role of monetary policy. Second, and perhaps most importantly, was to inaugurate a conception of economic policy that made it responsible for growth: the state could and should act as an anti-cyclical agent (FONSECA, 2004a, p. 237).<sup>4</sup>

Although paperism did not have better defined positions in the pro-growth interventionist sense, such as the creation of state-owned banks and state-owned enterprises in defense of development, it was it who placed productive activity for the first time at the center of the economy as a substantial variable for the definition of exchange, monetary and credit policies.

Paperism has redefined the state's stance in shaping economic policy, placing it as a protagonist in the developmental course of domestic productive capital that would change the structure of relations between market agents that was previously observed in the orthodox context, but it is important to note that the paperists were not the nationalists, nor the defenders of the industry. Although the reference to production in the yearnings of paperism for the restructuring of the currency pattern concerned the eminently agricultural issues, also characteristic of the crop cycle and the fluctuation between periods and business moods.

Indeed, paperism increased the State's presence in favor of productive activity, defending the easing of economic policies in the face of market fluctuations, which is one of the roots upon which developmentalism would rise, but there was a need to coordinate consciously interventionism toward the desired goals as a developmentalist State project.

It is in this context that positivism occupies the space of structuring organization in the construction of this developmental future, as opposed to liberalism and initially anchored by Benjamin Constant and inspired by Comte, St. Simon, Stuart Mill and Spencer.

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<sup>4</sup> O papelismo teve papel importantíssimo nas origens do desenvolvimentismo. Em primeiro lugar, por romper com princípios básicos da teoria econômica convencional, afrontando dogmas quase consensuais, como a conversibilidade e o papel passivo da política monetária. Em segundo, e talvez o mais importante, era inaugurar uma concepção de política econômica que a tornava responsável pelo crescimento: o Estado poderia e deveria atuar como agente anticíclico (FONSECA, 2004a, p. 237).

Marked by divisions and internal debates, like any doctrine, positivism has three strands: the religious (the "Religion of Humanity", touted by Comte at the end of his life, and which inspired the creation of positivist temples); the scientific (preaching the advantages of the inductive method, the criticism of metaphysics and the supremacy of scientific knowledge over the religious or philosophical, with the creation of a positive social science - Social Physics); and the politician, advising rules for the sound administration of finance and politics, the most influential in Brazil and Latin America, and especially in the genesis of developmentalism. Not fitting to reconstitute all their ideas, it is worth mentioning here what contributed most to the formation of developmentalism (FONSECA, 2004a, p. 241).<sup>5</sup>

Based on these assumptions, positivism is conceived as one of the roots of the developmentalist project, because it ordered the other currents, accepting state intervention in the economy as long as there is a "social problem" that gives rise to state action and, especially, understanding government as with an inseparable duty to contribute to society's direction towards the direction of progress.

Although positivism was attached to orthodoxy in the field of economic policy, its importance for the construction of developmentalism was undeniable, because, in practical terms, it broadened the spectrum of action and acceptable interference of the State when present "social necessity", including to the point of intervene in economic development by giving meaning to the other roots that come from the nationalist structuring currents and the defenders of industrialization.

### **Final considerations**

From the review of Pedro Cezar Dutra Fonseca's studies, it is possible to identify that the roots of Vargas' developmentalist project, aligned with the very north of Brazilian developmentalism, are structured in four strands that were still embryonic since the Empire in Brazil, but only later, by Vargas, were combined in the same direction to form an economic policy.

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<sup>5</sup> Marcado por divisões e por debates internos, como qualquer doutrina, o positivismo apresenta três vertentes: o religioso (a "Religião da Humanidade", apregoada por Comte ao final da vida, e que inspirou a criação de templos positivistas); o científico (apregoando as vantagens do método indutivo, a crítica à metafísica e a supremacia do saber científico sobre o religioso ou filosófico, com a criação de uma ciência social positiva – a Física Social); e o político, aconselhando regras para a boa administração das finanças e da política, o de maior influência no Brasil e na América Latina e, principalmente, na gênese do desenvolvimentismo. Não cabendo reconstituir todo seu ideário, cabe aqui assinalar o que mais contribuiu para a formação do desenvolvimentismo (FONSECA, 2004a, p. 241).

Industrialization, pro-growth interventionism, nationalism and positivism, when combined in a concatenated manner, form the ideological matrices of developmentalism. The first three are part of the “hard core” that built the developmentalist State, but it was only possible when the last approached concept, positivism, attributed the notion of praxis and relevant progress and evolution in the context of social problems, allowing the state interference.

These currents, together, were experimented by Vargas at the subnational level during the rule of Rio Grande Sul, in 1928, and are understood as the first expression of positivism in Brazil, serving as a laboratory for an initiative to break the “natural vocation” of the country for the specialization on primary activity, highlighting the distance from liberal dogmas, notably with the creation of a state bank to promote development, although differently from the policy later observed at the federal level.

Thus, despite the definitions carried out by the ECLAC theories regarding the formation of developmentalism in Brazil in the Vargas Era, which are quite cohesive in the context of Latin American economic thought, the fact is that its edifying bases are rooted before, from its four structuring streams, with concrete experiences that supported the developmentalist project instituted nationwide by Vargas afterwards.

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