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Francisco Vidal Luna and Herbert S. Klein

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## The Economic and Social History of Brazil since 1889

This is the first complete economic and social history of Brazil in the modern period in any language. It provides a detailed analysis of the evolution of the Brazilian society and economy from the end of the empire in 1889 to the present day. The authors elucidate the basic trends that have defined modern Brazilian society and economy. In this period Brazil moved from being a mostly rural traditional agriculture society with only light industry and low levels of human capital to a modern literate and industrial nation. It has also transformed itself into one of the world's most important agricultural exporters. How and why this occurred is explained in this important survey.

Francisco Vidal Luna received his PhD in Economics in 1980 from the Universidade de São Paulo in São Paulo, Brazil, where he also was Professor of Economics until 2002. Author of some 50 articles and papers and 11 books on Brazilian economic history and the Brazilian economy, he has been an academic, a government administrator, and a banker.

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*To Adela Luna Campuzano de Vidal and Bernette Rudolph*

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# The Economic and Social History of Brazil since 1889

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## Introduction

Our object in writing this general economic and social history of Brazil since the founding of the republic in 1889 is to provide the reader with the basic trends that have defined modern Brazilian society and economy. There have been previous surveys in Portuguese and other languages covering many aspects of the economic evolution of this major world economy, but there have been few works that have covered this entire period or have surveyed the social transformations that accompanied these major economic changes.

As we will see in this volume, Brazil has had an uneven march toward modernization, often falling behind many of its peer nations and then engaging in protracted periods of growth that suddenly moved the country more in step with international trends. These spurts have left sectors behind in their traditional forms, while revolutionizing other parts of the economy and society in impressive ways. Overall Brazil has moved from a significantly underdeveloped society with a majority rural and illiterate population at the beginning of this period to a modern literate and urbanized society that is a world competitor in the one area in which it was most backward in 1889, that is, in agricultural production.

Not only is Brazil now a literate society where the majority live in modern urban centers, but it is among the half-dozen leading nations in terms of production of science and in providing the best in tertiary education. It has also become a serious industrial nation, though with only modest technical advancement compared to its Asian peers. Finally, it is a model developing society in terms of integrating its population into a national health and pension system through the progressive integration of the national labor force into the formal labor market, the expansion

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of basic services, and income transfers on a massive scale to its unincorporated population.

There had also been steady improvement in poverty reduction in general and extreme poverty in particular, both of which have been reduced to historic lows. Although Brazil remains one of the world's more unequal societies in terms of income distribution, in the past two decades there has been a massive increase in the share of the working and middle classes within the total population with a resulting historic decline in inequality.

It is our aim to show how the economy and society of one of the world's largest countries has evolved and the causes and consequences of these changes over time. Given the differing pace of economic and social changes, we have found that a division of chapters that parallels long-term political changes is the most adequate way to divide this study. Finally, given that the state has been such an important actor in all of these social and economic institutions and their evolution, we have also provided a basic political history to orient the reader in the role that the state has played in these developments.

In writing this work we have tried to explain any special terminology to the reader the first time we use it. We have also translated the names of most institutions into English, although we have retained the Portuguese initials used to name these organizations. At the same time we have provided a full citation to the Portuguese title the first time it was used. We have also used "external" interchangeably here as a synonym for "international" when referring to economic conditions.

This book is based on a collaboration of the two authors over many years of joint research and publications, and we would both like to thank Matiko Kume Vidal and Judith C. Schiffner for their encouragement and support throughout these many years.