

# THE BRAZILIAN ECONOMY IN HISTORICAL PERSPECTIVE



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# THE ARTICULATION REGIONAL-NATIONAL AND THE ORIGINS OF THE “REVOLUTION OF 1930”

PEDRO CEZAR DUTRA FONSECA\*

## THE QUESTION ABOUT THE ORIGINS OF THE «REVOLUTION OF 1930»

A CHALLENGE FOR THE understanding of the so-called «Revolution of 1930», which inaugurates the time of Getúlio Vargas in the Presidency of the Republic in Brazil, where he remained for fifteen years, is to explain their regional articulations, especially in Rio Grande do Sul, from where the armed uprising started. The 30's represented a significant change in society and in the Brazilian economy, replacing an export model centered on a few products, mainly coffee, to a markedly urban society. There was, also, greater political-administrative centralization in the Federal Government, gradually displacing the «dynamic Centre» – to use the term consecrated by Celso Furtado (1977, p. 195) – of its economy to the industry focused on the internal market, giving rise for the process of import substitution (PIS). As regional elites segments taken as “peripheral” – Vargas, from south and João Pessoa, from Paraíba, who composed with him the Liberal Alliance, defeated at the polls – had political force to win consolidated politics by decades of hegemony by both Minas Gerais and São Paulo? On the other hand, could the character of modernization and industrialization, after 1930, with important advancements as labor legislation and

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the creation of some State-owned enterprises – Vale do Rio Doce and Companhia Siderúrgica Nacional – be made by “agrarian” segments? It seems that the logic reversed: the reasonable would be expected that such project should come from São Paulo, where capitalist relations and industry were more developed – or, as would say Florestan Fernandes (1981), the “Bourgeois Revolution” and the competitive order there were in a later stage.

In this article the theme is again to be treated, although it has already been the subject of previous work (Fonseca, 1987, 1999). Its motivation is caused by a comment from Boris Fausto (**Vargas: capitalism under construction**, 1988, p. 24), where the author noted in chapters about the 30's, the interrelationship between regional and national perspectives. With a “suggestive analysis”, Fausto tries to contribute, deciphering the “mysterious leap of Getúlio Vargas, from the oligarchical political scenario to the leader of new order” and thus “indicating how the protection of the internal market and the reduction of “excessive dependency” of foreign capital, implying the State intervention in the economic field, were familiar themes to the so-called “generation of 1907”<sup>1</sup>. That generation predominated in the Republican Party Rio-Grandense (Partido Republicano Rio-Grandense) and absorbed the formation of the Liberal Alliance and the “Revolution of 1930”.

The predominant concern among analysts of the period, under some Marxist or even Weberian influences, was to decipher which classes and social segments led the «revolution» – and, also, those who opposed it. In a sense, the debate has been with the own Boris Fausto, which elegantly praised the work despite some criticism. In fact, I have always thought his thesis as the most insightful and appropriate as regards the participation of the classes and other social segments in the «revolution of 1930» (Fausto, 1983). As the work shows the behavior of the business entities of São Paulo, like the FIESP (Industrial Federation of the São Paulo State), in supporting Júlio Prestes, it disproves the well-known thesis of official Marxism of PCB (Brazilian Communist Party), which regarded the Revolution of 1930 as «the» Brazilian bourgeois revolution as opposed to a pre-capitalist system associated with the feudal oligarchy or imperialism. Fausto shows, with mastery, that neither the bourgeoisie participated as a class of «revolution», and that the Democratic Party of São Paulo was neither “modern” nor anti-oligarchic. In reality, this is a coup, more than a revolution (and under this influence, this term is used in quotation marks throughout the work), conducted by dissidents oligarchies that were not in the coffee business, whose motivations are not only about economic interests «of class», since, permeated by motives of strictly political order, including the regional party divisions that existed at the time.

1. Expression used by j. Love (1975, p. 233-4) to designate the generation of young students of the Faculty of law of Porto Alegre where Vargas belonged. Many of them stood in politics later on, in addition to Vargas, as João Neves da Fontoura, Maurício Cardoso, Osvaldo Aranha, Flores da Cunha and Lindolfo Collor. They participated actively in the PRR, worked with articles in the Official Journal of the Party, the *Federation*, and founded in college another journal to disseminate the positivist ideas, *the Debate*.

However, there were important questions to answer: (a)-to whom Vargas represented as a politician; (b)-what were the social segments that formed the Liberal Alliance and were they responsible of the events of 1930?

Arguably, the situationist candidates of Sao Paulo had the support of the economically strongest sectors of that state and, therefore, of the country. It would be the oppositionist antibourgeois candidature, or contrary to industrialization, since it was lead by weaker oligarchies and supposedly more backwards in world view. How can we explain, then, all changes in the 30's toward the opposite to regionalism, to "oligarchs," and the predominance of agriculture for exportation? What is the sense of Vargas's speeches and the acts justified and upheld by them? Answering that he was a member of a dissident regional oligarchy was not enough, even remembering that it tried, along the first Republic, more than once, alternatives of power to São Paulo civil hegemony, in alliance with the military and politicians from other states. This was the case occurred in 1910 with Marshal Hermes da Fonseca, who won against Rui Barbosa, and in 1922 with Nilo Peçanha, then defeated by Artur Bernardes, this with the support of São Paulo and Minas Gerais. This "regional oligarchies'" articulation, more or less close to segments of the army, has already manifested and was now returning to the scene. This time, with good support among key political chiefs of Minas Gerais, disgruntled by São Paulo's imposition to choose another name to the succession, breaking the agreed upon switching power.

To decipher the riddle and propose a more precise interpretation of the issue, two steps were important: to understand that the «bourgeoisie» is not restricted to industrial entrepreneurship and that oligarchy is not a social class, since the phenomenon comes from a typology of political domination, so originally it is a political term. This way, the candidature Vargas-João Pessoa was *at the same time bourgeois and oligarchic*, adjectives not exclusive in the context of that time, even if it can be detected the hegemony of agrarian interests related to the internal market, or unbound to coffee production (with the exception of PD from São Paulo). It was not even about arguing that the "revolution" was bourgeois *despite* of being oligarchic, as proposed by Décio Saes (1985, p. 83). This interpretation showed the major understanding that oligarchies had to be agrarians, and the bourgeoisie would be industrial, restricting themselves, consciously or not, the scope of the term – with the theoretical implication that only industrial activities could be considered «bourgeois», «modern», «entrepreneurs» etc. However, in Rio Grande do Sul there were already strong capitalist relations in the first decades of the 20th century, in terms of more rigorous Marxist literature, be it in an agricultural field, of stock farming and of *charqueadas*, be it in the emerging colonial society of immigrants, as well as urban activities of commerce, industry, banks and services. Worker strikes started to appear, like those of 1917. Such "oligarch" politicians represented these diversified interests – that had nothing of feudal or pre-capitalists.

In two subsequent articles I have looked into this analysis, both published in the magazine *Economic Studies of IPE/USP*: in 1985, "A Transição Capitalista no Rio Grande

*do Sul: a Economia Gaúcha na Primeira República*” (v. 15, n. 2) (*The Capitalist Transition in Rio Grande do Sul: the local economy in the first Republic*”), and in 1999, “*A Gênese Regional da Revolução de 1930*” (v. 29, n. 1) (*the genesis of Regional Revolution of 1930*”). At the first one, the purpose was to show that the period of the first Republic was of major expansion for the economy, as it was observed in other States of the country, such as São Paulo and Rio de Janeiro. Unlike the Empire times, in which it specialized in an animal husbandry economy – with its main products being beef jerky and hides – the Republican period was marked by economic diversification, especially to the North of the State, with the presence of German and Italian immigrants in small properties. In this colonial region, the husbandry of pigs is joined to the culture of maize and industrialization of lard, whose production has quadrupled between 1888 and 1896 and exports multiplied by eight, between 1907 and 1927. The 1920 census does justice to the title of “the barn of Brazil”, because Rio Grande do Sul appears as the first national producer of wool, potatoes, wheat, butter, wax, honey and wine; the second of cassava flour and tobacco; the third of rice, beans, corn, mate and cassava starch. It also highlighted in the production of barley, alfalfa, cassava, spirits, grape and duckweed. This production was intended mainly to the internal market. Regarding the second article, it will be recovered the following main arguments, in an attempt to rehearse answers to questions raised.

## VARGAS AND REGIONAL-NATIONAL ARTICULATION

THE «REVOLUTION OF 30» can be considered, under various aspects, the first revolt or armed movement in Brazil’s history with markedly national characteristics. Of course that ruptures in the established order, as the independence, Abolition and the proclamation of the Republic, had national implications, and skirmishing proliferated by the provinces. However, the main articulation, which is responsible for each movement and its victory, had as main stage the Rio de Janeiro. Either by the country’s territorial extension or by motivations found in its economic, social or political organization, the movements and «revolutions» couldn’t spread to the whole country, even if their slogans were national in scope, going beyond local demands or individualistic trends. We can find examples of this in the colonial period (Emboabas, Beckman, Inconfidências Mineira and Baiana, the Confederation of Ecuador), as in the Empire (Cabanagem, Farrapo’s War, Sabinada, Praieira) and in the first Republic (Revolta da Armada, Federalist Revolution).

The «revolution of 30» was national not only in their proposals and consequences. The articulation of both Vargas-João Pessoa (Liberal Alliance) and the armed uprising to overthrow the Government of Washington Luís, begun in discontent states, but soon split Minas Gerais, which until then composed the hegemonic pact with São Paulo. The revolutionary movement encountered adepts even in São Paulo, in the Democratic Party and in the urban population that greeted enthusiastically the

alliancists when the election campaign was happening. Finally, the support of the army, an institution of national character, was crucial in the victory of «revolution», although the military had little participation from the beginning of the talks, when the Liberal Alliance was formed, then under the leadership of civilian politicians.

There is practically consensus that, from 1930 the Brazilian economy went through significant changes, deepening its industrialization (11.2% of the industry's growth rate between 1933 and 1939), encouraging agricultural diversification and exports, to reduce the weight of the coffee plantations. To this were created several mechanisms and State enterprises to organize, direct and execute public policies beyond those tolerated by classical liberalism. The New State (Estado Novo), from 1937, deepened this interventionism, preaching State interference in trade union organizations and social questions, both labor and capital. With this, it wished to depersonalize State action, create and strengthen a bureaucracy made up of public procurement (DASP), decreasing the weight of political appointments, standard practice since the colonial period. At the time, this meant «modernisation», as exploited in the official discourse, with Brazil trying to rise to an equal footing with the strongest countries, industrialized, abandoning the old practices, the Colonelism and ignorance, those associated with the agrarian past, based on big land properties and monoculture.

Prior to demarcate the structural, the economic and political factors that helps to explain why the «revolution of 30» departed from Rio Grande do Sul, it would be pertinent to remember some aspects concerning the figure of Vargas. That image of the old elite, colonelist, oligarchic and retrograde cannot be bound immediately to Vargas, unless under the weight of gross generalization. Vargas was never liberal; on the contrary, he always addressed criticism to liberalism, even before being President of the Republic. There isn't a speech, article or even manifestation of him that shows sympathy for any liberal author, either in politics (Locke, Montesquieu, Rousseau, and others) or in the economy (Smith, Say and Ricardo, to stay in the classics). His references, on the contrary, have always been critical, associating liberalism to the ideology of the rich countries at the international level, and land owners, internally. The ideological affiliation of Vargas, since young, was of positivism, the official ideology of the Republican Party from Rio-Grande do Sul – RRP. His father, Manuel do Nascimento Vargas, fought in the War of Paraguay and was one of the most hardcore defenders of the Republic in São Borja. In this city, as throughout the state, elites were divided, from the late 1870, between the Liberals, led by Gaspar Silveira Martins, the most important politician from Rio Grande do Sul of the Empire, and Republicans. It was the start of the idea of the radical division of Rio Grande do Sul in the Revolt of 1893 between chimangos (Republicans) and maragatos (the Federalists, defenders of parliamentarianism and of the monarchy), hence originating the future Liberator Party, with its ideology close to liberalism.

Since early Vargas had contact with Comte's writings and with the basic ideas of political positivism. He never came close of being a believer of the Religion of Humanity,



and virtually no religious positivism's influence is noticeable in his speeches. He shared evolutionary concepts, of materialistic stamp, and defended state intervention to protect the industry to promote development in general. Cleverly, he always avoided further conflict with the powerful forces of the Church of the time. It was a scandal at that time, when the major Catholic population learned early that Protestantism confused with something diabolical, that he gave the name of Luther to her first child. When student, he criticized the fact that Brazil had to buy manufactured goods abroad with their own raw materials exported. As a State Deputy, during the first Republic, for numerous times he explained the necessity of industrialization and the conviction that this does not occur by simple market game (Fonseca, 1987, p. 35, 61-72).

After assuming the Presidency of Rio Grande do Sul (1929) – after being Minister of Finance of Washington Luís – one of his first acts was to create the Bank in the State Rio Grande do Sul whose goal was to finance the production, serving additionally to private initiative. This time, to justify the initiative, it reflects its perfect tune with modern capitalism, defending the credit as a primary factor to leverage development. From there, this word remained forever in his pronouncements, evidencing the change of relations between the State and economy from the Republic to the period that succeeded. In the late 20's, Vargas shows a gradual detachment to positivism. *Developmentism* was born as the new chain of ideas, influencing economic policy actions and measures of State intervention aiming to accelerate industrialization, through which it was expected to lead to a promising future, with the overcoming of the “Brazilian delay”. Later, this perspective has been transformed in *underdevelopment* by ECLAC, less subordinated to international division of labor and less unequal from the social point of view (Fonseca, 2004).

Consider this elite as delayed is a misconception. The children of the most important families went for studies abroad or in the best schools in the country, as in Recife, São Paulo and Rio de Janeiro. Vargas studied in Ouro Preto. Already in his preparatory time prior to College, he read Latin and French, basics in teaching languages of the time, centered in humanistic training for those who, like him, would study law. His favorite authors were Saint Simon, Charles Darwin, Herbert Spencer and Émile Zola (Brandi, 1985, p. 24). These preferences have nothing to do with the bachelor's culture of French imprint about formal liberalism, so present in the country then. They reflect the tune with the scientism of 19th century, with the analogy between society and living organisms, with the conception of law founded in fight for survival and not jus-naturalism, with a conception of economics that understood the «formula of *laissez-faire, laissez-passer*” as metaphysic and outdated. It was necessary that the Government acted to “help” society in its “march to progress”. Saint Simon, master of Comte and considered by Engels, not without a certain exaggeration, as one of the predecessors of Marx, denounced the frequent crises which happened in market oriented economies, seeing them as irrational, and proposed an active state, directed by scientists, technicians and inventors, and not by politicians. In another work, I tried

to show that many consecrated ideas by economists from ECLAC, considered modern and avant-garde in a later time, were already in the discourse of Vargas, even of the first Republic. Examples of this position: the perverse international division of labor to the periphery, the loss in the terms of exchange for countries with agricultural expertise and the impossibility of Latin American industrialization to occur without deliberate State action (Fonseca, 2000).

There is a risk, in emphasizing these biographical traits of Vargas, that he becomes to be seen as an exception, something between the exotic and the visionary. But, apart from his recognized ability in the game of politics, nothing was exceptional. He never was a brilliant student; he did not complete studies in Ouro Preto by engaging in a fight. Deciding then to follow a military career, he began his studies at the Preparatory School and Tactic of Rio Pardo (RS), where he concluded after two years of study. But two facts attest to his leadership in academia: was acclaimed by fellow students to greet, in 1906, the newly elected President of the Republic, Afonso Pena, on a visit to Rio Grande do Sul; and, the following year, at graduation, was chosen as the class speaker.

Vargas certainly had a visibility in the group, but this group was made of young people with intellectual formation, ideas and proposals similar to his. Influential politicians at the end of the decade of 1920, moved to the opposition after always having been the obsessive advocates of situationism. Why does this change happened?

## THE POLITICAL CONTEXT

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TO SET THE political position of the Government of Rio Grande do Sul, in the first Republic, we should not to lose sight that it had not been always in harmony with the federal Government. The presidential system consecrated in the Constitution of 1891, added to the «politics of the Governors» in practice from Campos Sales, would normally secure to the two major States, São Paulo and Minas Gerais, the head of the federal executive power. This does not meant, in fact, a situation of monopoly. The political division of Rio Grande do Sul, virtually the only State with a strong opposition, being able to take up arms against the State Government twice, in 1893 and 1923, was a virtually insurmountable obstacle to claim the Presidency of the Republic. As a third force, as consecrated by literature, but divided, the PRR never had representation to speak on behalf of the state as a whole, unlike other Republican State representations.

The policy of Júlio de Castilhos and Borges de Medeiros, the most prominent leaders of the PRR in this context often hostile, was named isolationism by some of its critics. Pinheiro Machado, on the contrary, made the policy of balance between the various oligarchies in the Senate, House that, by possessing identical representation by Federal unit, allowed an alliance between Rio Grande do Sul and the smaller states against the Executive. Vargas was once asked which was the politician that had most influential on him, and he cited two names: Júlio de Castilhos and Pinheiro Machado – showing a posture not only his, but the «generation of 1907», that the fragility of Rio

Grande do Sul in the frames of Brazilian politics came from the attitude of closing on itself, giving the backs to the national politic (Silva, 1965, p. 18).

It was clear, however, that the political pact that secured the hegemony of the most important oligarchies was shaking in the Decade of 1920. Interventionism to guarantee coffee prices in the international market strengthened and ran even more frequently. The conviction that coffee maintained Brazil was transformed into its opposite: the economy of coffee «socializes losses», was the current voice-synthesis of a posture consecrated later by Celso Furtado, Economic Formation of Brazil (1977).

The Decade of 1920 was rich in political movements that challenged the situationism, as symptoms of crisis of hegemony in São Paulo's coffee producers. In 1922, it appeared two nominations for the presidential dispute: Artur Bernardes, from Minas Gerais, official candidate, and Nilo Peçanha, from Rio de Janeiro, supported by the PRR. The lack of consensus led to *disputed* election - so called elections in which, not being possible the *anteriori* consensus, there was really a dispute, illustrating one of the faces of the oligarchic political system - although the current politics and practices of the systematic election, without secret ballots and Electoral Justice, gave little chance to the opposition. Artur Bernardes, victorious, ruled all its quadrennium (1922-1926) under a state of exception, i.e. with the classic constitutional guarantees suspended. The election showed a serious division between the state oligarchies, and the defeat of the candidature of Nilo Peçanha cheered the opposition *maragata*, now thickened by dissident Republicans, to take up arms against a new re-election of Borges de Medeiros, witch was allowed by the Constitution, provided he gets three-fourths of the votes.

The movement expressed the discontent of some of the civilians, but it was becoming radical among young officials of the army. Without well-defined ideology, because there were lieutenants both communists as fascists, pro and against Vargas, although generally they had in common the anti-liberal thinking, in line with the totalitarian and authoritarian ideas internationally dominant in the interwar period. But they represented a political force that could not be negligible: the lack of national parties, the discipline and the intellectual debate, including by the influence of positivism in high patents and between teachers of military colleges, gave significant weight to the armed forces, expressed in the tension between civilism and militarism, as in the earlier candidacy of Rui Barbosa, from Bahia but with support from São Paulo and Minas Gerais, against Marshal Hermes da Fonseca, from Rio Grande do Sul and with support from the army, also disputed election of 1910. This polarization dates back to the proclamation of the Republic, since it was victorious by a military coup and this Corporation took the first two Presidents, Deodoro da Fonseca and Floriano Peixoto. In the Decade of 1920, this latent tension became increasingly open. The uprising of the Copacabana Fort, 1922, and the Prestes column, which left Santo Ângelo (RS) in 1924, are two examples of not only the military installments of discontent against the **Government**, but its impossibility to be channeled through legal ways. The solution found was insurrection.

That said, the Government's response was the State of siege. And repression joined the proposal for constitutional reform, finally held in 1926, by which increased the possibilities of federal intervention in Member States – the salvations.

The growth of opposition, in the Decade of 1920, was beyond the discontent of actors already integrated in Brazilian politics, civilians «oligarchs» and the military, but incorporated new social segments, that emerged from industrialization and urbanization, as workers, bank tellers, ordinary employees, professionals and bureaucrats. There are examples of traditional parties that were not impervious to join elements of these layers – and mainly of senior professionals, which assumed the prevailing ideology and political practice. It was not a marginalization of individuals, but new ideas and new political practices, in struggle for expression and representation depicting the urban social complexity. The labor movement, including on behalf of the German and Italian immigration, featured strong anarchist presence. In 1922, the Communist Party of Brazil (Partido Comunista do Brasil, PCB) was founded and, in 1920, the Peasant-Workers Block (Bloco Operário-Campones), both with Marxist influence.

It is, therefore, an increasing deterioration of the political pact, given the difficulty of absorption of the oppositions of various shades appearing and strengthening. In the state of São Paulo, came the Democratic Party (PD) in 1926, dissent of the Republican Party of São Paulo (PRP), which supported Vargas in the formation of the Liberal Alliance and, unlike expected, featured in its frames politicians linked to the traditional coffee plantations, unhappy with the direction of the PRR, whose leaders were increasingly more tied to urban industrial activities, as importers, merchants, and financiers, and less connected directly to coffee production. There is no doubt that if the Government and the political pact in force were weakening, but on the other hand, it had in its favor the fragmentation of the opposition, whose diversity made difficult – and in fact prevented – the union around a common program, as shown by the frustrated attempt to get closer to Lieutenant Luís Carlos Prestes, still not adept of communism. The lieutenants did not participate in the formation of the Liberal Alliance, which took place at the beginning of 1929; the military only entered the events well after the electoral defeat, when part of the politicians that had formed it opted for the path of arms to overthrow the Government, but about a year and a half later, on the eve of «revolution».

It was forming a wide range of historic possibilities and a horizon of expectations, to remember the assertion Koselleck (2006, p. 308):

The conditions of possibility of real history are, at the same time, the conditions of its knowledge. Hope and remembrance, or more generally, expectation and experience – because the expectation comprises more than hope, and the experience is deeper than memories – are constitutive, at the same time, of history and its knowledge, and certainly they do it by showing and producing the internal relationship between past and future, today and tomorrow.

Given that the existing political system was not able to absorb the conflicts of the new social groups so as to enable its transformation from within, as is usual in Brazilian politics, a sector «inside» the leadership constructed the formation of new Pact – which is no exception at all to the same rule. Minister of Finance of Washington Luís and elected President of Rio Grande do Sul, with his support, Vargas became leader of the opposition, having as candidate for the Vice President João Pessoa, from Paraíba state, that symbolized the old alliance of Rio Grande do Sul with the small States of the North and Northeast signed by Pinheiro Machado in the Federal Senate. This Alliance was not new, as well as the disputed election; but at least three aspects—in the past, differed from the first ones and that explain their strength: (a) The rupture with Minas Geraes’s oligarchy, with the insistence of Washington Luís to impose the candidacy of Júlio Prestes, from São Paulo, injuring the political pact in force. With this, political conservatives and traditionally *status quo* linked, as former President Arthur Bernardes, supported the Liberal Alliance; (b) the Union of the Gaúchos (from Rio Grande do Sul), which resulted from a policy of rapprochement of Vargas with the opposition, at assuming the Presidency of the Rio Grande do Sul, in 1928. The historical conflict stalled, at least temporarily, between chimangos and maragatos with the expulsion of Borges de Medeiros from state Executive, established in a clause of the Pact of Pedras Altas, that ended the «revolution of 1923»; and (c) the «popularization» of the Liberal Alliance’s campaign, whose rallies began to represent a possible mass movement in major cities, something not planned by its creators, because Vargas had made a secret pact, not respected, with Washington Luís, promising to not campaign outside of Rio Grande do Sul, each pledging to support the elected one. This popular support expressed a repressed discontent, for the first time capitalized by a opposition candidacy, and served later as argument to denounce the election as fraudulent and legitimize the appeal to the «revolution». For this reason this always appears written in quotation marks, because by more resembling a coup than a revolution, a term generally employed to designate larger breaks in social and economic structures, accompanied by the emergence of new classes or segments to new structures and pacts of power.

## A REFLECTION ON THE ECONOMY

IT WAS SHOWN that politics in the Brazilian First Republic rested in an unstable equilibrium and that Rio Grande do Sul, as the «third force», only won the Presidency of the Republic with the formation of the Liberal Alliance, at the end of the 20’s, and with the divisions within the oligarchies of the larger states, São Paulo and Minas Geraes, it could aspire to conquer the Presidency of the Republic. But these disputes and talks, with all the importance that cannot be disregarded, certainly cannot be explained by restricting to themselves, as if they were sufficient to explain all the march of events. The rupture of the dominant political pact opened space for the

internal opposition, which occurred with the Liberal Alliance. After defeated at the polls, to ascend to power through arms, it had to rely on the army which, politically, was away of power since the civil victory against Floriano Peixoto, lending to the Brazilian First Republic periodic elections, something rare in Latin America then., with Presidents sworn every 4 years, according to the constitutional rules, for more than 30 years. Or, as Targa:

Was the union of the ruling class of Rio Grande do Sul which, coupled with Army headquartered in the state, and lieutenants exiles, made possible the intervention led by the local oligarchy, National Army and lieutenants in the central power of the Republic in 1930, ending the oligarchical Republic and starting the 15 years of Vargas in power (Targa, 1996, p. 34).

That said, we should inquire if there were economic motivations not to «explain» this political behavior, as if there was a linear causality, but to show the possible entanglement between economics and politics in this historical context, testing in both if there is a unit that makes sense and is able to be empirically detected. The answer requires focusing the verified changes, both in the Brazilian economy as in the economy Rio Grande do Sul, evidencing the existence, in the 20's, of different structures and economic problems than those of first half of the first Republic.

Among the various changes in the Brazilian economy, from a period to another, two must be mentioned by its strong relation with the political crisis in the 20's, because they are related to the hegemony crisis of São Paulo's coffee economy. The first joins the inability to maintain growth rates of exports of coffee without government intervention, to the extent that these will gradually increase over the period. To this outreach instruments are created, such as the Conversion Fund, in 1906, and the Stabilization Fund of 1926, and also the *funding loans*, which would increase the foreign debt.

The hegemony of coffee production possessed a very precise economic base. In the 19th century, it joined the euphoria resulting from the conquest of new markets and increase of the area planted, general income and employment; this trend, in the 20th century, was replaced by cycles whose amplitude is increasing and vegetative growth rates, because from certain level the demand for coffee in the international market only increased with the population growth. This affected public finances, by an institutional reason: while revenues from export taxes went to the states, the imports were the primary source of Federal Government revenue indirectly, therefore, the level of taxes had as one of its explanatory variables the actual rate of export growth, albeit with some flexibility permitted by fiscal and monetary policies. On the other hand, the oligarchies of the smaller States depended on the maintenance of the coffee income policy. The exporters, benefited from the devaluation and the money supply in the same way that São Paulo's; if focused on the internal market, as

is the case with the south, they were pegged to the own market success generated by the agriculture exportation. But these ties were not solid and depended on the own cycle, since more frequent and deep crises generated discontent among the oligarchies and the Federal Government, as ultimately responsible for economic policy, was the target of attacks. Federalism advocated by São Paulo's bench at the first Republican constituent, which ensured that the revenues from growing exports of coffee were directed for the state of São Paulo, was committed at each intervention in favor of coffee made by the Government. In the disputed election of 1922, this manifested itself in the defense of deflationism by Nilo Peçanha, which meant contain domestic prices and lessen the impact of devaluations that «socialized» coffee losses with the rest of the economy, especially commerce, i.e. consumers. This proposal was rejected by the situationist candidate Artur Bernardes, who advocated the exact opposite. The state of siege of this presidential period cannot be attributed only to the Liutenantists uprisings and revolts at regional level, such as the 1923 in Rio Grande do Sul, but also the inability to achieve consensus within the own dominant oligarchies who shared the national or local power since, at least, the Government Campos Sales, at the end of the 19th century. The constitutional reform of 1926 broadens federal powers over the States, showing that something had changed. After all, how can we speak in hegemony when the use of force, violence, interventions and coercion were increasingly frequent and decisive for the survival of the same group?

Secondly, the diversification of the Brazilian economy in the first decades of the 20th century, particularly with the expansion of urban activities – factories, trade, electrification, railroads, banks – with the decrease of the relative weight of the coffee in the economy and the emergence of new economic agents and new social actors. It is true that this diversification occurred with greater intensity, although not exclusively, in the state of São Paulo, excited by the dynamics of coffee; but, from a given moment, these activities that formed the complex coffee economy were acquiring a dynamism, feed and fed back by the urban economy and internal trade (Silva, 1976, p. 80-81, 99). It was being organized, inside the first Republic, the material basis of the process of import substitution, which would lead the Brazilian economy from 1930 until the mid-1970.

The fact that, in the period 1889 to 1897, coffee exports reaches 67.6% of Brazilian exports, a share which fell to less than half, 32.5% in the early 1940, illustrates those thoughts. Basing on the index of 100 for the nominal gross value of manufactured production in 1907, it reaches 890.4 in 1919 only for São Paulo; for the Brazilian economy as a whole, the index is smaller but also significant, 443.3. In the same period, keeping the same base year, the number of workers in the country and in São Paulo goes to 198.6 and 375.7 respectively. In the 20's, the growth of the cotton textile industry was 150% when comparing the average of the years 1927-1929 with 1919 (Villela, 1973, p. 160; Cano, 1977, p. 279, 294, 292). These data certainly help to highlight economic transformations that were taking place and that hardly would have no political impact,

either by changing the weight of the various fractions of the dominant class, whether by strengthening urban workers, proletarians segments or not, so far with marginal participation in politics.

As for the Rio Grande do Sul's economy, it was already shown its diversification and also its expressive industrial growth, although less than in São Paulo, but no less significant. We need to contrast, in this sense, the almost exclusive livestock economy of half of the 19th century and the loss of its dynamism (approximately three-quarters of the province's exports were to beef jerky and hides in 1861, to reach only a quarter to the end of the decade of 1920) with the growth of emerging activities by north of the state, especially in mountainous region based on German and Italian immigrant labor. After coming to power with the proclamation of the Republic, the small PRR began to adopt a policy of diversification, criticizing the livestock exclusiveness, based on big land properties, with very low productivity. It encouraged the presence of foreign frigorifics, after failed attempts to form one with national capital. This economic policy came to light not only as a diversifying one, but also as «autonomist» – something that matched, in the economic sphere, of political federalism so despised by positivist. It was the isolationism of Júlio de Castilhos and Borges de Medeiros, so criticized by the *maragatos'* opposition and, later, by Liberator Party. This party, with strong base among farmers, suggested that Rio Grande do Sul should participate more in national politics, since the positivist dictatorship allowed Borges to do everything within his state, but little or almost nothing in the consumer market at the center of the country. The defense of parliamentarianism as the main opposition flag is not only by nostalgia of the Empire or provocation to supporters of Presidential Republican ideal of Comte, but was also an attempt to share power with the nationally dominant oligarchies (Fonseca, 1983).

It is not difficult to understand that economic diversification led to the opposite of autonomy ideologically exploited by official speech. Initially dreamed as a way to make the economy less exposed to crisis, as in autonomist's dreams, the tendency of universalizing the capitalists relations prevailed. How? For the simple fact of the colonial subsistence production, initially, at expanding itself it also have gone to search for markets: starting with neighboring cities, going later to larger centers within the state, as Porto Alegre, Pelotas, and, finally, the national market. Along the First Republic, gradually the issue of colonial economy resembled the same livestock and beef jerky, i.e. the need for greater influence on the market in the Centre of the country and therefore greater bargaining power in national politics. This is the main motivation understood posture of the «generation of 1907» of not to accepting the «isolationism», and Vargas, in particular – especially its courage to quote Pinheiro Machado as preferred political alongside Júlio de Castilhos, when he was venerated and taken as undisputed authority inside the PRR.

Thus, the state economy also transformed and brought to scene new social segments, as observed in São Paulo, but with its specificity. The emerging were merchants



of larger cities, importers and exporters for other national markets and international ones, small bankers that arose to finance economic activities, industrials, mainly from immigrant origin, enriched by trade, and which passed to the processing of raw materials as colonial lard, flour and wine. It also appeared the first metallurgical activities and the production of textiles, hats, beer, soft drink, furniture and footwear expanded. It should be mentioned that the relationship between the agrarian and the emerging industrial sectors rarely represented open conflict. The division between «natural» and «artificial» industries, current at the time, was a ideological formula to reconcile agrarian and industrial interests. The natural were basically the agribusiness industries that benefited local raw materials. They did not need protectionism, because they took advantage of the barrier of transport costs to sell cheaper than similar imported goods. Seen as an «extension» of agriculture, they did not oppose to the major doctrine that Brazil had agrarian vocation – nor, strictly speaking, the theory of comparative advantage in international trade. The criticism was directed at the artificial industries – such as those of capital goods and basic supplies, for example, the steel industry – which required skilled labor and greater capital density - scarce factors in the country, and so dependent on protectionism. There is no way to transpose to the Brazilian context an imaginary «class struggle» between the agrarian sector and the emerging industrial, because both constitute parts of a same capitalist economy, based in profit, in paid work and market production. The partnership between both accompanies the class associations: for the captains of industry, the primary sector should be encouraged to increase production and productivity, because it was their raw material; for the farmer, the industry is, by excellence, consumer market, either as a producer of goods for the consumer basket or raw materials.

Thus, there is no contradiction between the rural origins of Vargas and the other members of «generation of 1907» and the defense of industrialization. At end of the 20's, the dream of a pasture farming Rio Grande do Sul was increasingly distant; the conquest of greater national space was preached by both the Government and the opposition, which politically approached with the exit of Borges de Medeiros from politics and the rise of Vargas to Presidency of the State. The possibility of an industrial Brazil was already incorporated in much of the imagery of military and civilian elites, entrepreneurs and urban segments. The outcome of the fight in national politics would create conditions for the next step, i.e. the conquest of the Presidency of the Republic.

## CONCLUSION

THIS ESSAY SOUGHT to show how politics and economy associated with each other, under certain historical conditions, to promote the origins of the «Revolution of 30» from Rio Grande do Sul, and emerged the key leaders of this movement, whose significance in this historical context, represented the end of the first Republic and waved with new foundations for the economy and the institutional and social organization,

based in the domestic industrialization, urbanization, and – aspect often overlooked in its reach – in the recognition by the State of social stratifications and class society, towards a weberian sense, whose main concretion is the labor legislation.

The limits defined by the question originally proposed in the essay does not invalidate the inquiry about the possibility that similar movement could have originated from other Brazilian states, under other leadership, since the «revolution of 30» cannot be reduced to mere revolt of dissidents oligarchies against the central power, given the divisions within São Paulo and Minas Gerais and their own developments, the profound nationwide consequences in the economy and politics in 1930 and 1940. It seems clear, however, that the confluence of numerous facts and variables exposed previously created certain peculiar historical situation, difficult to be repeated or reproduced in other contexts than that of Rio Grande do Sul. The situation was demarcated by the intellectual formation of its elites, its internal political circumstances and articulations with hegemonic elites nationally; as well as economic transformations, with the increasing integration of its livestock and agriculture in the national market.

In a vision of long term on the conflicts and political instability of the first Republic, we realized that this apparent stability was based on their peculiar political structure which stifled the emerging social conflicts, limited the official politics to elites, confused as conflicts «between Member States»; transforming these in main actors, not the social classes and political parties. Already in the 20's one realizes that the emerging politics was increasingly artificial *appearing as if it were between States*, from the beginning of the Republic, to give rise to more diversified and complex interests that were beginning to take sharper contours of class, as it would be explicit after 1930, with the New State corporatism and labor policies.

In this context, everything suggests that two agents possessed, probabilistically, major conditions to forward *status quo* changes from within, leaving aside the hypothesis of a "rebellion of the excluded": the Army or the civilian leader sectors of states like Rio Grande do Sul, who shared the power block, but of a secondary form or not hegemonic. The various protest movements and the "disputed" elections from the period shows the events and the articulations of the late 1920 would transform into the act, i.e., its overthrow by civilians politicians mostly from Rio Grande do Sul, with the essential endorsement of the military.