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## Introduction

The Great Depression caused a political and economic crisis in Brazil. Coffee, the product Brazil's economy was mainly based on, was no longer in demand in the world markets. The major planters' oligarchies that had dominated Sao Paulo's Brazilian politics had to step aside and leave their place to new and dynamic forces – the middle-class and industry representatives. Such were the circumstances that allowed the raise of Getúlio Vargas, who came to power with the support of the army and began his political career as a liberal and a reformist (Spiegel, 1949).

Brazil is a federal republic with a three levels' government, a political structure roughly equivalent to the one existing in the United States. In both countries there are requirements of national policy and the need to solve economic problems, which go beyond the jurisdiction of a federal system, had revealed considerable strain. Under Vargas's regime, the country's status was reduced to that of districts controlled by federal appointments. The States' rights were cut down sharply by a ceremonial burning of their flags. Under the 1946 Constitution, federalism raised again. This development was probably a response to the centralized power of one-man that occurred during Vargas's rule, but can also be justified easily by the country's extension and diversity of the population. Nonetheless, the revival of economic planning and a more active economic policy led later on to new growth of the States' rights (Spiegel, 1949).

To achieve and maintain power, modern autocrats must pretend to work for the common man, and a Declaration of Trust in this direction generally will involve a minimum of action. Claiming that he appreciated ordinary people and wanted to promote change, Vargas created an impressive body of social legislation. Critiques indicate that the effects of the legislation were only moderate yet, its effects were expected to go beyond what other governments were willing to take upon themselves. In the case of Vargas, his downfall may have been accelerated by powerful interests that feared he might have gone too far to the left. Obviously there were many other factors as well: the fall of dictators all over the world after the victory of democracy, regional jealousy, lack of new leading personnel and so on. Vargas's popularity was still great after his downfall, perhaps due to the economic difficulties the subsequent regime had to face (Spiegel, 1949).

The struggle for industrialization is one of the main themes of recent history, not in Brazil only, but almost in all Latin America. Historical development of the struggle finds common structural similarity in the national economies of the region. Evaluation of the experience of Brazil in the period after 1929 should therefore yield insights about the problems the entire Latin America faced during the international revolution, born by the financial collapse of 1929. Such evaluation may also provide empirical support for future comparative studies (Hilton, 1975).

## Chapter 1: The rise and fall of Getúlio Vargas

Getúlio Vargas was born on April 19th 1883 in the city of São Borja in Rio Grande do Sul state. After graduating from law school, Vargas entered politics. By 1922 he escalated rapidly in the state politics and was elected to the National Congress. In 1926 he became minister of finance in the Cabinet of President Washington Luís Pereira de Sousa. He was elected governor of Rio Grande do Sul in 1928 ("Getullio Vargas", n.d.).

Brazil became a Republic in 1889. Up until Vargas's regime, the political scenery was dominated by the states of São Paulo and Minas Gerais, which were the largest producers of coffee and also benefited from their incipient industries. From 1900 to 1930, there was an alternation of paulistas and mineiros in the Presidency. This period became known as the time of the 'Old Republic'

(Republica Velha), which can be characterized as a period of oligarchies, or epoch of the coffee-and-milk (Minas is the largest producer of milk in Brazil) ("Getullio Vargas", n.d.).

The crash of the New York stock market of 1929 had a devastating impact on Brazil's economy- the price of coffee fell from \$200,000 a bushel to \$21,000 in 1930. The Brazilian government was overprotective towards coffee producers- the government would buy excessive amount and destroy it in order to regulate prices. Nevertheless, most states in Brazil were dissatisfied with these privileges reserved to the coffee producers (ibid).

From his position as state governor, Vargas campaigned unsuccessfully as a candidate for presidency in 1930. In October of the same year, Vargas led a revolution, organized by his friends, which overthrew the oligarchical republic. Thus, Getúlio Vargas took office and his rise marked the fall of the Old Republic. His Presidency terms can be divided in four different periods: Provisory Government (1930 - 1934); Constitutional government (1934 - 1937); the New State (Estado Novo - 1937 - 1945); elected President (1951 - 1954) ("Getullio Vargas", n.d.).

After 15 years in power and in the midst of what he presented as an irreversible re-democratization program, Getuilio Vargas became the major political casualty of a coup d'état engineered by senior army commanders and embittered liberal adversaries. Vargas accused the United States Ambassador Adolf Berle Jr. of meddling in Brazil's political arena. Berle's tenure in Brazil lasted for a little more than a year (1945-1946) making him the most controversial U.S. modern envoy to Brazil and giving to Brazil's political crisis in 1945 a diplomatic dimension that requires analysis (Hilton, 1987).