

Introduction

The idea of writing a history of Brazilian business interest groups came by accident. Many years ago I arrived in Salvador to undertake research, only to find that my topic had been taken. Desperate to find another, and aware that the Commercial Association of Bahia had played a role in regional politics, I obtained permission to leaf through its archival records. The dusty nineteenth-century annual reports (*relatórios*), minutes (*atas*) of its meetings, and other records stored in the attic of its historic headquarters were something of a revelation. They indicated that the Bahian association, and by inference other commercial associations, had rather quietly exercised great influence on all levels of government. The commercial associations today remain among the most powerful of organized interest groups (also called pressure groups) in Brazil, but their impact obviously had been much stronger in the nineteenth century, when other organized interest groups were few, great corporations had yet to appear in any number, and countervailing, or contrary, influences were rare.¹ As Philippe Schmitter has noted, "Until well into the twentieth century these commercial associations served as the sole aggregators of the interest of the conservative classes,"² that is, merchants, industrialists, and planters. Wider research showed that the influence of the commercial associations was sometimes enhanced and sometimes contradicted by two other types of potent, although usually less enduring, business interest organizations: the factor and industrial groups.

There is no book-length treatment of Brazilian business interest groups in the nineteenth century, although numerous histories of individual commercial associations have been written by members or employees of those organizations.³ These treatments vary greatly in quality and often say

1. For advantages in the use of the term "interest group," now prevalent, rather than "pressure group," see Graham Wootton, *Interest Groups* (Englewood Cliffs, N.J.: Prentice Hall, 1970), p. 76. For the importance of countervailing power in interest group politics, see V. O. Key, *Politics, Parties, and Pressure Groups* (4th ed.; New York: Thomas Y. Crowell, 1958), pp. 112, 166–167.
2. *Interest Conflict and Political Change in Brazil* (Stanford, Calif.: Stanford University Press, 1971), p. 142.
3. For Rio de Janeiro, see Eudes Barros, *A Associação Comercial no Império e na República* (2d ed. rev.;

little about the central purpose of the groups: influencing government. With some exceptions, professional historians of Brazil have shown little interest in the subject.⁴ In part, the power of business interest groups has been underestimated in both past and present because their leaders wished it so. They wanted to keep their success in moving government inconspicuous. They realized, as do most interest groups today, that continued strong influence on government depended on that influence being used judiciously and inconspicuously. Moreover, the organizations they led were objects of suspicion. As will be seen, businessmen were traditionally mistrusted in Luso-Brazilian culture and so by extension were their organizations. A further cause of suspicion of Brazil's business elite was that most of it was foreign, that is, composed of persons holding citizenship other than Brazilian. The commercial associations, often led by foreigners, were particularly liable to nationalist resentments. In general, business interest group leaders hoped that public perception of the power of their organizations would be less than its reality.

Business interest groups had strong bases for such power in the nineteenth century. One was the relative absence of other types of interest groups. Nor had the great corporation yet made a significant appearance. In a period when most firms were simple partnerships and necessarily of limited size, only collective representation could exert the pressures on government that corporations do today. Another asset for business interest groups were advisory and regulatory prerogatives inherited from the centuries-old traditions of Iberian corporatism. Finally, group leaders enjoyed numerous and varied personal relationships with government decision makers. These resources gave business interest groups unmatched

Rio de Janeiro: Gráfica Olímpica, 1975), and Heitor Beltrão, *Um Capítulo da História da Praça do Rio de Janeiro: Considerações de Ordem Histórica e Jurídica, 1820–1929* (Rio de Janeiro: Imprensa Nacional, 1929); for Pernambuco, Estevão Pinto, *A Associação Comercial de Pernambuco* (Recife: Jornal do Comércio, 1940); for Bahia, M. S. L. Valverde, *Subsídio para a História da Associação Comercial da Bahia* (Salvador: Duas Américas, 1917), and Waldemar Mattos, *Palácio da Associação Comercial da Bahia (Antiga Praça do Comércio)* (Salvador: Benditina, 1950); for Amazonas, Associação Comercial do Amazonas, *Documentário Comemorativo do Primeiro Centenário da Associação Comercial do Amazonas, 18 de Junho de 1971* (Manaus: Associação Comercial do Amazonas, 1971); for Ceará, José Bonifácio de Souza, *Associação Comercial do Ceará: Memória Histórica, 1868–1968* (Fortaleza: Associação Comercial do Ceará, 1969); for Maceió, Moacir Medeiros de Santa Ana, *Uma Associação Centenária* (Maceió: Arquivo Público de Alagoas, 1966). Much on the Maranhão organization is found in Jerônimo de Viveiros, *História do Comércio do Maranhão, 1612–1895* (2 vols.; São Luís: Associação Comercial do Maranhão, 1954).

4. Conspicuous exceptions are Barbara Weinstein, who used the annual reports of the Commercial Association of Pará in *The Amazon Rubber Boom, 1850–1920* (Stanford, Calif.: Stanford University Press, 1983), and Evaldo Cabral de Melo, who based much of *O Norte Agrário e o Império, 1871–1889* (Rio de Janeiro: Nova Fronteira, 1984) on annual reports and minutes of the Commercial Association of Pernambuco. Nícia Villela Luz has much material on the Industrial Association (*Associação Industrial*) in her *A Luta pela Industrialização do Brasil (1808 a 1930)* (2d ed.; São Paulo: Alfa-Omega, 1975).

access to a government smaller and less complex than is common today. Politicians and bureaucrats willingly accepted and responded to their counsel because it fulfilled a role traditional for business interest groups in Iberian culture and because of the pivotal position of group membership in the Brazilian economy. It also answered a lack of expertise in government circles about business, economics, and processes leading toward modernization. The “technocrat” had yet to make an appearance on the government stage. Even when government expertise was not lacking, it was considered advisable, as a Minister of Finance (*Ministro da Fazenda*) acknowledged to the Board of Directors of the Commercial Association of Rio de Janeiro in 1896, to hear the “opinion of experience” and the “concepts of knowledgeable men.”⁵

The purpose of this book is to examine and evaluate the role of organized business interest groups in the development of Brazil from 1834, date of the founding of the first permanent organization, the Commercial Association of Rio de Janeiro, to 1900. Over the years the term “development” has given rise to considerable controversy. For my purposes, development includes economic growth in all its forms, industrial and agricultural, inward- and outward-oriented, and also modernization. Nor does my use of the term imply any judgment as to the direction or justice of the distribution of the wealth created. A second, somewhat subsidiary, aim of this study is to examine the characteristics and will of the business elite itself, as they are revealed through its groups. In both aims my focus is on the organized interest group itself. Business interest groups affected Brazilian development in the nineteenth century in a number of significant ways. My approach is to examine each, developing from them various subsidiary theoretical issues. At the same time, the choice of topics and the extent to which they are examined are determined by the groups themselves. Those not covered are topics in which Brazil’s nineteenth-century business interest groups either had little interest or were unwilling to take a public stand.

A brief survey will indicate the scope of business interest group activity in development. Perhaps in no other area was this activity more central to development than in industrialization. Business interest groups mainly affected it by influencing the amount and direction of government aid, virtually indispensable for the growth of manufacturing in the context of nineteenth-century Brazil. Advisory prerogatives derived from corporate tradition and from the role of their membership in industrialization gave them a number of ways to do so. Business interest groups also affected industrialization by being main participants in the debate over economic

5. Minutes, meeting of March 15, 1896, Livro de Atas, 1890–1896, AACRJ, p. 112.

liberalism. Appeals to the public over economic philosophy also formed part of the public relations efforts of business interest groups, efforts in which they took a role similar to that of corporations today.

Commercial associations and factor groups assumed responsibility for the welfare of agriculture. The former did so specifically for the exports of the regions they represented, the latter for either the sugar or coffee industry. This responsibility was impelled partly by the relative absence and the lethargy of agricultural groups and by the landed interests of many of the business elite, but mainly by the realization that the prosperity of export agriculture was the base on which the entire Brazilian economy rested. Business interest groups worked to upgrade the quality and volume of export commodities. They tried through various means to provide abundant, cheap credit for planters. They also attempted to help agriculture by marketing exports abroad and by campaigning against export taxation. Finally, business interest groups tried to assure planters sufficient workers, through slavery, forced labor, and immigration.

Business interest groups helped determine Brazil's communications infrastructure, including ports and their approaches. Mainly through influencing government aid, but sometimes through their own initiative or funding, they helped introduce the railroad, steam navigation, and the telegraph to Brazil. They were able to influence the geographical patterns in which these innovations were laid out and also which harbors first would be cleared of geographical obstacles and modernized.

Also important to development was the integrating role of business interest groups in the economy and in urban areas. In some cases they substituted for private initiative, founding or helping found banks, insurance companies, railroads, and steamer lines that otherwise would have been lacking. More often they acted as a surrogate for government, performing services that today would be considered the responsibility of the state. They regulated business practices and business personnel and supplied otherwise unobtainable information, including statistics. They provided or helped set up vital urban services and dispensed charity and disaster relief. These services were particularly relevant, because the Brazilian state was administratively weak and other voluntary organizations with resources were few. The basis of many of these integrating functions was prerogatives derived from the Iberian corporate tradition. Business interest groups, especially the commercial associations, were a concrete expression of this tradition.

In addition to illuminating the key role of business interest groups in the development of Brazil during the nineteenth century, this book aims at examining its business elite through those groups. The business elite was certainly the most affluent segment of the urban middle class and probably the most dynamic in its claims on government. The commercial

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associations provide useful parameters for study of that elite, as well as insights into it. Membership in them may be said to define the business elite in major cities. The commercial associations were intended to represent that entire elite, and most prominent businessmen were members even though they might also have belonged to a factor or industrial group. Recruiting policies and high dues kept nonelite businessmen from joining. The leadership, or top echelon, of the business elite may be defined by membership on commercial association boards of directors. Boards were composed to reflect proportionately elite business interests, as well as the prestige of the individual chosen. Selection was made by those most knowledgeable of such criteria: the board member's peers in the business community. Commercial association boards of directors form particularly convenient and representational units for study of the economic and personal interests of the leaders of Brazil's business elite.

Equally important, the political role and the political will of the business elite logically may best be understood through the actions of its representative groups before government. Examination of such actions may clear up long-standing misconceptions. Contrary to supposition, for example, businessmen who were part of the export complex did not favor the depreciation of Brazilian exchange, which increased the remuneration of the export sector.⁶ Except when shaken by agricultural distress, they supported a stable currency, preferably one based on precious metals (see Chapter 5). Nor was the restrictive 1860 law on incorporation, often blamed for inhibiting Brazilian development, forced by agrarian-minded legislators on a resisting business elite.⁷ Business interest groups did not oppose it (see Chapter 11). An examination of group views not only serves to correct misconceptions about business elite attitudes, but to illuminate broader questions. Did overseas merchants in Brazil, for example, share with their counterparts in other nations a cosmopolitan ideology of radical liberalism and free trade?⁸ The views of the business elite may best be understood through the organizations that expressed its will before government and the public. The business elite is commonly studied as part of often vaguely defined abstractions such as "middle class," "middle sectors," or "urban groups." Organized representative groups, acting in concrete situations, offer an attractive alternative means of examination of that elite.

6. Celso Furtado, *The Economic Growth of Brazil: A Survey from Colonial to Modern Times* (Berkeley: University of California Press, 1965), pp. 182–185; Nelson Werneck Sodré, *Formação Histórica do Brasil* (4th ed.; São Paulo: Brasiliense, 1967), pp. 264–265.

7. Nelson Werneck Sodré, *História da Burguesia Brasileira* (2d ed.; Rio de Janeiro: Civilização Brasileira, 1967), p. 161; Peter L. Eisenberg, *The Sugar Industry in Pernambuco, 1840–1910: Modernization without Change* (Berkeley: University of California Press, 1974), p. 75.

8. The concept of a worldwide "cosmopolitan bourgeoisie," bound together by shared ideology as well as business and kinship ties, is found in Charles A. Jones, *International Business in the Nineteenth Century: The Rise and Fall of a Cosmopolitan Bourgeoisie* (Brighton, Sussex: Wheatsheaf Books, 1987).

Finally, Brazilian business interest groups, particularly the commercial associations, also can be of interest to students of dependency. Studies of dependency have often been criticized for offering too much theory and too little empirical evidence to back their assertions (to be sure, an approach more common in the 1960s and 1970s). Here, no sweeping theoretical construct is offered, rather an insight into a viable mechanism for the transmission of foreign influence. Commercial associations were commonly led by the managers of foreign companies operating in Brazil and had foreign majorities among membership. Possessing access of the highest order to politicians and administrators, the commercial associations were an effective means by which foreigners, both in Brazil and in the headquarters of their firms at home, could exercise influence on the Brazilian government. Their actions also help answer a related question: What policies did foreigners favor? They would be the policies supported by the boards of directors of those associations most dominated by aliens. Some indication of foreign influence on economic development can be recorded through the commercial associations.

Some explanation should be offered about the parameters of this study. To begin at 1834, date of foundation of the first lasting business interest group, is logical, but what of 1900? It would be more conventional to end with the overthrow of the Empire in 1889. However, here conventionality would miss a key period of transition. Change is usually the most interesting part of history. While the year 1889 brought no marked change in the groups themselves, the decade 1890–1900 witnessed a notable, significant decline in the status of commercial associations. Of course, the associations did not cease to be influential after 1900. They continued strong during the Old Republic and remain today among the most important of Brazil's organized interest groups and among its best known institutions. But the great preponderance of power they had enjoyed during most of the nineteenth century weakened decisively during 1890–1900. It had been based on the paucity of other lasting interest groups, especially those with countervailing influence, and on the nearly unquestioned ascendancy of the export-import economy based on free trade that they represented. Both conditions ended around 1900.

The first agricultural interest group with national representation appeared in 1897. More significant as far as countervailing influence is concerned, around the turn of the century small industrial interest groups, usually organized around a single branch of manufacturing, arose for the first time. The first lasting group representing all national industry was founded in 1904. Similarly, during the decade 1890–1900 tariffs became increasingly protectionist. For the first time, commercial association objections were largely ineffective. Rate increases culminated in the Tariff of 1900, the first in Brazilian history that truly could be described

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as a protective tariff.⁹ Perhaps equally significant as an indicator of diminished power, for the first time no commercial association was consulted by the Brazilian government when it fixed a tariff. The decade 1890–1900 was one of novel, decisive change in the status of Brazil's most important business interest groups. The year 1900 marked a major turning point in Brazilian development. It seems an appropriate date on which to end a study of groups that profoundly affected that development.

9. Stanley J. Stein, *The Brazilian Cotton Manufacture: Textile Enterprise in an Underdeveloped Area, 1850–1950* (Cambridge, Mass.: Harvard University Press, 1957), p. 85.

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The genesis of Brazilian business interest groups

The rise of business interest organizations in the nineteenth century reflected first the increasing prosperity and complexity of Brazil's international trade and later the significant growth of manufacturing. These organizations included commercial associations, industrial groups, and factor groups. Factors acted as intermediaries between the overseas merchant and the export producer, not only marketing the latter's commodities but usually furnishing him with credit and consumer goods as well. Commercial associations and factor groups were created to confront the problems and grasp the opportunities of an expanding economy based on foreign commerce. More specifically, commercial associations aimed at promoting the economic development of the region tributary to the entrepôt they represented and defending the general interests of overseas trade. Factor groups worked to bolster the prosperity of sugar and coffee exportation. Industrial groups promoted the spread of manufacturing. Realization of all such objectives required a favorable attitude from the state or its outright aid. Government intervention in the economy was a Brazilian tradition that even the fashion for economic liberalism in the nineteenth century would do little to weaken. Business interest groups would mainly affect Brazilian development by influencing the government's role in the economy.

Advancing the interests of overseas trade, local prosperity, industry, or a specific commodity required collective representation. Large corporations were few in nineteenth-century Brazil, and individual business firms, as elsewhere, of limited size and economic impact. They usually consisted of several partners operating on such capital as they could raise themselves. Individually such partnerships, even those representing large overseas trading companies, could exercise little influence on government. Complicating the problem of dealing with government was the fact that the majority of Brazil's business elite, particularly its overseas trader and

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manufacturer elements, was foreign, that is, holding citizenship other than Brazilian.¹ Collective representation was a practical necessity.

The technological advances of the nineteenth century offered opportunities, not only for manufacturing but for the expansion of overseas trade. Export volume and quality, for example, could be increased by new or improved agricultural machines, cultivation techniques, processing, and varieties of plants and animals. Such innovations were particularly important in Brazil in view of the notorious backwardness of its farming and agricultural processing methods (see Chapter 4). Commercial associations and factor groups were to assume much responsibility for the introduction of agricultural improvements, in addition to the general welfare of Brazilian agriculture. Other opportunities for economic expansion came from innovations in communications. The railroad, the steamship, and the telegraph would make overseas trade less risky, expand the frontiers of export plantation agriculture, cheapen the importation of consumer goods, and even widen the trade area tributary to an entrepôt. Trade rivalries between major entrepôts also impelled improvement in communications. But such improvements were expensive; most had to be introduced with government aid or sponsorship. To secure this vital backing for improvements benefiting its entrepôt would be a prime task of each commercial association.

Along with opportunities for expanded prosperity arose problems. Confronting them also required collective representation. Industrialists had the problem of convincing the nation that manufacturing was desirable or even feasible in nineteenth-century Brazil. Most influential Brazilians held the conviction that the nation's "natural" or "God-given" role was that of exporter of raw materials and importer of manufactured goods in a world economy governed by the principles of free trade.² Nearly all Brazilian manufactures lacked established markets and skilled labor and had to import much of their raw material and fuel and nearly all of their machinery. Without government aid in the form of subsidies, low-cost loans, tax exemptions, and especially tariff protection, the chances of industry for expansion, even survival, were precarious.

The long-dominant export-import economy also faced problems. Overseas competition and inefficient Brazilian production brought crises in cotton and sugar exportation, the former dating from the end of the Civil War in the United States, the latter from the early 1870s. Coffee and rubber prices fell in the 1880s and coffee again in the second half of the

1. Eugene W. Ridings, "Business, Nationality, and Dependency in Late Nineteenth Century Brazil," *JLAS*, 14 (May 1982): 55–96. This definition of the terms "foreign" and "foreigner" will be used throughout.

2. Heitor Ferreira Lima, *História do Pensamento Econômico no Brasil* (São Paulo: Editora Nacional, 1976), pp. 80–82.

1890s. Factor groups were specifically created to confront the crises in sugar and coffee. They joined the commercial associations in searching for ways to improve the quality and the growing, processing, and marketing of faltering exports.

The most persistent of problems for business was taxes. Overseas commerce was the focal point of Brazil's taxation system: throughout the nineteenth century some seventy to seventy-five percent of national tax revenues were extracted in the customs house.³ Merchants also bore the brunt of other forms of taxation. These included levies on business transactions, the urban real estate tax (*décima urbana*), and the Industries and Professions Tax (*Imposto de Indústrias e Profissões*), a sort of primitive income tax that fell almost entirely on businessmen, touching professionals but lightly and exempting landowners entirely.⁴ Import duties, Brazil's main source of revenue, tended to rise during the nineteenth century, propelled first by revenue needs and later also by a desire to protect native industry. Protective tariffs by definition damaged importation and were thought to hurt exportation as well. The Alves Branco Tariff of 1844 put an end to an era of virtual free trade, but even in the 1830s, revenue demands had begun to push duties upward, whenever it could be done without violating treaty commitments.⁵ This threat helped create Brazil's first lasting business interest groups, the commercial associations of Rio de Janeiro, Pernambuco, and Bahia, in 1834, 1839, and 1840. The tendency of import tariffs to climb increased during the 1880s and then accelerated with the coming of the Republic in 1889.

Taxes on export commodities, pushed by the same fiscal necessity as import tariffs, also rose during the second half of the nineteenth century. Commercial associations and factor groups blamed them for much of the difficulty of Brazilian exports in competing in world markets. Provincial (after 1889 state) customs duties also presented a serious threat to prosperity. National export or import levies could theoretically be passed on to the consumer, but provincial export or import duties, if higher than those of

3. Amaro Cavalcanti, *Resenha Financeira do Ex-Império do Brasil em 1889* (Rio de Janeiro: Imprensa Nacional, 1890), p. 11; Nathaniel H. Leff, "Economic Retardation in Nineteenth-Century Brazil," *Economic History Review*, 25 (Aug. 1972): 503; Anibal Villanova Villela and Wilson Suzigan, *Política do Governo e Crescimento da Economia Brasileira, 1889-1945* (Rio de Janeiro: IPEA/INPES, 1975), pp. 9-10.

4. For Industries and Professions Tax regulations, see Brazil, laws, statutes, etc., *Coleção das Leis do Império do Brasil de 1874* (Rio de Janeiro: Tipografia Nacional, 1875), XXXVII, Part 2, II: 735-773, and *Leis, 1888*, LI, Part 2, I: 117-143.

5. As early as 1834, the Brazilian government attempted to circumvent the fifteen percent ceiling on duties by increasing the number and size of handling fees. Parkinson to Foreign Office, Salvador, Jan. 31, 1834, PRO/FO Microfilm Series 13/113, fl. 168; Charge d'Affairs W. R. Gordon to Brazilian Foreign Ministry, Rio de Janeiro, March 10, 1838, AHI, Rio de Janeiro, 284/3/9. In 1839 duties on some goods not specifically covered by treaty provisions were raised as high as fifty percent. Porter to Foreign Office, Salvador, Dec. 31, 1841, PRO/FO 13/174, fl. 263.