

Vargas and Goulart: populism at stake

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Abstract

This article deals with the economics and controversies on the economic policy of the second Getúlio Vargas administration (1951-1954) and the João Goulart administration (1961-1964), as well as their respective historical meanings. Despite conjunctural differences when Goulart took office as President, it is known that it did not differ greatly from the economic context in which Vargas resumed his government in 1951: rising inflation and a slowing trend in gross domestic product (GDP) growth rates, which, along with the mandate, added to the worsening external accounts situation, with a balance of payments deficit and difficulties in attracting external capital. In spite of the differences, both governments had tragic outcomes, with negative political and social consequences. Based on the various interpretations of the economic policy throughout these periods, the hypothesis that both Vargas and Goulart fit into the concept of economic populism, established in the literature, is refuted.

Key words economic populism; getúlio vargas; joão goulart.

Vargas e Goulart: o populismo em questão

Resumo

Este artigo tem por objeto a economia e as controvérsias sobre a política econômica do segundo governo Getúlio Vargas (1951-1954) e do governo João Goulart (1961-1964), bem como seus respectivos significados históricos. Apesar das diferenças conjunturais quando da posse de Goulart na Presidência da República, sabe-se que ela não diferia em grandes traços do contexto econômico em que Vargas reassumiu o governo, em 1951: inflação crescente e tendência de desaceleração das taxas de crescimento do produto interno bruto (PIB), às quais se somaram, ao longo do mandato, ao agravamento da situação das contas externas, com déficit no balanço de pagamentos e dificuldades para atração de capitais externos. Guardadas as diferenças, ambos os governos tiveram desfechos trágicos, com consequências políticas e sociais negativas. Partindo das diferentes interpretações acerca da política econômica ao longo desses períodos, refuta-se, assim, a hipótese de que tanto Vargas quanto Goulart se enquadrem no conceito de populismo econômico consagrado pela literatura.

Palavras-chave populismo econômico; getúlio vargas; joão goulart.

Vargas y Goulart: el populismo en cuestión

Resumen

Este artículo tiene como objeto la economía y las controversias acerca de la política económica del segundo gobierno de Getúlio Vargas (1951-1954) y del gobierno de João Goulart (1961-1964), así como sus respectivos significados históricos. A pesar de las diferencias coyunturales cuando Goulart asumió el cargo de Presidente, se sabe que Goulart no difería mucho del contexto económico en el que Vargas reanudó su gobierno en 1951: aumento de la inflación y una tendencia a la desaceleración de las tasas de crecimiento del producto interno bruto (PIB), que, junto con el mandato, contribuyó al empeoramiento de la situación de las cuentas externas, con un déficit en la balanza de pagos y dificultades para atraer capital externo. A pesar de las diferencias, ambos gobiernos tuvieron resultados trágicos, con consecuencias políticas y sociales negativas. A partir de las diferentes interpretaciones sobre la política económica a lo largo de estos períodos, se refuta la hipótesis de que tanto Vargas como Goulart se ajustan al concepto de populismo económico consagrado por la literatura.

Palabras clave populismo económico; getúlio vargas; joão goulart.

Vargas et Goulart: le populisme en question

Résumé

Cet article traite de l'économie et des controverses sur la politique économique du deuxième gouvernement de Getúlio Vargas (1951-1954) et du gouvernement de João Goulart (1961-1964), ainsi que de leurs significations historiques respectives. Malgré les différences conjoncturelles lorsque Goulart a pris ses fonctions de président, on sait qu'il ne différait pas beaucoup du contexte économique dans lequel Vargas a repris son gouvernement en 1951: hausse de l'inflation et ralentissement de la croissance du produit intérieur brut (PIB), qui, avec le mandat, a aggravé la détérioration de la situation des comptes extérieurs, avec un déficit de la balance des paiements et des difficultés à attirer des capitaux extérieurs. Malgré les différences, les deux gouvernements ont eu des résultats tragiques, avec des conséquences politiques et sociales négatives. Sur la base des différentes interprétations de la politique économique au cours de ces périodes, l'hypothèse selon laquelle Vargas et Goulart s'inscrivent dans le concept de populisme économique, consacré par la littérature, est réfutée.

Mots-clés populisme économique; getúlio vargas; joão goulart.

Introduction

It is usual in historiography to characterize the administrations of Getúlio Vargas (1951-1954) and João Goulart (1961-1964) as typical representatives of populism in Brazil, associating them to a phenomenon also observed in many Latin American countries since the 1930s. The meaning, historical motivations, and various manifestations of populism constitute an object of deep controversy in the literature, making it hard to reach a consensual conceptualization, although there are common traits frequently mentioned by analysts. Traditionally, attention has been paid to phenomena of a clear political nature, such as the existence of charismatic leadership and the direct relationship between leader and led, doing without intermediate instances, distributive discourse, and the adoption of demagogic and authoritarian measures, among others.

Although the context of Goulart's inauguration in the Presidency of the Republic was more serious, it is worth remembering that he does not differ much from the situation in which Vargas resumed government in 1951: rising inflation and a tendency to slow down the gross domestic product (GDP) growth rates, which were added, throughout the mandate, to the worsening of the external accounts situation, with a deficit in the balance of payments and difficulties in attracting foreign capital. From a political viewpoint, Santos (1986) highlights the greater vulnerability of João Goulart in comparison to the presidents who preceded him in the post-war period. According to this author, the Goulart administration experienced a crisis of decision-making paralysis, due to 3 conditions at the period: "political fragmentation, ideological polarization, and instability of coalitions" (Santos, 1986, p. 81, our translation).

Even under different political circumstances, it is worth mentioning that both Vargas and Goulart faced problems in taking office, when the atmosphere of radicalization caused sectors of the civil and military opposition to propose breaking constitutional law. Despite the governments' attempts to increase the support base, which at various times resorted to a moderate and conciliatory discourse, in both cases, the economic and political crises worsened and the growing radicalization led to a tragic end: Vargas' suicide, in 1954, and the civil-military coup d'État against Goulart, a decade later.

The turbulent political environment of these governments has contributed so that a large part of the literature considered the economic policies deployed by them as 'hesitant,' 'irrational,' and/or 'ambiguous,' adjectives through which, even involuntarily, analyses suggest that their measures were erratic and illogical. Such qualifications seek to strengthen their characterization as populist governments.

By disagreeing with this interpretative narrative, this article argues that both governments started from a similar strategy to execute their economic policies, i.e. try to convince private players about the priority of fighting inflation, with austere policy proposals

focused on achieving a balance in public accounts, while never failing to mention economic development as the ultimate goal. Notwithstanding, as time went on, that priority was gradually eased, mainly due to political pressure. The latter took place, to a large extent, because both governments did not give up implementing policies of a larger scale, of a nationalist nature, in favor of industrialization and income redistribution, which are named as *institutional policies* herein. Several authors, as shown below, saw such difficulties, as well as the coexistence between stabilization and development measures, as contradictory and fruits of hesitation or inconsistency in the making, marked by oscillations typical of ‘populist’ administrations.

This article aims to demonstrate that a certain pattern of regularity can be detected in the economic policy of both governments under analysis and that it deviates from what is conventionally named as *populism*. Thus, in addition to this brief introduction, the article is divided into 4 other sections: a) presentation of the concepts of political and economic populism; b) analysis of the second Vargas administration; c) analysis by the Goulart administration; and d) final remarks.

Populis: concepts and features

Although the term *populism* is subject to multiple definitions and it is used by various authors to designate different historical phenomena, a theoretical approach between *political populism* and *economic populism* is accepted herein, established in the literature for at least 3 decades (Bresser-Pereira, 1991)¹. In principle, both have in common the always derogatory burden associated with governments regarded as ‘demagogic,’ ‘irresponsible,’ or conflict ‘manipulators;’ however, for analytical purposes, they may be thought of and typified separately, since they are likely to occur in a non-concomitant way.

If this article’s objective and hypothesis are simple to formulate, its biggest challenge has a methodological nature: how do we test whether a government is in tune with economic populism or not? Which path should we follow to merely avoid the succession of explicit value judgments or, something which is not that different, the persistent recourse of orthodoxy, of ‘judging’ economic policy (if ‘coherent,’ ‘consistent,’ ‘populist,’ etc.) through

¹ Bresser Pereira (1991, p. 8, our translation) mentions Juan Perón and Alan Garcia as cases in which both coincide. Vargas might be an example of political populism, but not economic populism. Salvador Allende might be a socialist and non-populist leader, from a political viewpoint, but his economic policy is an example of economic populism. This article focuses on economic populism, but it may be said that there are also restrictions from the political viewpoint to characterize the second Vargas administration as populist. The fact that he created, at the end of the Brazilian New State (Estado Novo), the Brazilian Social Democratic Party (Partido Social Democrático [PSD]) and the Brazilian Labor Party (Partido Trabalhista Brasileiro [PTB]) helps to highlight his search for party’s and congress’ support, which he used to ensure governability, also along with conservative sectors (D’Araújo, 1982), by no means reminding direct contact with shirtless people, repudiation of political alliances, or aversion to intermediate institutions. In this regard, there seems to be substantial differences in relation to Perón, who is closer to what is typified in the literature as political populism (Fonseca & Haines, 2012).

the model being formulated, a case where the conclusion is embedded in the premises themselves?

Thus, it was decided to start from the consolidated literature and extract from it what is regarded as economic populism in order to, by means of these elements, be able to select and investigate some relevant variables of the economic policy from the historical period at stake to test it empirically. It is not intended to put the concept or its use into question, nor to oppose the various meanings and nuances taken by it, but only to identify the 'hard core' of this research program as a way to analyze the economic policies of the Vargas (1951-1954) and Goulart (1961-1964) administrations and verify the pertinence of its use in the cases in vogue.

Political populism

The theses on populism in Latin America in the 20th century found fertile ground in the Brazil intellectuality, mainly of a Marxist nature, in the 1960s and 1970s. It was, above all, an interpretation of the interregnum from 1946 to 1964 as a continuity of an authoritarianism historically rooted in the country: the democratic experience and social movements of the period were neglected under the sign that there was a manipulation of the 'masses,' especially urban ones, by strong charismatic leaders who partly met their needs and they assessed the results for their own benefit, making it hard for truly left-wing trade unions and parties to take action, and such a left-wing was seen as a mouthpiece for the 'actual' interests of the working class and the avant-garde in charge of leading the social revolution towards socialism. It is worth noticing that sometimes the proletariat was seen as a history subject and the class playing the historical role of change, now weak, lacking political awareness, and subject to manipulation by populist leaders, something which legitimized the need for an enlightened avant-garde.

Latin American political populism is the oldest, most widely known, and most extensively studied research object². In the Brazilian case, its radiating focus that gave rise to the most robust analyses came from authors like Francisco Weffort, Fernando Henrique Cardoso, and Octavio Ianni. Herein, it is not worth repeating their arguments, which are widely discussed in the literature. Cardoso and Faletto (1977) illustrate this approach perfectly, as easily associated with Brazil and other Latin American countries in the post-World War II era, by relating the phenomenon of populism to the transition from a traditional/agrarian society to another one, an urban/industrial society, as a link connecting

2 The most exciting theoretical reflections on populism come from Gino Germani, Torcuato di Tella, and Ernesto Laclau. On the origin of the use of the term *populism* in Brazil, see the articles by Ângela de Castro Gomes and Jorge Ferreira in Ferreira (2001). For a critical assessment of political populism to characterize the Vargas and Goulart administrations, see also Ferreira (1997, 2005) and Gomes (2005).

the urban masses mobilized by industrialization – or expelled from the agrarian sector as a result of their transformation or deterioration – to the new power scheme. Thus, it turns into mass politics, which does try to encourage the maintenance of a relatively limited political participation scheme, based on a weak trade union structure that has not affected the rural masses or the urban popular sector as a whole.

In this sense, it is understood that the emergence of political populism was due to an economic cause: industrialization and urbanization. The terms speak for themselves: ‘masses’ (as opposed to social classes or citizens), ‘expelled,’ ‘deterioration,’ ‘limited,’ ‘weak’... However, it is registered that even in these authors there is a second, more sophisticated, definition, in which populism goes beyond a simple manipulation³. Although always coexisting with a ‘lack of conscience’ in the working class, it was argued that such a manipulation was neither absolute nor free from contradictions, something which made room for manifestations on the part of workers and the ‘middle strata’ of the urban population. Weffort (2003, p. 51, our translation), for instance, claims that populism “was a determined and concrete way of manipulating the popular classes, but it was also a way of expressing their dissatisfactions,” so that the ascendance of the dominant classes became ‘potentially threatened.’ Anyway, when classifying a government or ruler as populist, the analyst invariably attributes it/her/him a pejorative character, constituting a theoretical category with a strong evaluative component. As Ferreira (2001) summed it up, a populist is always ‘the other.’ After 1964, those advocating the new government began to use this term to designate their predecessors, synthesizing a series of ‘-isms’ to which they were opposed: nationalism, laborism, trade unionism, Vargasism, socialism...

Thus, the term ‘populist’ started gaining space in the media and it is used by players of various ideologies, shaping themselves according to the objectives and attributes that each one wanted to emphasize. It is an intriguing phenomenon how this adjective touched characters of various ideological and antagonistic orders, each one resorting to what they pleased. However, some features associated with it permeate all of them, like ‘mass manipulation,’ demagoguery, and promises impossible to keep that ignored budget restrictions, always with the purpose of perpetuating power. Therefore, the two extremes in the political field resorted to ‘populist imagery’ as a way of synthesizing the difficulties and, on the edge, the infeasibility of democracy in countries like Brazil. Thus, they helped legitimizing the disruption of the constitutional order – coups d’État or revolutions. So, the contradiction of various users of what may be called ‘populist imagery’ becomes clear: a populist authoritarianism could only be overcome by another kind of authoritarianism. The latter might claim to play the role of national savior, since it would be up to an enlightened elite or avant-garde to avoid the evils that the masses, due to their ignorance, were unable to see.

³ The study by Silva (2008) uses game theory and also endorses the critique to the working class’ manipulative and passive nature.

Nevertheless, populism would not be restricted to a mere phenomenon of political manipulation, as it would require, in order to come true, economic policy measures. The latter are addressed below.

Economic populism

Economic populism models are usually based on theoretical constructs that characterize an economic policy pattern expressed in cycles. In this case, the economic policy provided for by the models is restricted to macroeconomic stabilization instruments, also known as starting policies, namely, monetary, exchange, and fiscal policies. This finding proves to be significant, since the term *economic policy – lato sensu* – encompasses all government decisions that concern the economy, such as end policies, aimed at specific areas (like the industrial, agrarian, and technological policy) or institutional policies, of greater scale and scope, such as changes in laws and codes and the creation of bodies or ‘rules of the game.’

Although emphasizing various instruments, the authors converge by stating that the phenomenon is associated with a behavior pattern whose mark is rapid growth, even in adverse situations, ignoring or underestimating stabilization policies. Populist governments hold their predecessors responsible for recession and unemployment, they do not recognize the need for restraint measures and propose a drastic ‘turnaround’ in economic policy, proposing, as an alternative, greater growth.

Analyzing the Argentine experience⁴, Canitrot (1991), although not identifying a cycle, emphasizes wage policy as an instrument par excellence of populist governments: their leaders find a fertile ground in recessive periods and promise growth, income distribution, and jobs. After being elected, they choose generous wage increases as a way of making their program viable, something which becomes their bottleneck as inflation accelerates. In turn, in O’Donnell (1991) the notion of cycles appears, building a dual economy model, having an export sector with relative autonomy alongside another, turned inward, which involve producing wage or non-tradable goods. Although not using the word populism, the author shows how the unstable balance resulting from duality leads to temporary political alliances, hard to sustain in the long run, which alternately prioritize one sector or another, causing a “pendular” movement (O’Donnell, 1991, p. 61, our translation). Sachs (1991) devises a version similar to that proposed by O’Donnell (1991), with 2 sectors, one exporter of primary goods and the other producer of non-tradable goods, involving intensive labor dependent on imported inputs; the exchange rate is the variable par excellence for arbitrating gains and losses between sectors. Díaz-Alejandro (1991) shows, by means of frustrated stabilization plans, that they show a repetitive phase sequence pattern, which

4 For a more recent study providing in-depth analysis of Perón’s economic policy, see Ferrari (2008).

always begins with the choice for growth and the rejection of restrictive policies to fight inflation.

Dornbusch and Edwards (1991) are responsible for one of the most widespread definitions of economic populism. These authors point out that, generally, populist programs start from a situation of stagnant or depressed economy, which creates conditions for strongly expansionist programs; ‘resumption with distribution’ is the watchword. There are 4 phases: a) wage increases and demand growth policies, served by imports; b) bottlenecks appear gradually and the government rejects stabilizing measures, choosing exchange control or protectionism; c) the crisis worsens, there are capital flights, demonetization, tax revenues fall, and public deficit deteriorates – with rising inflation, real wages fall and the political situation is unstable; d) there is room for adopting orthodox policies (Dornbusch & Edwards, 1991).

Among Brazilian authors, Bresser-Pereira (1991) provided a major contribution to increase awareness of the phenomenon in its economic facet. The formulation is expanded in at least 3 aspects: a) showing various possibilities to begin the cycle, pointing out the diverse range of experiences; b) distinguishing ‘left-wing’ economic populism, grounded in “naive distributivism via wages and refusal to adjust,” from ‘right-wing’ economic populism, whose preference falls on public spending and clientelism (Bresser-Pereira, 1991, p. 111, our translation); and c) considering the economic policy of other Latin American countries, emphasis is placed on the Brazilian experience, a particularly important aspect for the purpose of this article. Thus:

1. The first phase is characterized by strong growth and low inflation and it can be triggered by several non-exclusive alternatives, based on a set of measures such as:
 - Exchange rate increase, with growth due to imports, wages, and domestic consumption;
 - Wage increases, whether in the public or private sector;
 - Increase in public expenditure and deficit;
 - Artificially low interest rate; and
 - Damming of prices and public tariffs.
2. After the ‘momentary paradise,’ the balance of payment crisis worsens and the lack of control over the public deficit leads to a fiscal crisis; and
3. Exchange devaluation becomes inevitable, inflation skyrockets, and the economic and political crisis worsens, ending up with “replacing the ministers in charge, if not a coup d’État” (Bresser-Pereira, 1991, p. 111, our translation).

Fonseca (2011), in turn, points out that, despite the differences in nuances, the models introduced converge in measures whose repetition among different authors suggests that

they take a part in the ‘hard core’ of economic populism: a) loose wage policy, with gains greater than productivity (the so-called ‘wage populism’); b) increase in public spending not covered by taxes (‘fiscal populism’); and c) exchange rate appreciation (‘exchange rate populism’). According to the author, it is noteworthy that all analysts register measures of a strong expansionist nature associated with rejection of stabilization policies as the initial phase of their models. So, it is concluded that it is in this first phase that economic populism is revealed: the government, convinced that it can overcome the crisis through measures for accelerated growth and income distribution, refrains from adopting restrictive policies.

In short, there is a consensus among the main authors with regard to the understanding that economic populism is, above all, a behavior pattern. Culturally rooted, the inability of economic policymakers to face the challenge of stabilization would manifest itself in the cycle described, which would have Latin America as its stage par excellence.

The second Vargas administration (1951-1954)

Interpretations about the second Vargas administration (hereinafter SVA) are the result of huge controversy, and they range from those that see him as a populist or left-wing politician to those that emphasize his conservative traits. Below, we summarize the main currents of debate, but focusing on the making of economic policy. They may be listed as defenders, respectively, of: a) economic populism; b) ‘nationalist turn,’ i.e. the government started as conservative and orthodox and, in mid-1952, it chose to make a sudden change – the ‘turn’ (this current also associates economic policy with dubiousness and inconsistency); and c) orthodoxy, interpreting this economic policy profile according to a rather general nature of government conservatism. It is worth noticing that the 3 interpretations have something in common, as they adopt as a theoretical assumption the incompatibility between austerity measures, such as fiscal and monetary balance, and developmentalism⁵.

Herein, our hypothesis runs in the opposite direction:

- As shown below, there is no incompatibility, neither logical (i.e. theoretical) nor historical (i.e. factual) between the two;
- The empirical experience strongly supports the observation that, not infrequently, governments considered to be in tune with developmentalism, such as those of Vargas and Goulart, also used stabilization policies (something which does not mean that they are the same as those claimed by orthodoxy);

5 The polarity between developmentalism and orthodoxy is theoretically based on a negatively sloped short-term Philips curve, which imposes the choice between growth and fighting inflation. In our view, both the theses associating the SVA with populism and orthodoxy, as well as the ‘turning point’ thesis, adopt this theoretical assumption. It is also worth noticing that even if the latter is valid, this does not mean that any of them have empirical grounds when analyzing the SVA.

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- Such a hypothesis serves as a corollary to another, as it provides a support base to show that the economic policy of such governments differs from that modeled by the theorists of economic populism.

Next, we put these interpretations into question and argue that, if a framework is needed, the most appropriate for governmental action at that period might be associating it with what some studies in the literature name as *developmentalism* or, more accurately, a subtype of it: *national-developmentalism*⁶.

In view of the polysemy and the multiple uses of terminology, it is worth explaining right now what is meant by developmentalism. This is associated with a national project whose execution takes place through economic policy

[...] deliberately formulated and/or executed by (national or subnational) governments to, through production and productivity growth, under the leadership of the industry sector, change society with a view to achieving desirable ends, especially overcoming its economic and social issues, within the institutional frameworks of the capitalist system (Fonseca, 2015, p. 8, our translation).

The execution of such an economic policy, as in the case of the SVA, may face cyclical difficulties, such as rising inflation, fiscal imbalance, and deficit in the balance of payments. In such contexts, these difficulties may simply hinder the growth and improvement of social indicators – i.e. the execution of developmental policies – and, therefore, they cannot be ignored by economic policymakers. Thus, the appropriate methodology aims to go beyond the monitoring of instrumental or stabilization policies – fundamentally monetary, exchange rate, and fiscal policies – and to incorporate into the analysis the end- and institutional policies, such as the industrial, agrarian, and technological, as well as the creation of laws, codes, bodies in the State apparatus, State-owned companies, and production funding. Only adding these end- and institutional policies we can detect *rulers' intentionality*, without which the existence or not of a *developmental project* cannot be sustained. It is

6 Traditionally, the sociological literature, certainly due to the weight of the University of São Paulo (USP) school, sees two subtypes or one development style: 'national-developmentalism' and 'dependent-associate.' Both share industrialization as a strategy for development and advocated import substitution. The difference is that the first rather relied on the State to drive the process, through State-owned companies and public financing, while the second was more receptive to foreign capital and to attracting foreign savings. The theoretical typification assumed the lack of 'breath' of national private capital to leverage development, hence the choice of resorting to the State and foreign capital. It is worth having in mind that the categories resemble types of ideas, because, in practice, they are not mutually exclusive, something which makes differentiation a matter of degree. In the case of Brazil, the Vargas and Goulart administrations may be closer examples of national-developmentalism, while Juscelino Kubitschek and the military administrations after 1964 were examples of the 'dependent-associated' subtype. Another attribute used for differentiation is that national-developmentalism incorporated greater income distribution and urban workers in the political pact, while the 'dependent-associate,' led by investments made by multinational consumer goods companies, coexisted with income concentration.

observed that not even the variables capturing the ex post economic performance – such as GDP, employment level, inflation, and real exchange rate – are good indicators to show the project, because, although the latter exists, it may not be able to be deployed and/or be disturbed by exogenous variables, like an adverse external situation or political motivations. Then, the risk could be a false negative. Macroeconomic variables, more than the others, had a significant influence on the quantitative performance below what was expected in the SVA and, mainly, in the Goulart administration.

The Dutra administration's legacy and the stabilization policy: the denial of economic populism

The favorable context that Vargas used to make major changes in his first term – especially after the Brazilian New State (Estado Novo – 1937) – did not persist throughout his second term. At the beginning of 1951, the economic situation, although not disastrous, sent signals that the optimism of the immediate post-war had been overcome.

The balance of payments accounted for a significant part of the difficulties of the Brazilian economy since the end of World War II (1939-1945). The financial architecture established by the Bretton Woods agreement (1944) had imposed a first embarrassment, by adjusting the exchange rates of capitalist countries to the new international transaction currency, the US dollar. For Brazil, the rate of Cr\$ 18.50 per dollar was set, a quote close to that observed in the period before the war, in a real appreciation that directly and negatively impacted the trade balance.

Also, the country has borne the burden of the so-called 'currency illusion,' since a significant amount of foreign exchange had accumulated during the world conflict, concentrated, however, in non-convertible currencies, i.e. not accepted by other countries but their issuer. Misreading the situation of international reserves allowed the seriousness of this circumstance to remain hidden throughout the early months of the government of Eurico Gaspar Dutra (1946-1951). Perhaps being not aware of the magnitude of this problem, the Ministry of Finance adopted a liberalization policy in the foreign exchange market, which contributed to further aggravate the external accounts. As soon as the obstacles imposed by the foreign exchange shortage were noticed, in the mid-1947, the government adopted an active attitude and started to intervene in the foreign exchange market by means of the Instrução n. 25 of the Superintendência de Moeda e do Crédito (Superintendência da Moeda e do Crédito [SUMOC]). Accordingly, it was determined that 30% of the currencies operated by authorized financial institutions should be sold to the Bank of Brazil (Banco do Brasil [BB]) at the official rate.

The relevance of such a measure is not measured by the consequences on the foreign exchange market itself, but by the symbolism underlying them:

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- A new standard was inaugurated to manage the exchange rate policy in the country, which would be, from then on, managed on a political basis.

Seeking to intervene in the foreign exchange market, the government took on the responsibility to define the goal of the then few resources available, establishing criteria to favor the import of products regarded as crucial for the industrialization process⁷.

In this context, in February 1948, the Dutra administration resorted to its boldest measure in the foreign exchange field by establishing the so-called 'import contingency': it kept the exchange rate fixed, starting to manage the scarcity of dollars by conditioning imports to 'prior licenses,' which, in turn, would be granted by the government according to those essentiality criteria. The latter were defined taking into account the importance for the productive process, particularly the industrial one, hence its inherent commitment to the import-substituting process.

At the end of the 1940s, in addition to the shortage of convertible currencies, the inflationary upsurge (general increase in prices) represented another macroeconomic imbalance to be inherited by Getúlio. According to the Rio de Janeiro Consumer Price Index (Índice de Preços ao Consumidor do Rio de Janeiro [IPC-RJ]), inflation had risen from 3.4% in 1948 to 9.4% in 1950 (Instituto Brasileiro de Geografia e Estatística [IBGE], 2003). The impossibility of curbing inflation through the austerity measures previously adopted – such as the damming of the minimum wage at the 1943 level –, along with fixing the exchange rate at high price levels, demonstrated the seriousness of this situation. Finally, and perhaps with the purpose of reinforcing the fight against price escalation, the government relaxed the system for granting import licenses, something which had a negative impact on the already strained balance of payments.

In this scenario, Vargas assumed the Presidency of the Republic with difficulty not only to fulfill the promises of accelerated growth made in the election campaign, but also to face short-term adversities. In spite of adopting a policy that has an orthodox bias at the beginning, some of the measures taken during his entire administration which allow us to unveil his developmental nature are reconstituted below.

Shortly after taking office, in January 1951, Vargas and his economic team found that short-term impasses would make it hard to comply with the industrialization program advocated during the elections. Strictly speaking, the government was faced with the classic dilemma between *encouraging growth or stabilizing the economy*. Growing would increase

⁷ Despite the supposed consensus about the liberal interregnum that the Dutra administration (1946-1951) represented in the economic area, more recent studies, like Saretta (2000) and Bastos (2004), have been showing the ambivalence of the economic policy put into practice within the period. Ayres and Fonseca (2017), for instance, bring to light a series of clues that Eurico Gaspar Dutra had laid the foundations of 'associated developmentalism,' further developed by Juscelino Kubitschek, contributing to the maturation of a new model of development and import-substituting industrialization. Thus, Dutra's economic policy was not that liberal, but it inaugurated a development style different from the 'national-developmentalism' of the Vargas' Brazilian New State.

imports of inputs and capital goods, public spending and domestic consumption, which, in turn, would reinforce the problems of external accounts and inflation. Furthermore, it was known that the duration of this expansionist spasm would be limited. Inflation would erode wages, private investments and public finances, which are crucial variables for dynamically sustained economic growth. Finally, the need to import capital goods and inputs in order to advance industrialization would run into external strangulation, at the same time that it would reinforce this in the subsequent moment, according to the model of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) established by authors like Prebisch (1961) and Tavares (1972).

The solution found by the government was to temporarily contain economic activity, a strategy consistent with the diagnosis that it was a short-term difficulty. The recovery in the price of coffee, since mid-1949, and the expectation of a more friendly relationship on the part of the American President Harry Truman authorized a moderate optimism. Also, the installation of the Joint Commission Brazil-United States (Comissão Mista Brasil-Estados Unidos [CMBEU]), in July 1951, brought a certain optimistic atmosphere. This was responsible for the preparation of studies on the Brazilian economy, which encompassed a set of development projects, a part of which, at a cost of US\$ 300 million, would be financed by the International Bank for Reconstruction and Development (IBRD) and the Export-Import Bank of the United States (EXIMBANK). The solution to face macroeconomic imbalances was evidenced by the expression of the Minister of Finance Horácio Lafer (1951-1953), who, as advised by Oswaldo Aranha, advocated the adoption of the so-called 'Campos Sales-Rodrigues Alves formula.' In compliance with the actions taken by these two rulers during the Brazilian Old Republic, stability would be prioritized at the first stage, focusing efforts on fiscal adjustment and fighting inflation and imbalance of balance of payments. Once these issues have been remedied, the government would be able to stimulate the expansion of aggregate demand and, ultimately, sustained economic development. The 'formula,' as it seems, was not mere rhetoric, although the stabilization measures did not mean abandoning the developmental project. This becomes clear when, in line with Lafer's measures, Vargas created a new institution directly linked to the Presidency of the Republic: the Economic Advisory Council. The latter should think about the long term and devise development projects for the country, mainly aimed at industrialization and infrastructure. It had names committed to this purpose, such as Rômulo de Almeida (former advisor to industrial entities, who was in charge of management), Ignacio Rangel, Jesus Soares Pereira, João Neiva de Figueiredo, Cleanto de Paiva Leite, and Tomás Pompeu Acioli Borges⁸.

The SVA's economic policy must be analyzed by having this type of evidence as a basis, resorting to a rationality that goes beyond a purely instrumental logic. The presidential message sent to the Brazilian National Congress, on the occasion of the opening of the 1951

8 On the Economic Advisory Council, see Lima (2013).

legislative year, for instance, brings a series of references to the larger project of economic development with social justice. Nevertheless, short-term contingencies recommended caution, forcing the government to adopt 'strict expenditure compression measures' and to increase its collection. Many other presidential statements from 1951 follow the same line (Fonseca, 1989).

The effectiveness of the choice for stability may be assessed through the results achieved at the end of the first year of government. If compared to the previous year, public investments fell by 3% and the government's participation in gross fixed capital formation fell by 8%. The fiscal surplus was achieved both by increasing the Union's tax collection (from Cr\$ 19.37 billion to Cr\$ 23.17 billion) and by decreasing expenses (from Cr\$ 23.67 billion to Cr\$ 20.78 billion). Inflation had its upward trajectory interrupted and stabilized at around 12% per year (IBGE, 2003). As a consequence, GDP growth in 1951 was 4.9%, a significant decrease when compared to that observed in the immediately previous three-year period (9.7%, 7.7%, and 6.8%).

Such preference for stabilization appears more clearly until the early months of 1952, when the BB – whose president, Ricardo Jafet, aligned with the most developmentalist wing of the economic team and showed restrictions on containment à la 'Campos Sales' – started to expand credit to legal entities and natural persons. Also, the expansion of the debts of states, municipalities, and the Federal District showed that the Union's fiscal rigor had been gradually relaxed.

Thus, it is observed that the onset of the SVA was marked, in fact, by the adoption of stabilizing measures. This observation, in turn, invalidates the thesis of economic populism, since, according to the models previously presented, the first phase of populist governments would set a cycle in which, mandatorily, pro-growth and redistributive measures would be employed, without any concern with stability. Unlike demagoguery and growing up unaware of economic constraints, the SVA provides robust empirical evidence in the opposite direction.

The 'turning point' and developmentalism

Once some of the goals of the 'Campos Sales' phase had been achieved, and under the impulse of political pressure, the government began to soften, from the second half of 1952 on, the rigor of economic policy, especially monetary policy. With the expansion of credit and the liberalization of imports in the capital goods sector, investment responded and registered a robust growth that year. As a result, after a four-year period of decreasing rates (1948-1951), GDP expanded (7.3%) and the trade balance registered a deficit of US\$ 286 million, the largest since the Great Depression.

One of the main measures that illustrate the gradual change in economic policy at this phase was the approval, in January 1953, of the Brazilian Free Market Law (the Lei n.

1.807, enacted in 1953). In order to attract foreign capital via foreign exchange freedom and loosening the criteria for reinvestments, the change in the foreign exchange policy was sympathetic to foreign capital. On the other hand, it demonstrated the government's commitment to industrialization, since it maintained both the segmentation of imports by levels according to the essentiality of goods (in accordance with import substitution) and exports by categories according to the weight of the product at stake, with a view to encouraging its diversification. In practice, a system of multiple exchange rates was established that sought to make long-term economic growth compatible with the limits imposed by the balance of payments. In the context of an exchange rate crisis, the intent was managing losses and gains according to a political and pro-development criterion.

The government's gradualist position in addressing the conflict between stability and growth contradicts the thesis, emphatically advocated by Skidmore (1976), i.e. there was a sudden turn from one to the other. However, Skidmore (1976) also touches on the notion of populism, because, on the center of his argument lies the judgment that, at the beginning, Vargas could be willing to adopt austerity policies to face the adverse circumstance, but, to do that, the government might have to give up its main long-term priorities: industrialization and, ultimately, development. Thus, until mid-1952 the government adopted a stabilization policy, but it was unable to sustain it. With the exacerbation of political conflicts and facing the threat of jeopardizing his developmentalist program, Vargas chose a sudden change: the nationalist 'turn.'

It is worth noticing that not only gradualism and the coexistence between the stabilization and development purposes of the early years of the government undermine the thesis of the 'turn.' Even in the second half of 1953 – when, according to Skidmore (1976), there was supposed to be a 'nationalist phase' – with the creation of major projects, such as the Brazilian National Economic Development Bank (Banco Nacional de Desenvolvimento Econômico [BNDE]) and the Petrobras –, the government did not entirely abandon its concern with public accounts. As the Brazilian Free Market Law did not achieve the result that was expected of it and pressured by the economic crisis, on the one hand, and due to the intensification of the political crisis between trade unions (at the left-wing) and the Brazilian National Democratic Union (União Democrática Nacional – at the right-wing), on the other hand, Vargas promoted, in June 1953, a ministerial reform in which João Goulart took office in the Ministry of Labor and Oswaldo Aranha took office in the Ministry of Finance. Given the external impasse and the threat of inflation growth, in October of the same year, the new economic team launched its most important measure: the Instrução n. 70 of the SUMOC, which aimed at stability in the balance of payments concurrently with fiscal balance. Furthermore, it devalued the cruzeiro against the dollar, a measure that, although opposed to the economic populism model, was perfectly consistent with the government's developmental intents.

The Instrução n. 70 of the SUMOC formally maintained a fixed exchange rate, but in practice it institutionalized the system of multiple exchange rates: 2 categories for exports (coffee and other products) and 5 for imports, according to their essentiality for the import-substituting process (ISP). Overall, imports could be subsidized the more indispensable they were for the ISP, so that the more 'crucial,' the lower the premium to be paid in the auction above the official rate. For exports, a bonus was paid over the official exchange rate, making the rates more attractive to the exporter than those practiced in the free market. The difference between what was collected with goodwill and what was paid as bonuses builds the account 'Goodwill and Bonuses,' whose balance represented a major source of funds for the federal government, with which the latter funded the purchase of coffee stocks, in addition to having contributed, under the government of Juscelino Kubitschek (JK), to the works of the Goals Plan (Plano de Metas) and the building of Brasília.

In the short term, the results were positive, since the government managed to mitigate the most pressing effects of the currency crisis. The trade balance ended 1953 with a positive result, contributing to the balance of payments registering a small surplus, reversing the trend of the previous year. Inflation, however, accelerated and reached around 20% at the end of 1953. At the same time, the Union's expenses and the credit granted by the BB to the Brazilian National Treasury also increased, showing the expansionary nature of fiscal and monetary policies within the period. If the results of this strategy proved to be costly to stability and, consequently, to sustained growth, the Minister Oswaldo Aranha showed that he was willing to return to the 'Campos Sales' phase deployed at the beginning of the government. Yet, as it seems, the government no longer had political support to do this and the president was not inclined to endorse another change of route. Not in that direction, at least.

The difficulty to mitigate the increase in prices and the external deficit had reinforced the choice for radicalization of economic policy within the last months of the government. At the same time, the international circumstance was worsening. The presidential succession in the United States of America (USA) - from the Democrat Harry Truman to the Republican Dwight Eisenhower - was followed by the funding suspension indicated when the CMBEU was installed in 1951. Also, the retraction in international trade due to the unfolding of Korean War and a crisis in the cotton industry (second item on the Brazilian export agenda) accentuated the adversities.

On the other hand, the campaign for creating the Petrobras has stirred up internal spirits. The ambiguous relationship that Vargas established with the American governments during his second term was also permeated by the imperiousness of this moment of radicalization. If the hardships of external accounts suggested succumbing to U.S. pressures, on the other hand, the nationalist nature of his government not only supported the campaign 'The Oil is Ours!,' but enabled the creation of an eminently Brazilian, monopolist,

state-owned company. Besides, he refused to send troops to Korea, changing the policy of rapprochement with the USA that had taken place during World War II.

Vargas' nationalism was also manifested through his position contrary to the ECLAC. Unhappy with the direction that the body had taken after Raúl Prebisch's manifesto in Havana, Cuba, in 1949, the Truman government began to advocate, through diplomatic means, the discontinuity of ECLAC activities. At a meeting held by the Organization of American States (OAS) in Rio de Janeiro, Brazil, in 1952, the U.S. delegation officially introduced the plan for closing the agency. According to Dosman (2011, p. 299, our translation), the resistance offered by the Brazilian government was key to reject the idea, with the vote of the meeting's host country being one of the main reasons for the USA to abdicate the intention. Such measures taken by the government, like others listed below, clash head-on with the aforementioned interpretation, according to which Vargas had adopted, from the beginning to the end of his government, an orthodox and conservative economic policy, as claimed by Lessa and Fiori (1984) and Vianna (1989). These authors, going further, not only deny the thesis of 'turn' and the coexistence of policies, but claim to be unaware of the deployment of any deliberate industrialization project, even putting into question the thesis of populism, as the government would be simply conservative, it was not nationalist, pro-industry, or worker-friendly at all. Such a position, in the end, fails to explain the SVA's outcome and the radicalism of the Brazilian National Democratic Union (União Democrática Nacional [UDN]) against his government, which had already manifested during the electoral process and in the announcement of the results of the elections, when asking in court for a second round, under the pretext that Vargas' victory, with 48.7% of the votes, had not reached an absolute majority; the perennial and relentless persecution remained until the end of his life. The aversion of the opposition to *Vargas' laborism*, which came from the social legislation of the Brazilian New State and the creation of the first State-owned companies, such as the Brazilian National Steel Company (Companhia Siderúrgica Nacional [CSN]), and which Vargas proposed to expand in 1954, as well as his support among the working class, just as already anticipated by joining the 'wantism' (queremismo) campaign (calling for a Brazilian National Constituent Assembly without removing the president from power), provide evidence opposed to the thesis of conservatism.

The political crisis deepened with the Petrobras campaign and the emergence of numerous strikes, such as the '300,000 people strike' in São Paulo, Brazil, the largest and best known of them. Labor Minister João Goulart, one of the main labor leaders and historically linked to the unions, proposed, as an emergency measure, a 100% increase in the minimum wage, something which further reinforced the employer's rejection of his name (Gomes, 2006). At the beginning of 1954, the second echelon of the Armed Forces published the 'Colonels' Manifest,' through which it asked for Goulart's resignation. Despite having removed this coreligionist the following month, Vargas accepted his proposal and,

on the Labor Day holiday (May 1), announced an increase that doubled the minimum wage. A few months later, the Tonelero Street shooting (*atentado da Rua Tonelero*), in which a private employee of the president set up the murder of his main opponent, federal deputy Carlos Lacerda (from the UDN), precipitated the final events that led to Vargas' suicide.

In this context of deep polarization, just as in the case at the beginning of 1954, it becomes complex to assess an abstract rationale in face of the economic policy management. The objections imposed by the political clash restricted the autonomous use of economic policy instruments, providing the extra-economic variables with power to better explain the meaning of governmental decisions. Thus, it is understood that economic policy cannot be explained by teleological coherence; in spite of their instrumental rationale, decisions and choices are not linearly subordinated to ideologies or theoretical models, but they are marked out by conjunctural contingencies. This is one of the main reasons why it is hard to detect long-term policies, such as those of a developmental nature, through simple measures to stimulate aggregate demand. The existence of a developmentalist project is sheltered by studies like D'Araújo (1982), Draibe (1985), Fonseca (1989), and Bastos (2004, 2009), among others. These studies corroborate the understanding that the State has implemented measures with the unequivocal purpose of accelerating the industrialization process and agriculture modernization. The fact that the government endorsed stabilization policies aimed at balancing the balance of payments and fighting inflation, in its early months, did not allow a metonymic judgment of the object under analysis.

Therefore, in addition to conducting instrumental policies, an appreciation of the institutional pro-development apparatus created during Vargas' second term is crucial. The first agency that deserves to be highlighted is the aforementioned Economic Advisory Council, whose creation represented, in itself, an innovation, since it delegated to a part of the economic team the responsibility of planning the country's development, anticipating the creation of the future Ministry of Planning, in the João Goulart administration. The importance of this institution may be translated not only by the advice given to Getúlio Vargas, but also by the influence that a part of its members had in the preparation of the most structured and systematized economic plan adopted in the country so far, the Goals Plan, executed in the JK administration (1956-1961).

Also, commissions were created for specific purposes (such as National Development, Transport Coordination and Development, Supply and Prices, Commercial Exchange with Foreign Countries, and Review of Customs Tariffs, among others) and to propose national plans (for transport, such as tractors, trucks, and automobiles; for energy, such as those aimed at oil, electrification, and coal). In the financial and credit sectors, the Amazonas Credit Bank (*Banco de Crédito do Amazonas*) and the Bank of Northeastern Brazil (*Banco do Nordeste do Brasil [BNB]*) were created, in addition to the BNDE, which, along with the Petrobras and Eletrobras, would become one of the symbol organizations of Brazilian

national-developmentalism. Finally, it is worth noticing that, on May 1, 1954, Vargas announced, in addition to the 100% increase in the minimum wage, several measures in the labor area, like: a) social security benefits for various categories of workers and their dependents, including self-employed liberal professionals, domestic and rural workers; b) extension, to the latter, through the Rural Worker's Employment Record Book (*Carteira do Trabalhador Rural*), of stability, working hours, and protected women and minors' work; c) end of the limited value of pensions, making them proportional to wages; d) retirement at 55 years of age for 'painful and unhealthy' activities; e) creation of marriage assistance; and, finally, f) workers' participation in the management of retirement and pension institutes.

Just as mentioned above, it was only in the final months of the SVA, i.e. during 1954, that the adoption of starting or instrumental measures could get close to the hard core of the concept of economic populism. However, the exceptional nature of the period, during which the government sought to ensure its base of social, trade union, and parliamentary support through expansionist policies, prevents it from being taken as a standard of regular behavior for the entire SVA. Just like in the case of Goulart, which is addressed below, the institutional measures of a labor or national-developmental nature caused a much greater reaction and, along with this, they are much more useful to explain the opposition's resistance and the deepening of the crisis than the manipulation of macroeconomic instruments.

The João Goulart administration (1961-1964)

After Getúlio Vargas's suicide in August 1954, the administrations of Café Filho (1954-1955) and Juscelino Kubitschek (1956-1961) followed. The latter, despite registering high growth rates and providing the country with an interconnected and diversified industrial structure, through the Goals Plan, bequeathed to its successor, Jânio Quadros, serious internal and external imbalances. Eight months after taking office, Quadros resigned from the Presidency of the Republic and put the country in face of one of the most serious institutional crises in its history. There was resistance in the Armed Forces to the inauguration of João Goulart, Quadros' vice-president. The Brazilian National Congress, in turn, did not accept the military veto.

The conflict was overcome by adopting a 'half-solution': the parliamentary regime. Goulart was to remain president until January 31, 1966, and until then a plebiscite should be held to confirm or reject the new regime. Under such a troublesome political atmosphere, on September 7, 1961, João Goulart, Vargas' most legitimate political heir, took office as President of the Republic. The following day, Tancredo Neves, affiliated with the Brazilian Social Democratic Party (*Partido Social Democrata [PSD]*), the largest party in the Congress, was appointed as prime minister. At the end of 1962, the Congress set for January 6 of the

following year the plebiscite to define the political regime to be adopted. On that day, the population decided, by a large majority, for the return of presidentialism.

The economic conditions inherited by Goulart were not very different from those found by Vargas 10 years earlier. Inflation, as measured by the Brazilian General Price Index - Internal Availability (Índice Geral de Preços - Disponibilidade Interna (IGP-DI), had reached 30% in 1960 and this was again the main problem to be tackled. Once again, the economic policy management suggested that we were facing the challenge of fighting inflation without jeopardizing economic growth. In fact, in the following 2 years, both the decrease in economic growth rates and the acceleration of inflation and the deterioration of the balance of payments were observed, especially between 1961 and 1963.

Generally speaking, the interpretations about the economy's loss of dynamism within the period either highlight the structural nature of the crisis, such as those provided by Furtado (1968), Tavares and Serra (1972), and Ianni (1986), in a longer-term view, or accentuate the conjunctural aspects, as pointed out by Wells (1977), often linking them to the political instability context then existing. Often, economic policy is described as undefined, erratic, or incoherent. Several authors have pointed out the issues and difficulties of Goulart's economic policy. As a critique of CEPAL's structuralism, Simonsen (1969, our translation), for instance, states:

[...] another example, more specific for Brazil, refers to the decline in the growth rate of real product between 1962 and 1967. For the orthodox, this was a reflection of the imbalances inherited from the 1950s, of the economic policy irrationality between August 1961 and March 1964, and subsequent efforts at monetary stabilization.

In the same sense, Baer (1996) claims that "the turbulent years that followed the resignation, at the end of August 1961, until the overthrow of the next government, in April 1964, were devoid of any line of consistent economic policy." Castro and Ronci (1991) also advocate that this period characterized economic misconduct:

The features of Goulart's populism fit nicely into the description of a conventional mishandling of economic tools.

Along this line, Lessa (1982, p. 118, our translation) sees that the measures deployed by the government did not "follow any guidelines precisely, pointing out multiple directions." And Wells (1977), in a clear attempt to disqualify any structural explanation of

the crisis, assigned the poor GDP performance after 1963 to mistakes made by economic policymakers during the Brazilian Triennial Plan, such as excessive credit restriction, which affected especially sectors like consumer goods.

Previously, we distinguished between starting policies (or instrumental policies), end policies, and institutional policies and emphasized that the economic populism models focus on the first one. The starting policy management, both within Goulart's parliamentary and presidential periods, does not allow us to conclude that it was erratic or devoid of rationality. The frequent change of the Minister of Finance and changes in orientation cannot be confused with omission, lack of guidelines, or inconsistency. It is worth remembering that the most visible indicators of the crisis – slowing product growth rates, rising inflation, and imbalance of balance of payments –, as we know, date back to the end of the 1950s, still within the Juscelino Kubitschek's period.

Monteiro (1999, p. 44, our translation), when analyzing the study by Wells (1977), pertinently asked about the interpretation on the economic policy irrationality at the period, which does not inquire about the reasons that led its formulators to “make systematic mistakes that led economic policy measures designed to resolve the crisis to worsen it.” Dividing the Goulart administration into 2 subperiods, i.e. parliamentarism and presidentialism, Monteiro (1999) shows that, in each of them, a stabilization policy emphasizing inflation and balance of payments balance was initially attempted, not only rhetorically but in the effective deployment of measures. However, the government was unable to maintain this and ended up abandoning it in favor of a policy prioritizing accelerated growth and fighting unemployment. The fact of first prioritizing such stabilization policies do detach the government, like in the SVA, from what is postulated by the economic populism models.

Parliamentary period (1961-1963)

When it took office, in September 1961, the first parliamentary cabinet faced a hard economic circumstance, aggravated by the political instability atmosphere that followed Jânio Quadros' resignation. The effort to build a reputation as a strong government began with the appointment of an austere ministry. In the search for a consensus government, the main parties were embraced in the organization of the cabinet, promoting a reasonably balanced division of ministries. Managing the economy, as expected, there was a conservative man. The Ministry of Finance chose the banker Walter Moreira Salles, with an orthodox profile, responsible for the successful negotiations of the Brazilian foreign debt in the USA during the Quadros administration. Soon after taking office, Salles emphasized in his statements the economic policy austerity to be put into practice, which would be “exercised by the Parliament's collegiate decisions” (Jornal do Comércio, 11 set. 1961, p. 6, our translation). With this, he sought to show a certain detachment from the presidential figure, although

the president's power was not only symbolic during the Brazilian parliamentarism, since he played the role of choosing the name of the prime minister to be submitted to Parliament's approval.

In view of the opaque power divide between the president and the prime minister, the consolidation of the government's credibility necessarily involved the recovery of Goulart's image, inside and outside the country. Thus, the president's initial statements took a moderate tone, with a commitment to democracy, emphasizing the position against communism and providing political support to the strictest anti-inflationary measures proposed by the cabinet. The apparent success of Goulart's visit to the USA, in April 1962, materialized in the ratification of agreements signed by the Quadros administration (although conditioned to deploying the stabilization program), also served to consolidate his political position internally, above all among the middle class and the military personnel. Yet, to remain in power, the government needed to quickly gain the confidence of economic players regarding their ability to lead the country to economic stability. Nevertheless, the attempt to stabilize the first parliamentary cabinet, in the so-called 'Emergency Action,' in September 1961, although showing a reversal of indicators, such as inflation, did not have the desired effect and the last months of that year were characterized by lack of fiscal and monetary control. Indeed, the government did not have, in the short term, instruments to deal with the problems inherited from the previous administration, hence the decision to concentrate the stabilization efforts in the following year. In January 1962, Moreira Salles, even in face of business pressures against possible tax increases and restrictions imposed by the stabilization program, stressed that he would not back down and relied on the 'noble sacrifice' that the circumstance required (Jornal do Comércio, 1º jan. 1962, p. 8, our translation).

The new stabilization program, implemented in March 1962, announced goals for containing expenses and expanding currency and credit, seeking balance for the current year. From the perspective of expenditure, 3 measures were proposed: a) a new expenditure containment plan, to be submitted for approval by the Brazilian National Congress, which would allow savings of Cr\$ 60 billion; b) a budget execution plan, which scheduled the payment of supplies and services for the period from January to May 1963, totaling Cr\$ 81 billion; and c) the transfer of Cr\$ 38 billion of expenditure authorizations to future years, with no due date for settlement. Thus, the cash deficit was reduced to Cr\$ 150 billion. In the effort to establish non-inflationary sources to fund the deficit, and given the constitutional limitation regarding tax changes within the same year, 2 public loans were granted to cover the difference: a) a compulsory loan, totaling Cr\$ 20 billion, in the form of an additional income tax payable by legal entities and natural persons; and b) another, voluntary, estimated at Cr\$ 100 billion, in Treasury Bills or Bonds, with a guarantee clause against monetary devaluation. The remaining deficit, Cr\$ 30 billion, should be funded by the BB.

Also, a tax and administrative reform was proposed to signal balance in the following years. The program predicted that measures to control the public deficit should be complemented by limitations on the expansion of credit on the part of the monetary authorities. In April, the program's first month of execution, the established goals were met. The public deficit remained within the boundary values, just like the credit to the private sector, although, in both cases, dangerously close to the targets set.

Despite being the result of a commitment solution, designed by the traditional 'chiefs' of Brazilian politics, the conditions under which the parliamentary regime was adopted – through a constitutional amendment, “drafted in a few hours under the emotional influence of exceptional events” (Brochado da Rocha as quoted in Abreu, 1989, p. 200, our translation) – and the constant pressure of President João Goulart to resume the full powers of the presidency, first in a veiled way, then openly, caused the political instability atmosphere to be maintained throughout the parliamentarism validity period. Insecurity about Goulart's movements to resume power, as well as those of his opponents to prevent this from happening, only increased the instability inherent to the exercise of parliamentary mandate, contributing to greatly reduce the horizon of economic policymakers. The proximity of elections to renew the Chamber of Deputies, accounting for 1/3 of the Brazilian Federal Senate and the government in half of the states, scheduled for October 7, 1962, contributed to making the political environment even more disorderly, increasing the polarization around the stabilization program and hampering the approval of measures, both necessary and unpopular. Members of Congress, including members of the cabinet itself, were not interested in associating their names with the approval of laws that could jeopardize their electoral prospects.

Economic policy decisions, which result from the shortening of the government horizon and the increase in the discount rate over time and helped by the increased credibility within the first months, seem to be lost as of May and they can be noticed in the confrontation between fiscal and monetary policies. From that month on, the deficit started to increase rapidly, differing a lot from the goals established in the program. At the same time, and in the opposite direction, the government adopted restrictive measures on credit, with an increase in the compulsory deposit through the Instrução n. 225 of the SUMOC, enacted in May 18, 1962⁹.

The effect of the government's change in attitude towards stability can be seen in the results of the main economic variables. In May, the government exceeded the target set for

⁹ Monteiro (1999) uses the model proposed by Barro (1986) to characterize this phase, following the attempt at stabilization, as 'random,' as it shows contrary signals, with pro-stability measures soon followed by others of an expansionist nature, demonstrating that it is irrational or meaningless. Such a model, however, associates the economic policy management with the government's credibility, i.e. its ability to face resistance from various interest groups against the cost of stabilization. Fonseca (2004) shows that there is an interrelation between credibility and legitimacy, i.e. the apparent irrationality or weakness may be explained by variables of a political nature, which the model proposed by Barro (1986) does suggest to be relevant.

the public deficit and, consequently, also the credit target set by the BB to the Treasury. In that month, credit to the private sector still remained within the boundaries of the program. According to Abreu (1989), the “loss of control over the economy becomes clear as of May with the significant increase in the government’s cash deficit generated by the increase in public spending and the increase in the rate of expansion of money supply.” June, the last month of Tancredo Neves’ cabinet, marked the abandonment of the stabilization policy. That month, in addition to increase in the public deficit – which reached more than the double of what had been established as an annual target –, the nominal credit boundary of the BB to the private sector was also exceeded. Thus, what remained of the cabinet’s credibility vanished. From then on, Goulart began to articulate the anticipation of the plebiscite on whether the parliamentary amendment should remain and to advocate the return of parliamentarism. At that moment, he invited Celso Furtado, already the most influential Brazilian economist in the structuralist movement and a successful executive playing the role of first president of the Brazilian Northeastern Development Superintendence (Superintendência de Desenvolvimento do Nordeste [SUDENE]), to create an economic plan for Brazil – whose advertising recalled that it could be executed only if he resumed presidential powers. Thus, the Brazilian Triennial Plan for Economic and Social Development was born.

Moreira Salles stepped down in September 1962, already worn out by the contrast between the measures he proposed to execute and the presidential discourse and that of other members of the government, in addition to parliamentarians belonging to his support base, of a strongly nationalist nature, favorable to expropriating the Rio Grande do Sul State Telephone Company (Companhia Telefônica do Rio Grande do Sul – a subsidiary of a U.S. company) and the bill limiting the transfer of profits abroad, approved by the Brazilian Federal Senate at the beginning of the month, shortly before the approval of the Brazilian National Agrarian Reform Council (Conselho Nacional de Reforma Agrária).

The year 1962 ended with a high GDP growth rate (6.6%), although lower than in 1961 (8.1%), a 51.6% inflation and a negative balance of trade balance of US\$ 89 million, mainly caused by the drop in exports (from US\$ 1.4 billion to US\$ 1.2 billion), while imports grew slightly (from US\$ 1.2 billion to US\$ 1.3 billion). Goulart, at the end of that year, attributed this context of difficulties to the impositions that the International Monetary Fund (IMF) placed on Latin American economies (Jornal do Comércio, 6 dez. 1962), but he had previously associated it with his lack of powers to face serious economic and social issues. The stakes, then, were on presidentialism.

Presidential period (1963-1964)

Upon resuming the full powers of the presidency, in January 1963, Goulart was faced with the immense challenge of gaining the trust of economic players by means of his ability (and willingness) to resume his growth proposal without ignoring macroeconomic stability. Once again, given the weak structure of the country's economic institutions, the attempt at stabilization lied on a delicate architecture, starting with the appointment of ministers. Goulart sought to appoint a ministry of notables, in which moderation of its main members stood out. The Ministry of Finance was in the hands of San Tiago Dantas. Although a member of the left-wing in the Brazilian Labor Party (Partido Trabalhista Brasileiro [PTB]), The new minister was known for advocating orthodox ideas with regard to the fight against inflation. The 'minister without agenda' Celso Furtado also worked in the economic area, and he had no close connection to political parties. The most radical left-wing was represented by the Minister of Labor, Almino Afonso, and the ultranationalist João Mangabeira, responsible for the Ministry of Interior and Justice, indicating that Goulart did not wish to sever his ties with trade unionism at all. The War Ministry remained in the hands of General Amauri Kruel, of a moderate tendency.

The first measures of the new phase of the Goulart administration were addressed in the Brazilian Triennial Plan. Once again, contrary to what was predicted in the economic populism models, the economic policy suggested re-editing the old 'Campos Sales-Rodrigues Alves formula,' recalling the government's commitment to economic development, but that the government had stability as a prerequisite in the short-run, without which the growth targets themselves could be compromised. Thus, it foresaw the implementation of typical restrictive policies in conventional stabilization programs, such as reducing the public deficit, controlling emissions, and restricting credit to the private sector. Also, it proposed the uniformity of exchange rates and their fixation at realistic levels. To prove the seriousness of its intentions, the government established fiscal and monetary targets that were to be met throughout the year. Once again, we observe the behavior adopted within previous periods, something which consists of announcing strong measures to fight inflation, as a way for the government to show its commitment to stability.

The results in the early months were reasonably positive. April's currency devaluation virtually equated the official exchange rate with the parallel market rate, somehow reflecting a change in the government's confidence level. The public deficit target was not met in the first quarter, because the rules for financial execution were established only in March, but in the second quarter the government was able to remain within the established boundaries. Credit policy, in spite of not complying with the nominal targets set, was contractionist, in real terms, within the first 2 quarters, above all in the first, when real credit decreased by almost 17%. In the second quarter, the decrease was around 4%. Price growth, after

corrective inflation within the early months, slowed down in April, signaling the possibility of a successful stabilization program.

The political situation at the beginning of Goulart's presidential term, despite the loose victory in the plebiscite, was far from peaceful. The positions remained radicalized and the government's continuity depended on Goulart's ability to calm the spirits of the groups in conflict. Skidmore (1976) highlights the 2 main currents in dispute: a) the traditional anti-Vargas, led by Carlos Lacerda; and b) the radical left-wing, led by Leonel Brizola. According to the Brazilianist, the impossibility of an accountability policy was manifested, mainly, in the controversies about the treatment of foreign capital and about agrarian reform. Thanks to the actions taken by the 2 groups, the threat of the president's overthrow stalked Goulart over the entire period during which he was in power, effectively coming true in March 1964. Right-wing radicals had already conspired against him since Jânio Quadros resigned – in other words, since he was Vargas' minister. Now, better organized, they began to rely on the decisive support of the Institute for Research and Social Studies (Instituto de Pesquisas e Estudos Sociais [IPES]), an organization created in November 1961 by businessmen from Rio de Janeiro and São Paulo, contrary to the guidelines of the Goulart administration. Such support strengthened the conspiracy movement, which already admitted the 'use of rather direct methods' to resist the government. Left-wing radicals, likewise, worked with the possibility of "direct methods to fight 'coupists,' 'cosmopolitanists,' and 'reactionaries'" (Skidmore, 1976, our translation). It is worth recalling that such polarity followed the international trend, since, with Cuba's adherence to socialism, an unprecedented event was inaugurated in Latin America, bringing here the 'Cold War' focus.

The imminent possibility of a coup d'État, which in theory could come from any of the political currents in struggle, contributed to reduce the government's time horizon and further stir up spirits. Any move by Goulart, in either direction, could mean the government's end due to subversion of the constitutional order by the group that was being disregarded. This movement took place at the end of 1963, when Goulart aligned with the rather radical left-wing to try to remain in power and marked a change in emphasis in the economic policy management. The economic difficulties associated with the costs of the stabilization program were added to the context of progressive political deterioration in order to intensify the radicalization of positions. The measures of fiscal and monetary discipline were interpreted by nationalists as requirements of developed countries to meet their interests, at the expense of the sacrifice of the Brazilian population. The corrective inflation that followed the exchange rate and public tariff readjustments and the tight credit policy made the government even more vulnerable to criticism from its opponents.

The government's change in attitude towards stability, marking the beginning of the loosening phase of economic policy, began with the episode of readjusting the civil service, in May 1963. By agreeing to the 70% readjustment, one week after the arrival of an IMF

mission to the country, the government knew that it was jeopardizing compliance with the central point of the stabilization program.

The Instrução n. 255 da SUMOC was among the latest attempts at short-term stabilization, by means of it the banks exceeding the credit boundaries authorized by the government could be obliged to buy Treasury bonds, without interest, with a 180-day redemption term. This measure was an initiative taken by Carvalho Pinto, the second Minister of Finance in the Goulart administration. When relying on the name of a conservative politician with a strong influence in the São Paulo state's business environment, Goulart tried to build an image of moderation, implying that he would not give up seeking credibility. But the new minister, just upon taking office, made it clear that his policy would alter the priority of stabilization; the latter, although being a must, had to be made compatible with the quest for growth – not in the long run, but immediately. This choice is largely due to social pressure, as unemployment and the fall in real wages accompanied the inflationary and low growth processes.

In August, the *Business Week* magazine reported that Goulart had abandoned the policy of fighting inflation¹⁰. The third Minister of Finance, Nei Galvão, supported by the president and the other ministers, began to emphasize the primary reforms. This was a set of social reforms, including agrarian, tax (progressive taxes), banking, educational (mass literacy), electoral (voting by illiterate individuals), political, administrative, etc.¹¹. The Profit Transfer Law, which represents an imposition on foreign capital, led to discontent of this sector among the others that felt hampered by reforms, especially landowners, whose expropriation should be paid in public bonds and not in cash, as strategically provided for by the Brazilian 1946 Constitution. Goulart's decision to begin reforms by popular mobilization at large rallies, as he predicted that they would not be supported by the Brazilian National Congress, pushed him away from the core of the political spectrum, precipitating his overthrow.

Final remarks

Given the above, it is observed that the various interpretations about the governments at stake give rise to deep controversies between the analysts who were willing to address this troublesome period of Brazilian history. There are several authors who corroborate the widespread view, generally associated with the mainstream, that Vargas and Goulart repeated what was conventionally defined as populism. Others, in a diametrically opposite

¹⁰ At the beginning of July 1963, the symbolic fact that influential sectors of Brazilian society chose not to agree with Goulart anymore is registered: Roberto Campos, Brazilian ambassador to the USA, asked for his resignation because he thought "Brazil's credit possibilities, after the ministerial change made to address the financial recovery policy, were totally lost" (Fonseca & Monteiro, 2005, p. 239, our translation).

¹¹ On primary reforms and the profit transfer law, see Moreira (2011) and Loureiro (2012).

way, identify in the brief strategic retreats at the beginning of their respective mandates unmistakable signs that the SVA's economic policy was orthodox and conservative and that the Goulart administration's was erratic and inconsistent.

In line with the arguments developed throughout this article, the analysis of the measures adopted both by Vargas (between 1951 and 1954) and by Goulart (1961-1964) allows us to identify them as typical national-developmental policies. Initially, the hypothesis of populism is surely ruled out in both. This requires a cycle that must begin with the expansion of aggregate demand and redistributive proposals, something which may lead to rapid growth, resulting in a deep crisis. However, this phase not only did not occur in the 2 governments, but the opposite was observed: both started with proposals for austerity and acknowledged the need for stabilization (and Goulart twice, since he repeats it when resuming the powers of presidentialism, at the beginning of 1963).

Economic populism models also require that the crisis, at the end of the cycle, is inherently due to the economic policy deployed: the perverse outcome is the main critique of the economic populism models. However, in both, as everything suggests, the difficulties at the end of the respective periods were rather due to political or structural conflicts. In the case of Vargas, the situation bequeathed to his successor was much better than he had found at the beginning of his government. By way of example: in the year following his government, 1955, GDP grew 8.8% and later even more, pushed by Juscelino Kubitschek's Goals Plan. On the other hand, the trade balance improved, a consequence desired by the Instrução n. 70 of the SUMOC, and inflation remained low for the standard of that time (11.8%). Thus, in the case of the SVA, neither the first phase nor the last meets the requirements of economic populism models: on the contrary, the exact opposite occurs. In the Goulart administration, the situation is more complex, but its instrumental economic policy can hardly be held responsible for the entire extent of the economic crisis, as it began at least three years after the beginning of his government.

To conclude, it is worth considering that, by showing that there is no economic populism in both administrations, such an interpretation may not be read as if the actions taken and/or proposed by them have not contributed to the troublesome outcome of both. Once again, it must be recalled that the economic policy is not restricted to starting policies, i.e. instrumental policies. In both cases, political crises are not due to instrumental economic policy management, which is focused on theories about economic populism, but to end policies and institutional policies, markedly those of a nationalist or labor nature. These are the cases of resistance to the creation of State-owned companies, nationalizations, and labor legislation, by Getúlio Vargas, and the primary reforms of João Goulart. They are more related to the national-developmental nature or to the labor ideology shared by both presidents rather than to the alleged populist management of macroeconomic instruments.

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