

# A Brief Economic History of the Amazon (1720-1970)



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By

Francisco de Assis Costa

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For Ioná,  
a precious child born of this history



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## PREFACE

BY JOÃO ANTONIO DE PAULA  
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It is said, *se non è vero è ben trovato*, that Fernando Pessoa once declared that Portuguese literature was particularly poor, and that he, Fernando Pessoa, would surpass this precariousness by constructing a work that would populate literature with a brilliance and excellence that had hitherto been extremely infrequent in Portuguese letters. He said it and did it: he wrote thousands of pages, created dozens of heteronyms, poets, prose writers, philosophers, essayists, each and every one of them, singular within their unblemished personalities, born of one, in whom he created his multiplicity, the realisation of his perfect integrity.

It is possible that by this point, someone has already recalled Gil Vicente, Camões, Father Antonio Vieira, Garrett, Herculano, Camilo, Eça, Antero, Ramalho Ortigão, Guerra Junqueira and discerned, and perhaps even remonstrated against the relentless severity of Fernando Pessoa. In fact, if true, the judgment of Fernando Pessoa on Portuguese literature contains flagrant improprieties. But it was not only Portuguese authors onto whom the poet's harsh criticism fell. Álvaro de Campos, one of Pessoa's most central heteronyms, in a text from 1917, - "Ultimatum" - served "an eviction notice to the mandarins of Europe! Out. Out Anatole France, out Maurice Barrés, out Paul Bourget, out Kipling, out George Bernard Shaw, out H. G. Wells, out C. K. Chesterton, out Yeats, out D'Annunzio, out Maeterlinck, out Guillaume II, out David Lloyd George." (CAMPOS, 2014, pp. 71-72).

Indeed, these are great names from European politics and literature, that one would like to reel off in the name of a renewed, scientific, mathematical humanity. It is unachievable to accompany the poet in his ideology, at the same time both modernist and conservative. And while it is not essential to point this out, what is most significant about this impulse is the radical iconoclastic disposition, the power of an imagination

that allowed itself to be totally audacious.

However, the edge of Pessoa's blade was less sharp. In fact, he always saw Camões as the one to be overcome. On Antonio Vieira, he stated - "he is indeed the greatest prose writer - I will even go further, he is the greatest artist - of the Portuguese language. This is why he was, not because he was called Antonio. The command of the mother tongue does not come from a variety of proper names." (PESSOA, 1986, p. 343)

I recalled Fernando Pessoa because the desire of this text is to be a preface for the *The Amazon: A brief economic history (1720-1970)* by Francisco de Assis Costa, who, much like Pessoa, has also constructed a work that usually belongs to a large team. He has written six books alone, along with a further four, bringing together his work with a group of partners to make up the Amazon Political Economy Collection, edited by the Center for High Amazonian Studies (NAEA), since 2012. The books deal with economic history, contemporary agrarian economy, the economy of culture, politics and development planning, science and technology.

Unlike Fernando Pessoa, however, Francisco de Assis Costa did not underestimate the theoretical and historiographical tradition to which he is dedicated. He is well acquainted with all the relevant literature on the Amazonian reality, in all its various dimensions. An attentive and critical reader, the multiple phases of the interpretations of the Amazon have not escaped him; the mythical foundations, the various rounds of mythical attributions that have accompanied the history of the Amazon: green hell, lost paradise, demographic void, forest forever natural and homogeneous.

Francisco de Assis Costa, an Amazonian scholar since the 1970s, is an economist with specialised studies in the spheres of mathematics, planning and agrarian development. He has a master's degree from the Federal Rural University of Rio de Janeiro and a PhD in economics from the Freie Universität Berlin. He served as technical coordinator of the State Commission for Agricultural Planning of Pará between 1978 and 1982. He has been a professor at the Federal University of Pará since 1989, initially in the Department of History and later at NAEA. He is the coordinator of the Research Group "Agrarian Dynamics and Sustainable Development in the Amazon", GP-DADESA/NAEA/UFPA, which has developed studies that have adopted a broad interdisciplinary approach to the Amazon. Throughout his efforts, there is an emphasis on the structural diversity and urban-industrial configurations that characterize the local economies, the role of knowledge and the quality of institutions in regional development. More recently, he has sought to integrate these elements with issues associated with climate change and the environmental commodity markets being developed.

His roles as professor and researcher did not come strange to the activities he developed as Director of Planning of the Amazonian Development Agency (Agência de Desenvolvimento da Amazônia, ADA), and as Director of Regional, Urban and Environmental Studies and Policies of the Institute of Applied Economic Research, (Instituto de Pesquisa Econômica Aplicada, IPEA). To the positions that he occupied as public manager, Francisco de Assis Costa not only applied his extensive knowledge, his experience of long years of research, his solid theoretical and methodological training, but above all, his unshakeable commitment to the complete development of the region, and of the country, as a process of social and emancipatory transformation, i.e., democratic, inclusive, sustainable and diverse both socially and culturally as well as environmentally.

An economist, with a broad and solid mastery of quantitative methods, possessing a great proficiency in economic theory and economic history, Costa practices effective interdisciplinarity by mobilising knowledge within the fields of sociology, anthropology and geography. It is, in fact, this comprehensive perspective, which has allowed him to approach, with extraordinary lucidity and pertinence, a reality, the Amazon, which is particularly complex in its social and natural determinations.

It appears that the presence of the Amazon in Brazil has not been trivial, and has been marked by estrangement, disregard and divergences. During much of the colonial period, from 1621 to 1808, an independent state from the State of Brazil and directly subordinate to Lisbon, the Amazon was distinguished from that prevailing in Portuguese America through at least three characteristic features: 1) the importance of an economic system based on the exploitation of the so-called "drugs of the hinterland"; 2) by the control exercised over this system by the Catholic religious orders installed in the Amazon, based on the exploitation of indigenous labour in the form of serfdom in the ecclesiastic settlements that spread throughout the territory; and 3) the subsidiary nature of the agricultural sector in the region. The subsidiary nature of the agricultural sector should not be confused with non-existence, because in the Amazon there was also the presence of the plantation focused on the production of coffee, sugar cane and cocoa with different spatialities, temporalities and results.

The theme of this book is precisely the formation of the Amazonian economy. The structure of the text in three major chapters is as follows: 1) The colonial Amazon and its economy (1720-1822); 2) The economy of rubber (1820-1920); and 3) The Amazon regional economy, the rubber boom and after (1850-1970). In effect, the book adopts the periodisation that most appropriately fits the greatest moments and processes of the

Amazonian economy, from the colonial stage through to the forerunner of Amazonian integration and on to the capitalist development of Brazil at the moment of the hegemony of great capital and imperialism.

With strong criteria, Francisco de Assis Costa forms a compilation of all the pertinent literature on the Amazon, from the classic interpretations to the perspectives that in the 1970s captured the dramatic consequences of the Amazonian transformation into "frontier", in its various dimensions, as in the case of works by Octávio Guilherme Velho and by José de Souza Martins. In a dialogue with the classical interpretations on the Amazon, by authors such as João Lúcio Azevedo, Leandro Tocantins, Arthur César Ferreira Reis, Samuel Benchimol; mobilizing an economic historiography on the Amazon from the books of Manuel Nunes Dias, Roberto Araújo de Oliveira Santos, Ciro Flamarion Cardoso; remaining attentive to the contributions of anthropologists such as Darcy Ribeiro and João Pacheco de Oliveira Filho; Francisco de Assis Costa has constructed an economic history of the Amazon in which analytical and conceptual rigor is supported by a robust quantitative database that honors the best traditions of economic history as practiced by Ernest Labrousse.

Awareness of the fact that this book is part of a broader, more systematic effort, it is the case to call on both editors and opinion makers so that all the books in the Political Economy Collection of the Amazon, by Francisco de Assis Costa, are published and disseminated, abroad as well as at home, both because of the planetary importance of the Amazon issue and because of the very content of the books, which are an extraordinary demonstration of his research capacity, analytical mastery and non-negotiable ethical and political commitments to the development of the Amazon and Brazil as a fully emancipatory process.

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- PESSOA, Fernando. Obras em Prosa. Volume Único. Rio de Janeiro, Editora Nova Aguilar, 1986.

## INTRODUCTION

The historiography of Brazil has been marked by periodisations based on cycles. In such an approach, the analysis of any period is organised from the notion that the structure of the economy is generally based on the production of a fundamental product, or a set of products related to one another, and in respective relation to the world market. Thus, there is a major product, which experiences an expansion phase, and which is then either relegated onto a secondary plane or disappears completely within a process that forms a veritable cycle. Since Roberto Simonsen's classic contribution "Economic History of Brazil," published in 1927, Brazilian colonial history has generally been periodised into a succession of commodity-based cycles, such as the "Brazil wood cycle", the "sugar cycle", the "gold cycle" and the "coffee cycle".

The idea of cycles, organised by what would define the main link between the colony and the world-economy, may also be asserted in relation to the Amazon. Hence, the "drugs cycle in the hinterland" was to characterise a colonial phase, which began during the first half of the seventeenth century, with the arrival in the region of the Portuguese in 1616, and extended through to the middle of the eighteenth century when in 1750, the Regency of D. José I began in Portugal, and with it, in the colonial empire the government of the Marquis of Pombal, who founded, planned and in 1755, implemented the Grão-Pará and Maranhão General Trading Company. These events were to mark the end of the first phase, the "drugs cycle in the hinterland", and the beginning of an "agricultural cycle", which gained strength through the efforts of the company, to withdraw from extractivist activities, for which it had initially granted a regional export and import trade monopoly during almost a quarter of a century, from 1755 to 1777. The mid-nineteenth-century emergence and afterwards consolidation of the rubber economy derived from the hevea brasiliensis tree, brought the agriculture-based development to an end, thereby establishing a new historically-relevant interstice, the "rubber cycle", which would end abruptly with the development of the Asian rubber market, around 1912. With the end of an economy centred on the extraction of this "black gold", there was a long, disturbing silence – until the resounding events in the mid-twentieth century, beginning with the revival of the rubber plots through the Brazil-United States Political-

Military Agreement (referred to in Brazil, and herein, as the Acordos de Washington) of 1942, with the 1946 Constitution and its regional implications, with the Amazon Valorisation Plan (Plano de Valorização da Amazônia - SPVEA) and its governing body, in 1953, and with Operation Amazon during the first military government, in 1966.

The generalized use of the cycle concept for the periodization of Brazilian colonial history was sharply criticised by Maria Yeda Linhares and Francisco Carlos Teixeira da Silva (1981). In their terms:

"(...) the idea that a product is able to structure an entire economy does not seem to have been proven, even by those historians who believe in the organizational power of a leading product. Basically, what remains is the conception that a product's trade links with the world market appear to be sufficient to provide it with a certain magic that radiates across all other sectors of the colonial economy, supplying it with an unequivocal meaning, which is incapable of perceiving that this meaning has been given a posteriori by historians who relate, organize, select and expose their historical material. However, such a conception has only favoured a tightly compartmentalized view of history, much like a projection of slides: "Brazil wood is out, sugar is in", and so on" (Linhares and Silva 1981, p. 113). (Unless otherwise stated, all original citations hereafter in Portuguese have been translated by the author.)

In this view, the shortcomings of the method are revealed both in relation to the diachrony, since the sequence of the phases is not totally precise, and in the synchrony of the relevant events, especially since the magnification of what occurs around a "leading product" obscures all other activities, which are then either unappreciated or even disregarded, even though they have not only existed, but have also played prominent roles in the socioeconomic structures that characterised a particular period. The clearest example would be the lack of consideration given to the production of small peasant families during the so-called sugar cycle in the Brazilian northeast, and during other phases of the colonial period.

Indeed, in recent historical research the importance of peasant structures in colonial Brazil has become an explicit part in the direct ratio between the considerations of historians on the internal needs of the colony, and investigations into how they have been addressed at different moments, of the highs, the lows or the normal, of the apexes and crises during colonial developments – the most accurate reference recorded in historical documentation. It also therefore follows that the revelation of a growing structural diversity, associated with flexibility in the social division of labour, which is expressed both in- and outside the dominant structures, in territorialised structures, brings new meanings to processes

and places intensely focused upon by the vision of cycle and that illuminate areas, which it has literally left turbid in the history of the country.

Forewarned by the criticism of Maria Yedda Linhares and Francisco Carlos Teixeira, and illustrated by the work of Celso Furtado, Ciro Flamarion Cardoso, Roberto de Araújo Santos, and João Pacheco de Oliveira Filho, the starting point for our research on the colonial Amazonian economy was taken from one central question, namely: in what measure, and for how long, would it be possible to speak of rotating extractivist and agricultural cycles in the Amazon?

Following this we arrived at four sets of results that were treated in the first part of *Bauern, Märkte und Kapitalakkumulation: Entstehung und Entwicklung der Strukturen kleinbäuerlicher Produktion im brasilianischen Amazonasgebiet* (Peasants, Markets and the Accumulation of Capital: the Origin and Development of Peasant Structures in the Brazilian Amazon), originally a doctoral thesis at the Department of Economics at the Freie Universität-Berlin and published by Breitenbach-Verlag in 1989

Through careful observation of the available data, it was possible to verify that the so-called agricultural cycle in the late colonial period encompassing the production of coffee, rice, and cotton had emerged in a transient manner, and lost its strength during the second quarter of the nineteenth century, even though rubber production was still negligible. At that time, coffee was no longer on the export agenda, cotton exports had fallen to a third of their previous levels in 1800 and rice had dropped back to the levels of 1777 (Costa, 1989, p. 24-28). Coffee exports had only been made possible by the *Lei Real* (Royal Law) of June 12, 1743 which, in order to protect production in the Amazon, prohibited Portugal from importing coffee from Asia. By the end of the colonial period, the export bases were in ruins. The relatively modest growth of cotton and rice exports compared to exports from the state of Maranhão was due to the effects on the international prices of these products, caused by the American independence movement, coupled with the growing demand from the English textile industry, one of the driving forces of the industrial revolution then underway. At the beginning of the nineteenth century, and especially in the 1830s, cotton prices fell from the extremely high level once reached, and thus, the limits of Amazonian participation in the international trade of this product narrowed (Furtado, 1976). In the case of rice, the fall in prices was caused by the considerable increase in American productivity in the state of Virginia, with which Amazon production could no longer compete (Santos, 1980).

On the other hand, it also equally seemed to explain that the amount of exports of other products originating from the forest, other than rubber, grew significantly during the rubber boom, with the exception of secondary goods – parsley, annatto and piassava, the export of which totalled no more than 3% of all exports in 1848. Between 1848 and 1892, there was an outstanding growth in the production of the region's traditional goods, such as cocoa, which doubled, and animal pelts, which grew three-fold. During this period, the Brazil nut (known in Brazil as the Pará nut) and guarana both appeared and developed quickly (Costa, 1989, based on statistics prepared by Albuquerque, 1894).

In addition, it may also be noted that agriculture gained considerable momentum throughout the "rubber cycle", to such an extent that in 1892, twice as much sugar and tobacco was produced as in 1848 (Costa, 1989).

Finally, although it may be verified that rubber prices toppled on the international market due to the cultivation of rubber trees in the Far East, and the consequent end of the "rubber cycle", this did not however, signify the end of the rubber economy within the region. Rubber remained one of the main export products for a considerable period of time and production never dropped below the levels of 1900, although in the 1940s, prices represented no more than a small fraction of those reached at the beginning of the century.

Such results justified accepting the challenging hypothesis for further research that until the mid-twentieth century, the history of the Amazon was rather marked by invariance from the dominion of extractivism in the region's relations with the world-economy than by the contesting movements of agricultural commodities. Considering this possibility, the structural foundations upon which this was based were explored, whether it was those associated with technical relations that coordinated work and nature, in this case, the native nature associated with the Amazonian biome and its ecosystems, which is discussed in Appendix A, or whether it was those linked to the immediate social relations, operating in the productive process, or mediated, operating in the field of exchanges made possible by a world-wide market. These questions were taken up in an analysis of the seventeenth and eighteenth centuries with a 1992 essay, *Ecologismo e Questão Agrária na Amazônia* (The Ecologism and Agrarian Question in the Amazon), published by the Center for High Amazonian Studies (NAEA), and later expanded in two other works: *Lugar e significado da gestão pombalina na economia colonial do Grão-Pará* (The place and meaning of the Pombaline management in the economy of Grão-Pará, Nova Economia, UFMG, 2010) and *A economia colonial do Grão-Pará: uma avaliação crítica, 1720-1822* (The colonial

economy of Grão-Pará: a critical evaluation, 1720-1822, published in *Economia e Sociedade*, UNICAMP, 2012).

The consolidation of these results constitutes Chapter 1 of this book, *A Brief Economic History of the Amazon (1720-1970)*. The book addresses the economic history of the Amazon, from the first phases of the colonial period through to the second third of the twentieth century, at which point a moment in the history of the Amazon initiated, during which the formation of large-scale livestock farming and mineral projects gained increasing force under the military regime, thereby determining the economic and social configuration of the region (see Costa, 2000).

Chapter 1 begins in the final quarter of the seventeenth century with the structural consolidation that characterises a colonial project marked by mercantilist accumulation, based on a system of coerced indigenous labour, and continues by examining the crisis that befell it in the second quarter of the eighteenth century. From this point, during the third quarter of the eighteenth century, we encounter the formation of a “caboclo peasantry” with specific characteristics, based on technical relationships, in which the object of labour was the Amazonian biome and its ecosystems.

A “caboclo peasantry” was recognised by the anthropological literature in a cultural approach inaugurated by Wagley (1955) and Galvão (1955) and picked up by influential researchers on the Amazon (see review by Adam, Murrieta and Neves, 2006). Along this line of research, a functionalist notion of the culture prevailed, which was emphatically criticised by Nugent (1993), Harris (1998) and Castro (2013) for denying a historically and materially produced identity for these groups. For these authors, instead of a crystallized “caboclo culture,” expressed in an atomised and static economy divorced from external pressures, where market relations were eventual and completely dominated by demand (the disposition of the caboclos explaining nothing), there was a “historical peasantry”, entangled in trade and credit, interfering in the flows of commodities, experiencing migration, and involved in conflicts. This “historical caboclo”, linked to the market by emerging mercantile agents in the context of a new, peculiar productive arrangement, supplied the world market with an extensive portfolio of goods extracted from the forest, which we have located in the eighteenth century and that followed through until the 1970s, in its adaptations and changes, expansions and crises. The delimitation of this economy and the explanation of its unique phenomena throughout this extensive journey has demanded approaches that are capable of dealing with its economic specificities in terms of Chayanov (1923), Sahlins (1973) and Tepicht (1973) with regard to updating our

own findings (Costa, 2012a; Costa, 1995; Costa, 1994; Costa, 1989).

The chapter will reveal the diversity of situations in the Amazonian rural world at the end of the colonial period. Apart from the caboclo extractivism, which additionally involved subsistence agriculture, there also existed agriculture and cattle-raising practised by settlers who possessed slaves and vast lands and by poor white or mestizo farmers who had no slaves – producing in different proportions for the external market and to meet the internal needs of the colony.

Chapter 2 examines the rubber economy, until the price crisis in the 1910s. The work of 1989 and what followed, through examining this period (*Formação Rural Extrativista na Amazônia*, published by NAEA, 2011, Chapter 2), explored the idea that this phase of the Amazonian history under capitalism is marked, as in the previous moments, by the constitution and development of the social structures necessary for the fluent transformation of the use-values made available by the Amazonian biome and its ecosystems in commodities. The market values of these were determined by the tense relations between: demand, associated with a growing, volatile world market, and controlled by the consumption-oriented purchasing power of those who operated the urban, capitalist and labour sectors; industrial needs, guided by capitalist accumulation; and supply, conditioned by the absolute limits imposed by the monopoly of the native nature and by the relative capacity to mobilize workers, who were able to deal with this ultimate fundamental (Costa, 1989, p. 24-29).

In this book, this same perception will be retained. However, when addressing the same period herein, an attempt will also be made to overcome the shortcomings of the previous works.

If, on the one hand, the research was thus far able to demonstrate, on a more tangible level of analysis, that the "cycles" represented comprehensible discontinuities and also invariants within the framework of structural diversity, which was formed by alternatives to overcome obstacles for the accumulation of capital, then on the synthesis level, it operated with the otherwise very abstract notion of "accumulation patterns", referring to the macro-plan of world capitalism. Thus, it may be supposed that the "accumulation patterns" of the world-economy under capitalism were projected directly onto the local realities, in their mercantile modes, during the colonial phase of the drugs in the hinterland, and the industrial mode, in the phase of the rubber economy and after.

It had been lacking in the previous work, the perspectives guided by intermediary syntheses, in categories which may reflect the meso dimensions of the relations between the global and local economies. Here, patterns of capital accumulation at different levels (scales) are a critical