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# THE RISE OF MIDDLE CLASS AND MIDDLE MANAGEMENT IN BRAZIL

L. C. Bresser Pereira

## *Brazil's Industrial Revolution*

Brazil, during the past thirty years, has undergone extensive social and economic change, amounting to a Brazilian "Industrial Revolution". It is always somewhat arbitrary to assign dates to broad historical events, but, if establishment of a starting point for the Industrial Revolution would aid in its understanding, the best date is probably 1930. In the economic field, it is true, World War One represented a first step; in the cultural field, the Week of Modern Art (1922 in São Paulo) was the first significant manifestation of a really Brazilian culture. But in both cultural and economic fields, and especially in the political field, the Revolution of 1930 (when Getúlio Vargas came to power), and the world depression beginning in 1929, are the most important events. The phase that many sociologists, economists, and historians call either the National Revolution or the Industrial Revolution, the stage that W. W. Rostow prefers to call the take-off period, began at that time in Brazil.<sup>1</sup>

The take-off period is decisive in the development of a particular country, and once entered, economic growth becomes almost automatic. After 1930, the feudal forces that had dominated Brazil began to lose strength. It is in this period that Brazil changes from object to subject of history and becomes master of her own destiny. Until that moment, only in a legal sense could Brazil be considered a nation. Her economy was oriented toward Europe and the United States; she was a complementary economic unit of the industrialized countries. Her great role was to export agricultural products in exchange for industrial goods to be consumed by the richer part of the population. It was a subsistence economy typical of under-developed and semi-feudal countries. The internal market, one of the main characteristics of a well-developed economy, became important only after 1930.

Culturally, Brazil was also a complement, or imitation, of the indus-

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<sup>1</sup> W. W. Rostow, *The Stages of Economic Growth — A Non-Communist Manifesto*, Cambridge, Cambridge University Press, 1961.

trialized countries. Brazil, trying to analyze its problems and to formulate economic, political, and educational change, adopted indiscriminately concepts from abroad. European culture, European experience, was merely transplanted. There was not a critical consciousness able to understand Brazilian problems and to adapt foreign culture to the Brazilian environment. It was generally assumed that what had been successful in Europe or the United States would also succeed in Brazil. The result was a culture without strength, without national vitality.

The industrialization process that has occurred in Brazil during the past thirty years has changed this picture radically. During this period, Brazil achieved her National Revolution, whose causes and paths we can now study. A complete analysis of this subject, however, is not the aim of this paper. In relation to this problem it is sufficient to point out the decisive factor behind Brazilian industrialization: the impossibility of importing manufactured goods in the desired amount.

Three external stimuli are the key to understanding Brazil's take-off. World War One; the depression of the thirties, which by a curious contradiction helped the Brazilian economy, causing a drop in coffee prices from 22.5 cents a pound in 1929, to 8 cents a pound in 1931, and a consequent decrease of 64 per cent in the value of coffee exports which fell from 805.8 million pounds in the twenties to 337 million pounds in the thirties; and finally, World War Two, were the accidental external stimuli to Brazil's industrialization. After World War Two, the government took planned measures to avoid importation of manufactured goods at low prices, through the *Carteira de Exportação e Importação* (CEXIM), Instruction 70 of the *Superintendência da Moeda e do Crédito* (SUMOC), and the Customs Tax Law. Responding to such protection and support, Brazilian industry developed rapidly. By the mid-1950's, Brazil had built its consumer goods industry, with the exception of the automotive industry. The emphasis at present is upon the development of heavy industry, including automotive and tool industries, whose growth began during the forties.<sup>2</sup>

### *Social Change in Brazil*

As a peripheral, agricultural, and thoroughly under-developed country, Brazil's social structure was very simple before the National Revolution. The Declaration of Independence (1822) did not transform Brazil

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<sup>2</sup> From 1949 to 1960, the rate of growth of the national income was between 5 and 6 per cent a year. From 1945 to 1954, it was exactly 6.2 per cent; income per capita increased at the rate of 3.8 per cent during this period. While the participation of agriculture in the gross national product decreased, the participation of industry increased from 13 per cent in 1939 to about 20 per cent in recent years. (Source: *Equipe da Renda Nacional da Fundação Getúlio Vargas*).

into a truly independent nation. The Imperial Constitution of 1824 and the Republican Constitution of 1891 also did not change Brazil into a real democracy. Elections were controlled. During the first Republic, for instance, one of the parties always won the elections, while the opposition party received exactly one-third of the seats in Congress. A semi-colonial and almost feudal society, with an economy based on the exploitation of land owned by a small number of great planters, Brazil was dominated by a small and powerful upper class. The landowners were traditionally allied to the merchants (exporters of coffee, sugar, rubber, and importers of manufactured goods), and, after the Declaration of Independence, to foreign capitalism, particularly British. As the people had not yet achieved real participation in public affairs, the power of the nation was concentrated in a few hands, an oligarchy.

Before the National Revolution, the great majority of members of the Brazilian lower class were (and still are) employed in agriculture. Some had been slaves, while others had come to Brazil as immigrants to work on the coffee plantations. As a whole, they constitute a large group of impoverished, illiterate persons, living under miserable conditions. They are typical representatives of a subsistence economy working at the lowest level of productivity.

Between these two classes was a silent but growing middle class. This class appeared for the first time with a certain importance after the Declaration of Independence. With the withdrawal of the Portuguese, it was necessary to organize the state, to perform judiciary, legislative, and executive functions, to build the Army. It was the middle class, often connected by kinship relations with the upper class, that performed these functions. The first colleges of law (Brazil did not have a colonial university) were then opened to train members of this class. With the end of the slave traffic and the boom in coffee exports, which permitted the formation of a free labor market, the coastal cities and their environs began to develop. The middle class developed as well. "The role fulfilled by the middle class was considerably enlarged: the more diverse urban activities, the infant commerce, new professions, the Army, the Church, the bureaucracy . . ." <sup>3</sup> But, in general, the middle classes "were formed and grown in the framework of our under-development, as by-products of the urbanization of a country which remained agricultural and did not offer conditions for the participation of the middle classes in the productive process . . . Their resulting unavoidably marginal position made them direct parasites of the Government." <sup>4</sup>

<sup>3</sup> Nelson Werneck Sodré, *A Revolução Brasileira*, Rio de Janeiro, Livraria José Olímpio, 1958, p. 46.

<sup>4</sup> Hélio Jaguaribe, *O Nacionalismo na Atualidade Brasileira*, Rio de Janeiro, Instituto Superior de Estudos Brasileiros, 1958, p. 41.

Such, in brief, was the social structure of Brazil: on the one hand, an oligarchy of planters and merchants, on the other, a great number of impoverished peasants, and in between, a small but growing middle class.

### *Effects of the National Revolution*

The National Revolution brought vast change. Industrialization modified the Brazilian way of life, upset traditional economic relations, and originated great social, cultural, and political change. New classes arose, Brazil developed, and lost most of its feudal features.

In the upper class, the industrialists appeared to take their place beside the planters and merchants. Originating primarily in the middle class — particularly from Italian, German, Jewish, and Lebanese immigrants — and in the old upper class, their power and prestige increased rapidly with the industrialization process. Today, they may be considered the dominant group in Brazil. Their rise, however, was not easy. For years and years, they waged political and ideological battle against the planters and the old merchants, who represent the traditional and non-progressive sector of the Brazilian economic and social system. Today, this conflict is ending. The position of industry in the Brazilian economy is now an established and definite fact.

In the lower class, transformation was also definite. As the industrialists were a whole new sector in the upper class, so in the lower class did the industrial workers become important enough to be singled out as a new sector. Most of them came from rural areas; they were peasants or sons of peasants, who left their homes, attracted by the higher wages of industry. In agriculture, disguised unemployment was (and still is in many areas) dominant, and consequently productivity and wages were extremely low. Therefore, when the peasant went to the city and took a job in industry, his standard of living improved markedly. This is the urbanization process common to all countries which have undergone an industrial revolution. From 1940 to 1950, the rural population increased 18 per cent, while the urban population increased 45 per cent. Brazil's population continues to be predominantly rural (about 60 per cent), but in the state of São Paulo more than half of the population (52.6 per cent) is already urban.<sup>5</sup> Today, the Brazilian lower classes as a whole, peasants and especially industrial workers, receive better education and can afford better food than before. As the planter begins to disappear or to lose power, society begins to become more democratic.<sup>6</sup>

<sup>5</sup> Census of 1940 and 1950.

<sup>6</sup> These social and economic changes occurred throughout Brazil, but they varied very much in intensity, depending upon the region. The center-west and the north

### *The Middle Class*

During the past thirty years, the middle class has undergone change. Perhaps it is not proper to speak of the appearance of entirely new sectors within the middle class, as occurred in the upper and lower classes, but the transformation is significant. At present, the middle class is probably the social class that is undergoing the greatest internal change. Structural changes in the upper and lower classes took place primarily in the thirties and forties, but the most important changes in the middle class are occurring now.

Three fundamental trends characterize the development of the middle class since the National Revolution: progressive integration of its members into the productive process; rapid growth; and, diversification.

*Integration:* The middle class was basically a marginal group, primarily composed of public officials and employees who were not supposed to work hard since they did not have much to do. Now, they begin to participate efficiently in productive activities. The industrial sector itself demands a large number of persons to serve as middle-level employees. But service industries that develop with industrialization and the formation of an internal market — commerce, banks, transportation, utilities, advertising agencies, real estate companies, fiscal and legal organizations, brokerage offices, the professions, and an infinite number of other small organizations — also offer employment opportunities to the growing middle class. Even the public service itself is involved in this transformation. During the colonial and semi-colonial period, the government had three functions: to maintain order, to administer justice, and to give employment to the old middle class, whose members were frequently distant relatives of members of the upper class. Now, the Government is an active participant in the development process. Several companies owned by the federal or state governments have been created, such as the Companhia Siderúrgica Nacional, Petrobrás, the Fábrica Nacional de Motores, the Usinas Elétricas do Paranapanema (USELPA), etc., in which the need and the struggle for efficiency is obvious. In the departments of federal, state, and municipal governments, there is observed an increasing comprehension of the urgency of better organization, and strong desire

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continued to be nearly deserted. Brasília, among other things, is an attempt to solve this problem. The Industrial Revolution occurred in the south, particularly in the triangle formed by the cities of São Paulo, Rio de Janeiro, and Belo Horizonte. The northeast, which presents a relatively-high density of population, did not industrialize; it has remained basically agricultural and semi-feudal. According to the Equipe da Renda Nacional da Fundação Getúlio Vargas, in 1956, the per capita income in the south was 18,431.60 *crúzios* against 5,132.60 *crúzios* in the northeast.

for political morality. Examinations for admission into the public services become established practice, at least for the lower positions. The middle class as a whole — the “old” middle class, which was in existence before 1930, as well as and particularly the “new” middle class, which grew as a product of industrialization — becomes more and more integrated into the productive process.

*Growth:* Rapid growth is the second trend observed in the recent development of the middle class. Integration into the productive process results necessarily in growth. The middle class becomes a significant sector of the Brazilian social structure.

It is mainly the rise of the middle classes that makes the new Brazil basically different from the old, which had no place for such classes. The descendants of ambitious immigrants, the too-numerous sons of aristocratic families (families which had not yet employed birth control), all join the liberal professions, the public services, commercial business, the Army, industry, forming an individualistic society . . .<sup>7</sup>

In the great cities, especially in São Paulo and Rio de Janeiro, this phenomenon is evident, but even in the small cities of the hinterland, in the south, the middle class has emerged as a modern capitalistic system replaces the social system of the plantation.

There are no statistical data concerning this growth. Social research in Brazil is only beginning. In spite of its lack of accuracy, however, the testimony of Tobias Barreto, in his “*Discurso em Mangas de Camisa*”, a speech delivered at Escada in 1877, is illuminating. He declared that:<sup>8</sup>

With respect to these three thousand souls, or rather, with respect to these three thousand bellies, the following estimate is fairly reliable:

- 90 per cent are impoverished persons, living almost in indigence
- 8 per cent survive only with difficulty
- 1.5 per cent live well
- 0.5 per cent are relatively rich

In this estimate, the absence of a middle class is striking. Today, the picture is radically different. A study of the distribution of the Brazilian population was undertaken by the journal, *Desenvolvimento e Conjuntura*, based upon the Census of 1950. The study divides the population into five classes (lower, lower-middle, middle, upper-middle, and upper) and distributes the labor force among these five classes using only one criterion, that of occupation. The first task was to classify the

<sup>7</sup> Jacques Lambert, *Le Brésil, Structure Sociale et Institutions Politiques*, Paris, Colin, 1953.

<sup>8</sup> Quoted by Guerreiro Ramos, *A Redução Sociológica*, Rio de Janeiro, ISEB, Ministério da Educação, 1958, p. 38.

labor force according to occupation (Table I). From this table was derived a tentative breakdown of the Brazilian population into the different social classes (Table II).

TABLE I  
*Breakdown of labor force according to occupation*

Occupation	Thousands
I — Domestic employees .....	795
II — Unskilled workers and employees .....	10,692
III — Privates (in the armed forces) and similar individuals ...	151
IV — Office and commercial employees with a minimum of skill .....	792
V — Skilled workers and employees (and semi-skilled workers) .....	2,194
VI — Soldiers and middle-level employees, with functions of direction or supervision, and rural and urban artisans ...	665
VII — Liberal professions, intellectuals and officers of the armed forces .....	276
VIII — Business managers .....	152
IX — Enterprise owners .....	779

Source: *Desenvolvimento e Conjuntura*, Rio de Janeiro: Confederação Nacional da Indústria, n. 10, Oct. 1958, p. 99.

TABLE II  
*Social Classes in Brazil (tentative breakdown)*

Social Class	Thousands	%
Lower (groups I/III) .....	11,638	70
Lower-middle (groups IV/V) .....	2,986	18
Middle (group VI) .....	926	6
Upper-middle (groups VII/VIII) .....	428	2
Upper (group IX) .....	729	4*

Source: *Ibid.*

\* Not representative of the upper class.

The inaccuracy of the breakdown presented in Table 2 is obvious. Occupation is certainly one of the criteria for measurement of the social structure of a society, but it is certainly not the only one. Yet, since a better classification is not available, this one will aid in understanding the Brazilian social structure. It is necessary to underscore its many inaccuracies, for in this classification one inaccuracy exceeds all others. Group IX does not represent by any means the upper class. Actually,



most enterprise-owners should be considered as members of the upper-middle or even middle classes, since their businesses are frequently very small. 80 per cent of Brazilian industrial units employ less than 10 persons.<sup>9</sup> Probably less than 1 per cent of the population should be considered as belonging to the upper class of Brazil.

Analyzing the data above, it is possible to observe that the middle class, even if the lower-middle were not included, already constitutes a significant part of the population. But there is no reason not to consider the lower-middle as part of the middle class. It is exactly that part of the population that is now entering the middle class. This is especially true of the skilled workers, whose standard of living has recently improved so much (part of Group V). It is also worthwhile to observe the Brazilian social pyramid, very large at its base. (See Table III). This is a characteristic typical of under-developed countries. The growth of the middle class in Brazil has not yet changed significantly the shape of her social pyramid. The lower class and not the middle class is still numerically dominant in Brazil.

The growth of the middle class, however, does not mean that the industrialization process has not had unfavorable effects upon the middle class. Representatives of the old middle class — many of whom have fixed incomes (generally from house rentals) — have been hurt by the process of industrialization, which has occurred during a highly-inflationary period. These persons were forced to adapt themselves to quite a different way of life. And for them, as for many representatives of the old upper class (São Paulo's coffee planters, for instance, who used to call themselves "*Paulistas* of four hundred years"), this adaptation has not been easy.

TABLE III  
*Brazilian Social Pyramid*

Upper .....	1 per cent*
Upper-middle .....	2
Middle .....	6
Lower-middle .....	18
Lower .....	70

\* Assuming 1 per cent for the upper class and leaving 3 per cent undistributed.

*Diversification:* The third trend observed in the middle class is that of diversification. Specialization and division of work are much more highly developed in an industrial society than in an agricultural one. New professions, new types of activities appear, offering opportunities

<sup>9</sup> Source: 1950 Census.

to the middle class (and to members of the lower class who wish to rise to middle-class positions). In a modern industrial corporation, for instance, a large number of new position, positions of middle level, or those between top management and the workers, are created. This middle group, and particularly staff and line middle management (we include in the definition of middle management the supervisory group also) that is now developing rapidly in Brazil, is probably the most representative part of a new middle class in an industrial society. This point will be made clearer when we take up the so-called second Industrial Revolution. There, the middle class and particularly middle management have their greatest opportunity to develop as a result of the formation of large-scale organizations.

### *The Second Industrial Revolution*

The first Industrial Revolution marked the passage from mercantilism to industrial capitalism. In addition, it represented a definite blow to the feudal system, which lost its reason for being. In its place, so-called Manchesterian capitalism appeared. In the economic field, low productivity (compared with that of today); in the social field, urbanization; and in the political field, the ideology of liberalism, were its essential characteristics. "This picture of capitalism, which was known to Marx and remained . . . an abstract model to which socialist criticism was directed, experienced, after the end of the nineteenth century, and particularly after World War One, very great transformations."<sup>10</sup> This was the second Industrial Revolution, which had its center in the United States.

If analysis of the first Industrial Revolution provides basic data for understanding the Brazilian Industrial Revolution, the second Industrial Revolution aids in comprehension of Brazil's present phase of development and its trends. The use of electricity for commercial purposes, the internal combustion engine, electro-magnetic waves, physico-chemical discoveries, and the resulting mass-production techniques mark the start of the second Industrial Revolution. The development of large corporations, the rise in standards of living, middle-class growth, increase in social mobility, and the trend toward more equality of opportunity are among its basic consequences. "The change has been so great that, in retrospect, the typical factory of 1910 seems to have been closer to its great-grandfather, the artisan's workshop of pre-steam engine days, than to its own son, the modern mass production plant."<sup>11</sup> The emer-

<sup>10</sup> Hélio Jaguaribe, *op. cit.*, p. 83.

<sup>11</sup> Peter F. Drucker, *The New Society*, New York, Harper & Brothers, 1949, p. 2.

gence and tremendous growth of the "new" middle class represents the great social change brought about by the second Industrial Revolution. The "old" middle class in the industrialized countries — formed basically of small entrepreneurs (contrary to what happened in Brazil), farmers and the so-called petty bourgeoisie — began to decline, while a new class of employees of middle level, serving directly or indirectly the large organizations, emerged. "Negatively, the transformation of the middle class is a shift from property to non-property; positively, it is a shift from property to a new axis of stratification: occupation."<sup>12</sup>

### *Middle Management in Brazil*

In order to understand the present situation of middle management in Brazil, it is important to take into account the fact that the social and economic development of Brazil has been characterized by a superimposition of phases. It has already been pointed out that, if one travels from the coast to the hinterland, one will encounter a series of different stages of economic development. The same thing occurs if one travels from south to north. This problem has already been discussed as a problem of economic differences having geographic bases. The problem of super-imposed phases is similar. As the Brazilian Industrial Revolution is occurring about one century after the industrialized countries achieved theirs, the historic phases of development [W. W. Rostow, for example, presents five periods; I refer merely to a pre-industrial period, a Manchesterian capitalistic period, and a modern, affluent capitalistic period] through which Brazil is passing are often superimposed. Thus, within the same community, within the same organization are present, at the same time as well as in the same space, vestiges of a semi-feudal, pre-industrial system, as well as particular characteristics of Manchesterian capitalism, a capitalism in sharp conflict with modern capitalism, which emerged in the twentieth century after the second Industrial Revolution. This conflict is observed in the technological system, in the social structure, in the system of values and beliefs, as well as in the interplay of these three inter-related orders of social reality. The result is a hybrid situation, constantly present in the Brazilian social system, the economy, organizations, politics, culture, and enterprises.

Actually, one of the bases of this hybridism is found in the business enterprise. It may be observed, for example, in the production system. Often, we find side-by-side the most modern machines and the oldest systems of management. More expressive, however, is the conflict within the typical small or medium-sized family enterprise, closed,

<sup>12</sup> C. Wright Mills, *White Collar*, New York, Oxford University Press, 1953, p. 65.

paternalistic, working at a relatively low level of productivity, but using modern techniques, electricity, assembly line, modern equipment — and dedicated to typical second Industrial Revolution industries — plastics and rubber, household appliances, electronics, etc. In other words, the forms of ownership and management of the enterprises are generally backward when compared to the productive system.

It now becomes clearer why Brazilian middle management is still small, has no access to top management, and operates in improvised fashion. As was already pointed out, middle management looms important only after the second Industrial Revolution, while industrial entrepreneurs and wage workers emerge in the first industrial period. Thus, in this transition period — the first Industrial Revolution already almost completed, but still far from a mature, affluent stage of economic growth — Brazilian enterprises suffer a great lack of personnel between top management and wage workers. There is a gap between top and low levels of the business enterprise, a gap that becomes more critical as the enterprise grows. And today, the enterprise is growing more than ever. The problem, therefore, is to fill this gap. This is not easy, however, as there are not sufficient skilled persons to perform the different specialized middle-management functions.

The general cause of this shortage of middle-management personnel is the recent growth of Brazilian industries. The specific cause is the relative lack of institutions to provide proper training. Within our broad definition of middle management as used in this paper we may distinguish two levels: the supervisory level, and the middle-management level in its restricted sense. These two levels reveal the lack of training. Organizations such as the Serviço Nacional da Indústria (SENAI) and Serviço Nacional do Comércio (SENAC), which have been organized with the direct support of Brazilian business executives, and schools of commerce and technical schools of high-school level try to meet the need for supervisory personnel. At the second level, where one could expect a large number of college graduates, few have college degrees. Many of this group have risen from clerical or sales position. Among those with college degrees, a large proportion are graduates of law schools. There is an historical reason for this phenomenon. Colleges of law have a function inherited from the semi-feudal period, that of educating those who do not have a special vocational interest, but who want to obtain a bachelor's degree. This degree was and still is particularly important to the traditional upper and middle class families, families which want their sons to bear the title and prestige of *doutor*, as college graduates are known in Brazil. As there is no opportunity for so many lawyers to enter legal practice, they take management positions in growing business enterprises.

Of course, there is some relation between the study of law and business administration, but this relation is limited. This fact, among others, points to the strong need for middle and top management training in Brazil. The Escola de Administração de Empresas de São Paulo<sup>13</sup> is one of the first specific responses to this need. The trend toward expanding schools of economics into schools of business, and the increasing interest shown by engineering schools in industrial-engineering problems, are indications that the problem is beginning to be faced.

### *Prospects*

The future of middle management in Brazil is directly related to the economic trends existing at present. Characterized by a pre-second Industrial Revolution type of capitalism, the Brazilian economic system is still dominated by closed enterprises tightly-controlled by the owners. Most of them have corporate legal form, but only on paper. In actual practice, the owners refuse to sell stock to the public; rather, they prefer to pay high interest rates or simply not to grow, so as not to endanger their sole ownership. Berle and Means, writing of the separation between ownership and control, present five types of control:<sup>14</sup> (1) control through almost complete ownership; (2) majority control; (3) control through a legal device without majority control; (4) minority control; and (5) management control. In the United States, a combination of the fourth and fifth type was already dominant in 1930 among the 200 largest U. S. companies. In Brazil, the first and second type are still dominant.

In addition, if the owners do not show sufficient interest in the formation of a strong financial market and in opening their enterprises to outside capital, the public also does not show any particular interest in participating in the stock market. The public's generally low level of income is a prime obstacle. The high security of real estate investments, especially in an inflationary economy, represents a further difficulty. Finally, to invest in the stock market represents not only an economic but a cultural change, and the Brazilian middle and upper classes are not yet quite prepared to accept this new idea.

But the outstanding characteristic of Brazilian society is its dynamism. The process of economic and social development is opening the

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<sup>13</sup> This school of business administration is the result of a joint effort by a Brazilian foundation (Fundação Getúlio Vargas), which owns and controls it, the U. S. Government through the International Cooperation Administration, and the Graduate School of Business Administration of Michigan State University.

<sup>14</sup> Adolf A. Berle, Jr., and Gardiner C. Means, *The Modern Corporation and Private Property*, New York, Macmillan, 1932, 1950 edition, p. 70.

doors of business, in spite of its owners. Sooner or later, circumstances lead owners of business to change their minds. The movement is particularly observable in São Paulo, the focal point of this process of change. The development of heavy industry, machine-tools, automobiles and shipbuilding, chemicals, petro-chemicals, and the steel industry, demands large amounts of capital which Brazilian entrepreneurs are not able to supply alone. Foreign enterprises (mostly manufacturing concerns instead of mining, agricultural, transportation, or public utility enterprises), and federal and state governments are today responding to this demand for capital. On the other hand, the ability to save of the middle class — a condition necessary to the formation of a strong financial market — is increasing substantially. When the savings ability of the middle class surpasses that of the upper class, we may say that Manchesterian capitalism has been surmounted and that mass-production, affluent capitalism is on the way. Brazil has not yet reached this advanced stage, but signs of its emergence are present.

The stock market is as yet very small. While direct sales of stocks by corporations reached approximately 29 billion *cruzeiros* in 1957, total sales of private securities in the São Paulo and Rio stock exchanges did not reach 3 billion *cruzeiros*. The stock exchanges at present are not achieving their objectives, though many reforms in this field are being discussed. In addition, investment companies are undergoing great development. It is thus possible to expect within the next few years formation of a sizeable security market.

Formation of a strong financial market and particularly a stock market will mean the opening of business to outside capital. It will inaugurate the separation of ownership and control, will be a sign of the more even distribution of income, and will be the start of the long and difficult process of "democratization" of business. Formation of a stock market, originating in the capital needs of big corporations and in the higher savings ability of the middle class, will also mean a higher rate of development of corporations, and the possibility for middle management to obtain access to top management positions. The latter will occur at the same time as middle management as a group continues to grow, and as more and more middle-management functions are created within the enterprises themselves. Therefore, assuming that present dynamic conditions remain unchanged, the prospect is for a continuous strengthening of the middle class and particularly of middle management.

*Conclusion*

If the rise of middle management and a higher level of "democratization" is a consequence of large, highly-productive corporations' adopting mass-production techniques, the process of industrialization and formation of these corporations is not automatic. Once the process begins, it becomes more difficult to halt, but this is possible. The question here is the development itself, its possibilities in the near future, the rate of economic growth. And this depends upon many other and more important conditions than the rise of middle management, which is rather a consequence than a cause of development. It is true that training of middle-management personnel may be an important factor stimulating economic development, but it is only one factor among many others.

The prospects, for the moment, are good. Thirty years of continuous and rapid development have built a rather solid industrial basis. But there are still many political and economic decisions to be made. Popular support, formation of an ideology of development among the Brazilian people, and the existence of active and well-oriented leadership, have crucial importance for the continuation of this general process of development. Brazil will have to find its own route. The present factors conditioning economic and cultural development — the international political and economic situation as well as the internal characteristics of Brazil — are entirely different from those that prevailed when the present industrialized countries underwent their industrialization.