

# Fiftieth anniversary of the Getulio Vargas Foundation: contribution to graduate studies in economics

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## 1. Introduction

In December 1994 the Getulio Vargas Foundation (FGV) will be reaching its 50th year of existence. Although this might not be considered a very significant mark compared with international standards, and especially with respect to First World countries, it certainly is in terms of Brazil. Few national institutions can boast of having managed for such a long time to keep alive the ideals of pioneerism and constant search for excellence that have been the identifying features of the Foundation's activity.

As part of the series of events to commemorate the 50th anniversary, the *Revista Brasileira de Economia* deemed it appropriate to organize this special number. Avoiding the temptation to engage in merely self-laudatory mirror-gazing, this number rather took the precaution of not including anyone directly linked to the institution — which deprived us of other eminent contributions — and invited only collaborators from outside the FGV. The basic criterion for selection of the authors, besides prominent scholarship and notable performance in their respective areas of activity, was their having had some direct or indirect association with the FGV during their graduate career in economics.

In an attempt to situate in time the role that the FGV, through its Graduate School in Economics and the nucleus from which it was born, has played in training economists, particularly in the training process undergone by the guest contributors, the aim of this presentation is to give a brief report on the activities developed throughout these first 50 years.

## 2. Brief retrospective

When one speaks nowadays of graduate studies in economics at the FGV, what immediately comes to mind is the Graduate School of Economics (EPGE), one of the institution's five basic units at the moment.<sup>1</sup> Nevertheless, graduate studies in economics within the FGV came long before the EPGE was created in January 1966.

The Foundation's first incursions into the area of economics started on 5th September 1946, when an agreement was signed with the National Faculty of Economic Sciences

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<sup>1</sup> Strictly speaking there also exists a graduate level of studies in economics, under the denomination of Business Economics, at the São Paulo School of Business Administration (EAESP). Nonetheless, and without this implying any value judgement, the EAESP is normally associated with the image of business administrator rather than that of economist.

(FNCE), a private institution at the time resulting from the merging with the old Rio de Janeiro Faculty of Economic and Administrative Sciences (FCEARJ).<sup>2</sup> To replace the incipient Nucleus of Economic Studies was set up the Nucleus of Economics, directed by Eugênio Gudim and with the collaboration of several other professors from the FNCE. The same year of 1946 saw the creation of the *Revista Brasileira de Economia*, and was the beginning, if only at the undergraduate level, of the FGV's participation in the process of training economists.

This agreement was the start of a veritable mechanism of symbiosis: on the one hand, FNCE professors participating in the Nucleus of Economics, and on the other, both financial and material assistance (the FGV premises at 192 Praia de Botafogo being used as classrooms and for administrative and library services). Furthermore, FNCE students were recruited to make up the staff of the very Nucleus of Economics, which was later (1951) to become the present Brazilian Institute of Economics (IBRE).

Next, as a still unsystematic activity basically aiming at perfecting its own cadres, the IBRE established connections with international institutions for purposes of graduate training abroad. Later on, during the 1959/60 period, this informal activity became institutionalized and open to economists not necessarily from the FGV. A sort of pilot course was then organized within IBRE in order to select and prepare candidates to graduate schools in the United States and Europe (Great Britain and Germany), with lectures, seminars, supervised reading and practical work.

As a result of this pilot programme, seven economists were selected and sent abroad. One of these was our first essayist, Alberto de Mello e Souza, selected in 1959 and sent to Harvard University in the following year.

In 1961, based on the positive experience of this pilot course, the Graduate Centre for Economists (CAE) was set up within IBRE. With financing from the United States Point IV programme (as established by the contract signed on 17th October 1960), and with Octavio Gouvêa de Bulhões as supervisor, a specific body was instituted to recruit and select candidates from among recent graduates. Those selected became scholarship holders and received formal training in mathematics, statistics, microeconomics, economic history and English.<sup>3</sup> The FGV thus came to participate in an effective and structured manner in graduate studies in economics in Brazil. The aim was to select students, based on their performance in the courses, for university studies abroad, still as scholarship holders (the first two from the Rockefeller Foundation and the following eight places from the Point IV programme) for the purpose of obtaining graduate degrees (Master's and/or PhD).

The CAE functioned until 1965 along the lines described above. In principle its function was to serve as a platform capable of equipping newly-graduated economists for Master's and PhD courses overseas. It should be emphasized, however, that this was not a simple process of selection based on performance during the concluded undergraduate courses. Those chosen were indeed those students who showed the best performances in the

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<sup>2</sup> Cf. *Cenário retrospectivo geral (20-12-44 to 31-12-82)*. Instituto de Documentação, Fundação Getúlio Vargas, 1983. Also see Motta, M.S. da. *Economistas: intelectuais, burocratas e mágicos*. In: Gomes, A. de C. (ed.). *Engenheiros e economistas: novas elites burocráticas*. Rio de Janeiro, Fundação Getúlio Vargas, 1994.

<sup>3</sup> Besides Julian M. Chacel and Isaac Kerstenetsky from IBRE, who participated as professors and in the selection process, from this period also dates the participation of Mario Henrique Simonsen, who taught classes in mathematics, statistics and microeconomics.

CAE courses. Representing this phase are invited contributors Claudio de Moura Castro (1963), Edmar Lisboa Bacha (1964) and Flávio Rabelo Versiani (1964).<sup>4</sup>

In late 1965, however, it became obvious that the FGV, with the experience gathered in directing the CAE, already had all the conditions necessary for establishing graduate studies strictly speaking. Thus, in 1966 the CAE was followed by the present Graduate School of Economics (EPGE), which, when still part of IBRE and under the directorship of Mario Henrique Simonsen (then director of the CAE), began to offer a Master's course in economics. Representing this first class is contributor André Franco Montoro Filho, who received his Master's degree in 1967.

To end this brief retrospective, mention should also be made of the fact that, once the Master's course was consolidated, the doctorate course was also instituted in 1974. Notable PhDs who graduated from this course are Gustavo Jorge Laboissière Loyola (1980), who reached the Presidency of the Central Bank, and Daniel Valente Dantas (1979), whom we hereby acknowledge for his support (through the Icatu Bank) for the production of this special number of the *RBE*.<sup>5</sup>

### 3. Organization of the special number

As already mentioned, the purpose of this special number, which commemorates the 50th anniversary of the FGV, is to highlight its participation in graduate studies in economics in Brazil. We felt that it would be opportune to invite prominent authors who have sat as students in the EPGE or any of its predecessors. It is clear that so many other illustrious alumni (today they number about 650, counting from the early phases of the EPGE) were thus unable to offer their contribution to this special number of the *RBE* in celebration of the 50th anniversary of the FGV and the 35th anniversary of the EPGE. Our hope is that this symbolic selection is in some way representative of all the alumni of this School.

As each guest contributor was given complete freedom to choose his topic, it was decided to organize the texts presented according to the chronological order of the authors' admission to graduate studies at the FGV. Thus, the first essay is signed by Alberto de Mello e Souza (pre-CAE, 1959), whose article on *Educational policies: efficiency and equity issues* is a good reflection of his trajectory as specialist in economy of education and as competent analyst of the Brazilian case.

The second paper, *Training: what do we do now?*, by Claudio de Moura Castro (CAE, 1963), a renowned specialist in the area of human capital, also reflects pertinent concerns in the sphere of economy of education. Specifically, he discusses questions relating to the supply and demand of formal training.

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<sup>4</sup> To illustrate the eclecticism of the CAE, we should mention that in 1962 the course enjoyed the collaboration of Maria da Conceição Tavares, who for some time shared the lectures with Simonsen.

<sup>5</sup> There is always the risk of omission when names are given special mention. This is even truer in this particular case, when other illustrious figures, whether from the academic area such as professors and researchers, or the public sector such as directors of the Central Bank and autarchies, State and Municipal secretaries, Congress representatives and even an ex-State governor, and from private professional activities also participated in this school, where they successfully completed their graduate studies in economics. Special mention should be made of former State ministers João Paulo dos Reis Velloso (CAE, 1962), João Batista de Abreu (EPGE, 1967) and Dorothea Fonseca Werneck (EPGE, 1971).

Edmar L. Bacha (CAE, 1964), with whom we had the honour of collaborating in classes in social evaluation of projects administered in the EPGE in 1971, offers us *Latin America's reentry into private financial markets: domestic and international policy issues*, an interesting analysis of the questions relating to the entry of foreign capital. In the present situation, in face of the implementation of the Real Plan, to which his name is associated both in terms of conception and administration, the study is particularly timely.

Another representative of the 1964 class, Flávio Rabelo Versiani (CAE), faithful to his reputation as thinker of economic history, presents the paper *Brazilian slavery: toward an economic analysis*. Of special interest is the conclusion relating to the comparison of labour-intensive and domestic activities with regard to slave work.

André Franco Montoro Filho (EPGE, 1964), currently prominent because of his active participation in the polemic process of privatization, shows that from the academic point of view he has kept his predilection for monetary studies. His *The regularity of Brazilian inflation* is a provocative interpretation of why our inflation is so persistent.

The role of agriculture, his acknowledged specialization, is the theme analysed by Gervásio Castro de Rezende (EPGE, 1967). With the collaboration of Antonio Marcio Buainain, he presents the paper *Structural adjustment and agriculture in Brazil: the experience of the 80's*, an analysis of how, despite the whole succession of problems faced by Brazil's economy throughout the 80s, agriculture managed to present a more than reasonable performance.

Once the economy has been stabilized (and we trust that it will finally come true under the Real Plan), it is indispensable that we resume our historical course of strong growth. This is precisely the theme opportunely and competently dealt with by Dionísio Dias Carneiro (EPGE, 1968) in his essay *Growth prospects after stabilization: issues and challenges*.

Known as one of the fathers of the Cruzado Plan and one of the formulators of the theory of inertial inflation, Francisco L. Lopes (EPGE, 1968) continues to be concerned with the question. In his paper *Inflation inertia and the failure to stabilize*, he develops a model to show how a successful stabilization process requires that the fundamentals of monetary and fiscal policies be taken into due account.

Joaquim Pinto de Andrade (EPGE, 1969) centres his presentation around the analysis of the role of money in the process of economic growth. He and co-author João Ricardo Faria examine in *Money and growth: from a quasi-neoclassical standpoint* the interrelationship between money and growth using a structure of intertemporal optimization.

Ecology is unquestionably one of mankind's great concerns today. One of Brazil's active analysts of the economic aspects of the environment is Eustáquio J. Reis (EPGE, 1970). Along with Ronaldo Serôa da Motta, another well-known specialist in the matter, he presents the paper *The application of economic instruments in environmental policy: the Brazilian case*, an expressive account of Brazil's experience with instruments of a market economy to deal with environmental issues.

The concept of indexed currency, the essence of the so-called Larida proposal (the termination identifies the name of Pêrsio Arida) which materialized in the URV phase of the Real Plan, is always associated with the name of André Lara Resende (EPGE, 1974). His *From chronic inflation to hyperinflation* presents a classification of the phenomenon of generalized price increases as moderate inflation, chronic inflation and hyperinflation. The corresponding therapies are presented, based on this classification.

Finally, we now must express our sincere thanks to our collaborators and our hope that our readers will find the material edifying. To the Getulio Vargas Foundation, and especially to the memory of its founder, Luiz Simões Lopes, our congratulations on the first 50 years of this institution.