

*Order Against Progress: Government, Foreign Investment, and Railroads in Brazil, 1854–1913.* By William R. Summerhill. Stanford, Calif.: Stanford University Press, 2003. xv + 297 pp. Index, notes, bibliography, appendix, figures, maps, tables. Cloth, \$60.00. ISBN: 0-804-73224-8.

Reviewed by Seth Garfield

The impact of railroad development on Brazilian economic growth has been a matter of historical controversy. Unlike the industrial economies of the North Atlantic, Brazil did not produce its own railroad components domestically, relying instead on foreign imports and failing to build up an adequate internal supply chain. In the 1960s and 1970s, dependency theorists argued that the railroad sector served to “underdevelop” Latin American nations by rewarding foreign investors, increasing reliance on overseas financing and markets, and privileging export goods over the domestic market. William Summerhill’s exhaustively researched monograph challenges these assumptions in the case of the Brazilian railroad sector. Summerhill effectively shows that the railroad was critical in fueling the growth of the domestic market and that the Brazilian state played an active role in regulating railroads and foreign investment. Summerhill’s study, exemplifying the “new economic history” that relies on theory-derived economic models, counterfactuals, quantitative data, and statistical analysis, exhibits both the strengths and limitations of this historical subdiscipline.

In the six decades examined in *Order Against Progress*, some 24,000 kilometers of railroad were constructed in Brazil. Although modest by American standards, the expansion of the railroad sector, Summerhill contends, was critical in lowering overland transport costs, reducing the prices paid by consumers, improving labor mobility, boosting output and income, and setting the nation on course for spectacular economic growth during the twentieth century. The changes were all the more remarkable given the dismal state of overland transport (along with the nation’s generally laggard economic performance) during the nineteenth century. Prior to the second half of the nineteenth century, poor roads, a challenging topography, the absence of fully navigable rivers outside the Amazon Basin, and reliance on mule trains and slaves (prior to abolition in

1888) had grossly elevated the risk and cost of transport in Brazil, leaving product markets fragmented. The tremendous amount of capital required to develop railroads, however, far exceeded the capacity of Brazil's capital-poor economy, which lacked a system of free banking and joint-stock companies until the latter part of the nineteenth century. Foreign investors, moreover, faced with uncertainty over demand, the absence of secure institutional arrangements, and political instability, had been leery of sinking capital into Brazilian railroads. To be sure, Brazilian long-distance trade, even during the period of study, was dominated by ocean vessels that plied the nation's enormous coastline, providing a relatively inexpensive and secure means of transport. But coastal shipment could not provide access to Brazil's fertile interior regions, and the railroad would come to complement the well-established seaborne trade.

The Brazilian state played a key role in the development of the railroad sector, which was marked alternatively by foreign private, domestic private, and state ownership. The state pursued several policies: concessions to construct a line over an approved route; investment incentives in the form of guaranteed minimum dividends to railroad-company shareholders in order to attract foreign and domestic capital (unlike in the United States, virtually none of the aid to railroads came in the form of land grants); direct government ownership and operation of railroads; and close regulation of the rates charged by railroads for passenger and freight transport. From the 1890s onward, after Brazil's constitutional monarchy was replaced by the republican government, the state bought up many British-owned lines, expanding its role as railroad owner and operator, although most of the lines were soon rented out to private companies. As Summerhill pithily notes, railroads were not only Brazil's first big business; they were also its first big market intervention.

Summerhill's analysis of the impact of foreign investment and state intervention on the Brazilian railroad sector, and, by extension, on broader national economic development, offers a staggering rebuttal to the claims of dependency theorists. He concludes that the savings that railroads offered on freight transport, and the resources released to other economic sectors, accounted for a large share of the Brazilian national income. Passenger benefits were decidedly more limited, because low labor wages and shorter average trips made walking a viable, inexpensive substitute for poorer Brazilians.

Although few of the railroad components, such as rails, rolling stock, locomotives, or coal, were produced domestically (due to the absence of an independently developing manufacturing sector in the early years of railroad construction), Brazil's comparative advantage in export agriculture spawned a substantial number of related industries. And while railroads clearly benefited the export sector, he argues that they fostered the disproportionate growth of the internal sector, increasing agricultural production use and expanding manufactures for domestic consumption by reducing transport costs and creating scale economies. Finally, he challenges the image of foreign-owned railroads earning windfall profits; rather, he shows that the profitability of railroad companies in Brazil, subject to government regulation, varied considerably. Privately owned Brazilian lines, in fact, enjoyed higher private returns due to costlier freight rates. In sum, the bulk of the rent generated by railroads remained in Brazil.

Summerhill's book will be a critical reference for students of Brazilian economic history. He has amassed a wealth of quantitative data on railroads in Brazil, which he has enhanced with comparative analyses of the sector in other countries. Yet the study is ultimately marred by a positivistic pretense that hallows quantifiable, macroeconomic statistical data and dismisses the political, cultural, and social foundations of historical experience and analysis as "impressionistic," lacking "sufficient analytical depth," and "intractable" (pp. 6, 190). By ignoring the political debates (at the national or regional level) surrounding the construction of railroads, their role in reshaping labor rhythms and social mores and redefining notions of time and space, and their cultural symbolism as icons of modernity, Summerhill deprives the reader of the broader historical context surrounding the arrival of the railroad—including additional keys to its economic performance.

To be sure, Summerhill applies these terms of scholarly research under the cliometric guise of pursuing explicit, falsifiable models; yet the fundamentally interpretive nature of historical inquiry dogs his work as well. For example, he contends that "freight and passenger movement by rail contributed powerfully to the formation of a national market" (p. 188); yet such a conclusion appears to be "impressionistic," since railroads were disproportionately concentrated in Brazil's southern and southeastern regions, excluding the overwhelming majority of the nation's vast hinterland. Skirting

the question of railroads' contribution to rising land values, he alleges a lack of "systematic evidence," noting that "fragmentary data show that land values rose" in regions served by railroad (p. 195); there appears to have been no concerted effort to consult notarial documentation for more "systematic" information on land property values in regions served by rail.

The railroad is unilaterally credited with contributing to the concentration of slavery in the nation's southeast region in the mid-1800s, omitting any discussion of the coffee boom in the area; in a similarly reductionist fashion, the historical model of state intervention in the railroad sector is held potentially responsible for subsequent economic distortions of import-substitution industrialization. In sum, interrogation of a wide array of historical issues and sources does not risk getting "important strands of the story wrong" (p. 6); rather, it enhances our appreciation for the richness of the past.

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