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ABSTRACT

The objective of the article was to examine some of the main changes that occurred in the Brazilian economy and that influenced its economic development. Similarly, we examined what also happened to the economy and, consequently, to the economic development of the São Paulo municipality of Franca. Brazilian economic development can be understood as a process whose trajectory describes a movement of progress, which is marked by the rupture of the agro-export model and modernization of the economy through industrialization, starting in the 1930s; and a movement of backwardness, started in the 90s, which is marked by the reduction of the participation of industry in GDP and the return of agricultural commodities and minerals as the main products in the Brazilian export agenda. The footwear industry in Franca was influenced by both movements, which resulted in the loss of participation of industry in the composition of Total Added Value in the municipality's economy, as well as in the percentage of participation in formal active links between the major sectors of the economy. The methodological procedures adopted were based on a bibliographic research supplemented by the use of economic indicators and by the regional analysis method based on "The Restructuring Coefficient". The result of the research showed us that; between 1985 and 2020, there was a significant change in the structure of Franca's economy.

Keywords: Deindustrialization. Economic Development. Industry.

INTRODUCTION

We believe that Brazilian economic development can be understood, among other interpretations, as a process whose trajectory describes a movement of progress and another of backwardness. The first movement refers to the rupture with the secular agro-export model and the beginning of the modernization of the economy through import substituted industrialization, or an inward-oriented development model, which extended from 1930 until around the 1980s. Important changes occurred in the Brazilian economy and society, since industrialization promoted changes in the sectoral composition of the GDP, especially because industry became the dynamic center of the economy, changed the social structure due to a wider and more sophisticated technical division of labor, modified the composition of exports and imports, as well as the sectoral composition of employment, contributed to accelerate urbanization and, moreover, progressively modified the very structure of the manufacturing industry. However, from the 1990s onwards, the manufacturing industry retreated in the world ranking losing participation in the Value Added of manufacturing, abruptly reduced its participation in GDP, became less competitive, especially for being little innovative, exports of basic products (agricultural and mineral commodities) returned to surpass those of manufactured products, which indicates that it is a movement of backwardness.

In addition, the period of progress counted on the more effective presence of the State, notably public investments, whereas in the subsequent period, of backwardness, the presence of the State was diminished due to its level of indebtedness and the neoliberal prescription. In view of the second movement, the objective of the article was to verify what happened to the economy and to the footwear industry of the São Paulo municipality of Franca from the 1990s onwards.

Regarding the methodological procedures adopted, this article was elaborated through a bibliographic research, whose sources of consultation were books and academic articles complemented by using a varied set of economic indicators.

The article, including the introduction, consists of six sections. The first one we devoted to expose the methodological procedures adopted. The second section had a brief incursion into Brazilian economic thinking process that relates to Brazilian economic development based on industrialization of the country. Next, we examined through the contributions of some authors, together with the use of economic indicators, the backwardness of economic development in Brazil. The fourth section was dedicated to

examining what actually happened to the economy and to the footwear industry in Franca. Finally, the fifth and last section was reserved for final considerations.

METHODOLOGICAL PROCEDURES

The initial approach emphasized the relevance of Brazilian economic thought based on the contributions of some authors: Brum (1995); Furtado (1964); Curado (2013); Baer (1988) and Romão (1988). Without worrying about the chronology of these contributions, we only highlighted them because of their convergent content to the modernization of the economy through industrialization as a strategy for the country's economic development.

After this brief incursion that sought to portray the process of economic development of the country through its industrialization (advance movement), we proceeded to examine the trajectory of the economy, notably of the manufacturing industry and Brazilian exports, in a context characterized by intense changes in the world economy, resulting from globalization, the new technological paradigm and the importance of innovation. In view of this, with trade liberalization, given the scenario of obsolescence and competitive deficiencies, the country's manufacturing industry started a trajectory of reducing its participation in GDP, showed little predisposition to innovation, as well as the country's exports signaled to the reprimarization of the economy (backward movement), for which reason, we resorted to the contributions of Coutinho and Ferraz (1994); Curado (2013); Alencar [etal] (2018); Batisti (2018) and Santos (2011).

To better illustrate both movements, we used several economic indicators obtained from national and international secondary sources of statistics. Next, with the purpose of verifying what happened to the economy of the municipality of Franca, especially with its main industrial subsector, the footwear industry - as a result of the two movements that occurred with the economy and with the Brazilian manufacturing industry -, we relied on the contributions of Pereira Jr. (2015); Bonelli; Pessoa (2010); Ribeiro; Pourchet (2000); Mendes [etal] (2021); as well as we resorted to municipal economic indicators pertinent to the composition of GDP, exports, number of companies and active formal links. To finalize, we calculated, according to Haddad's proposal (1989), the Restructuring Coefficient to verify if, in a given time interval, there was any modification in the sectoral composition of the economy of the São Paulo municipality of Franca.

> The restructuring coefficient relates the employment structure in region j between two periods, in order to evaluate the degree of change in this region's specialization. When the coefficient is equal to 0, there will have been no changes in the sectoral composition of the region. If, on the other hand, the coefficient is equal to 1, there will have been a profound restructuring in the sectoral composition of the region (HADDAD, 1989, p. 241).

The aforementioned coefficient is calculated by adding up the difference between the percentage participation in total employment of sector i in region j in the initial year (t1) minus the final year (t0). In this study's case, the Restructuring Coefficient does not refer to a region, but rather to a municipality, besides that, the employment variable corresponds to the total number of formal active links in each major sector of economic activity of the municipality, so that it was calculated according to equation:

$$CT = \sum_{i} \frac{(l_{ij}^{t1} - l_{ij}^{t0})}{2}$$

THE CONTRIBUTION OF BRAZILIAN ECONOMIC THOUGHT DURING THE PHASE OF ADVANCED ECONOMIC DEVELOPMENT

For more than four centuries, that is, from 1500 until around 1930, Brazilian economy remained in international division of labor (DIT), as a producer and exporter country of primary products, whose development model (outward) was based on exports of primary products among which we highlight cotton, cocoa, rubber, sugar and coffee.

> Economic activities, since the beginning of colonization, are directed towards export. This preponderance of the external sector is explained, basically, by the colonial situation and by the philosophy of mercantilism that accompanies it. An internal market is not created, keeping the vast majority of the population, consisting of Indians, blacks, mestizos and poor whites, submissive, in precarious conditions of subsistence and marginalized from the economic process. On the other hand, the class of the lords and later also the incipient urban bourgeoisie, the only ones with higher incomes and consumption standards, consume imported products (BRUM, 1995, p.55).

Brazilian development over more than four centuries was dependent on external demand, its export agenda was limited to a few primary products, besides that, one of its main characteristics was marked by regional inequalities and by discontinuity resulting from the peak and decline of economic cycles.

> The development of an area was done while others, whose natural resources had been exhausted or whose export products had lost their markets, remained stagnant or in decline. As the development of an area had little or no interference on the others, the regions that went into decline, in distant times, survived secularly relying on forms of subsistence economy, without any own impulse of growth. Thus, the discontinuity in Brazilian development and the great disparities in income levels between regions are explained (FURTADO, 1964, p.101).

It should be noted that Brazil's maintenance in the international division of labor as a producer and exporter of primary products was marked in the empire period by consensus led by great defenders of economic liberalism such as Viscount of Cairu and Tavares Bastos who defended liberal thought based on the Theory of Comparative Advantage formulated by David Ricardo (CURADO, 2011).

> They argued that Brazil should specialize in agricultural activities and mineral exportation, given existing comparative advantages, particularly abundance and quality of arable land (CURADO, 2013, p.611).

Most likely, defenders of agricultural vocation of the Brazilian economy, consequently, maintenance of the agro-export model did not count on the possibility of an economic crisis that could trigger harmful effects worldwide until in 1929 New York City (USA) would become the epicenter of a stock crah triggering in turn a worldwide economic crisis.

> From 1930 onwards begins the phase of disintegration of coffee economy. The concomitance of the crisis in the world markets which begins in 1929 [...] caused collapse of coffee economy which would remain in total depression for three successive five-year periods. The political movement of 1930 allowed to renew leaderships, removing groups more directly linked to export economy [...]. It is in this period of political realism that industrial capitalism takes hold and consolidates. [...]. In reality industrial capitalism began to take its first significant steps when colonial economy had entered into frank decomposition [...] (FURTADO, 1964 p.115).

In the 1940s, an intense debate was carried out by Eugênio Gudin and Roberto Simonsen, whose ideas denoted conflicting positions between them, since, while the former defended neoliberal theses, the latter was a staunch defender of the industrialist-nationalist thought (CURADO, 2013). Between the end of the 1940s and the beginning of the 1950s, two documents, the text produced by Prebisch (1949) and the document elaborated by ECLAC (1951), would exert significant influence on Brazilian economic thinking (CURADO, 2013

Prebisch (1949) would criticize the liberal Ricardian thesis of comparative advantages, by stating that the situation of stagnation and underdevelopment in Latin America resulted from the tendency he observed of deterioration of the terms of trade. It happens that, the prices of primary products exported by Latin American countries were subject to more intense fluctuations - when they increased and when they decreased - than the prices of industrialized products produced and exported by developed countries. In addition, the deterioration of the terms of trade could not only cause deleterious effects on the balance of payments, but also harm the import capacity of underdeveloped countries in Latin America.

> The overcoming of underdevelopment would therefore occur from the process of industrialization and the redefinition of trade relations between center and periphery. Promoting industrialization, in the view of "old ECLAC", was synonymous with promoting development. Productive structure and development, therefore ,walked side by side (CURADO, 2013, p.620).

Thus, by breaking with the development model "outward" (agro-exporter), the Brazilian government would inaugurate a new stage of development "inward", whose dynamic center would be commanded by industry through ISI - Import Substitution Industrialization (ISI), even because, at the end of the 1940s, it was already possible to verify important structural changes in the country's economy.

> Essentially, the Brazilian government followed industrialization policies in the late 40s and throughout the 50s increasing the rate of industrialization [...]. This implied maximizing linkages in the Brazilian economy, that is, developing not only consumer goods industries, but also a vast collection of intermediate and capital goods industries (BAER, 1988, p.300).

The total population of the country, from 41.2 million in 1940, increased to 70.9 million inhabitants in 1960. The rural exodus combined with the process of industrialization resulted in the continuous movement of decreasing rural population and, on the opposite side, of a continuous increase in urban population. Thus, the proportion of Brazilian population living in rural areas decreased from 68.7% (1940) to 55.3% (1960) and 32.4% (1980), while urban population accounted for 31.2%, 44.6% and 67.5%, respectively.[1] As for sectoral composition of product - GDP at factor cost according to main branches of economic activity - in percentage, agriculture reduced its participation from 25.1% (1950) to 12.3% (1970), the industry that accounted for 25% (1950) of the total product of the country's economy, went on to represent 38.3% (1970), while the service sector went from 53.3% to 56.2% respectively.[2]

1 IBGE – Statistics of the Century XX.
2 IBGE – Statistics of the Century XX, Consolidated National Accounts.

As a percentage of total supply, imports of capital goods reduced from 59% in 1949 to 13.7% in 1966, imports of intermediate goods fell from 25.9% to 6.8% and consumer goods decreased from 10 to 1 ,6% (BAER, 1988) as well as changes were observed in the country's own industrial structure.

Table 1 | Changes in the Industrial Structure of Brazil - 1939 and 1969

Subsectors of the Industry	1939	1969
Non-metallic minerals	5,2	5,8
Metallurgy	7,6	11,5
Mechanics	3,8	5,9
Electrical and communication material	1,2	6,3
Transport materials	0,6	8,6
Wood	5,3	4,2
Paper and cardboard	1,5	2,6
Rubber	0,7	2,1
Leather and fur	1,7	0,6
Chemical, pharmaceutical, plastic products	9,8	17,8
Textiles	22,2	10,1
Clothing and footwear	4,9	2,8
Food products	24,2	13,0
Beverages	4,4	2,6
Tobacco	2,3	1,5
Publishing and printing	3,6	2,8
Miscellaneous	1,0	1,8
Total	**100**	**100**

Source: BAER (1988), adapted by the authors

Between the years of 1939 and 1969, important changes in the Brazilian industrial structure are observed, given that the traditional industries such as leather and fur, textiles, clothing and footwear, food products, beverages, wood and tobacco that in the year of 1939 held a participation of 65% in industrial production, already in 1969 accounted for 34.8%. On the opposite side, the industrial genres of the dynamic group such as metallurgy, mechanics, electrical and communication material, transport material and chemical, pharmaceutical and plastic products, increased their participation in industrial production from 23% in 1939 to 50,1% in 1969. It should be noted that the Brazilian development style and, therefore, its industrialization, was largely influenced by the composition of consumption, which, in turn, reflected the poor distribution of income in the country.

> The basket of consumer goods corresponding to the low-income contingent is basically composed of non-durable consumer goods, of a more essential nature. This basket is little diversified and produced mostly by traditional industries, usually where the predominance of national capital stands out, inserted, although not exclusively, in primitive and intermediate technological strata […]. Different from the basket of goods of the poor majority of the population, the basket of goods associated with the rich segment is quite diversified, requiring, therefore, complex processes of industrialization to be produced in the country, which can only be carried out by technologically advanced production units of the modern sector, usually controlled by foreign capital (ROMÃO, 1988, p.125).

In view of this statement, it is understood "[…] that there is a clear association between income distribution and aggregate demand composition that, in turn, determines the conformation of productive capacity" (ROMÃO, 1988, p .129). Although industrialization has caused important changes in the sectoral composition of GDP, in the occupational structure of the workforce, in the social structure, in the composition of exports etc., it also triggered negative impacts, especially with regard to environment , technology and regional balance.

According to Baer (1988), the impacts of industrialization on the environment until around 1975 were ignored by those responsible for formulating economic policy in the country, besides that in relation to technology, the weak dynamism of the country would be largely related to fact that:

> Until the decade of 70 relatively little original technology was created in Brazil. This can be explained by the lack of research tradition in the country's educational system until thes 60s. Therefore, the growth of industrial capacity in the country increased substantially the outflow of foreign exchange for the payment of technology (BAER, 1988, p. 313).

It should be added that modernization of the Brazilian economy based on its industrialization , instead of mitigating, further accentuated inequalities inter- and intraregional in the country, even because, between the years 1939 and 1970, industrialization and, therefore, economic development in the country, was characterized by its concentrator character and regionally unequal.

> At the height of the "economic miracle" the limits of the industrialization process for development were already evident, especially if we take into account that the expansion of industry occurred concomitantly with the deepening of regional inequalities and the increase in the degree of functional concentration of income (CURADO, 2013, p.624-625).

We must, however, take into account the territorial extent of the country, whose dimensions are continental, besides that, its economic development besides having been late was marked by discontinuity, especially due to the influence exerted by the duration of each of the economic cycles.

Table 2 | Brazil, Large Regions according to GDP distribution (in%): 1939, 1960 and 1970

	Participation in GDP (in%)		
Big regions	**1939**	**1960**	**1970**
Nordeast	13,7	12,0	9,0
Norte	2,2	1,9	1,9
Southeast	67,9	67,4	68,4
South	14,0	16,1	14,9
Midwest	2,2	2,6	5,8

SOURCE: IPEADATA, Elaboration by the authors

The high participation of the Southeast region in the GDP is due to the expressive concentration of industrial activity in São Paulo and Rio de Janeiro, considering that both states accounted for 75.2% of VTI (Value of Industrial Transformation) of the manufacturing industry in 1966. In the same year, including the states of Minas Gerais and Rio Grande do Sul, only these four states of the federation produced the equivalent of 90.5% of VTI.

THE BACKWARDNESS OF BRAZILIAN ECONOMIC DEVELOPMENT

The 1980s inaugurated a critical period for the economy and, consequently, for the development of the country, since import substitution industrialization (ISI) had reached its limit, while the crisis generated by external indebtedness triggered several deleterious effects on the economy. The vigorous economic growth of the 1970s of approximately 8.7% p.a., suffered an abrupt drop, considering that the average annual growth rate of GDP in the 1980s was 3.1%. The average growth rate of industry plummeted from 11.3% (1970-1976) to only 3.2% (1980-1986).[3]

The immoderate expansion of the general price index, that is, inflation, not only contributed to the contraction of the level of economic activity, but also and mainly directly affected the class of wage earners, since their purchasing power was eroded by inflation, negatively impacting their consumption. The high external indebtedness of the country forced the Brazilian government to adopt a series of measures to stimulate export and inhibit import, aiming in this way to generate a trade surplus for which industrial protection measures were also adopted.

3 BAER (1988)

> During the second period of growth, from the end of the 60s to the beginning of the 80s, the most pronounced change in the country's industrial structure was the relative growth of the mechanics and chemistry sector, decline of the textiles and food products/beverages sector, and relative stability of the electrical material sector, while the material transport sector declined slightly (BAER, 1988, p .515).

The excessive protectionism granted by the government to the industrial sector, the macroeconomic instability translated, mainly, by low economic growth, high inflation, weak dynamism of the domestic consumption market, low stimulus to investments etc., would end up harming the technological updating and, consequently, the competitiveness of several segments of the industry. The Study of Competitiveness of Brazilian Industry (ECIB) coordinated by Luciano Coutinho and João Carlos Ferraz, published in 1994, covered 34 sectors of industrial activity and were classified into three sectors, namely: sectors with competitive capacity, sectors with competitive deficiencies and sector diffusers of technical progress, among which, we highlight those with competitive deficiencies: slaughter, dairy products, fertilizers, automotive, auto parts, consumer electronics goods, textiles, clothing, leather shoes, cement, ceramic tiles, plastics for civil construction, graphic and wooden furniture.

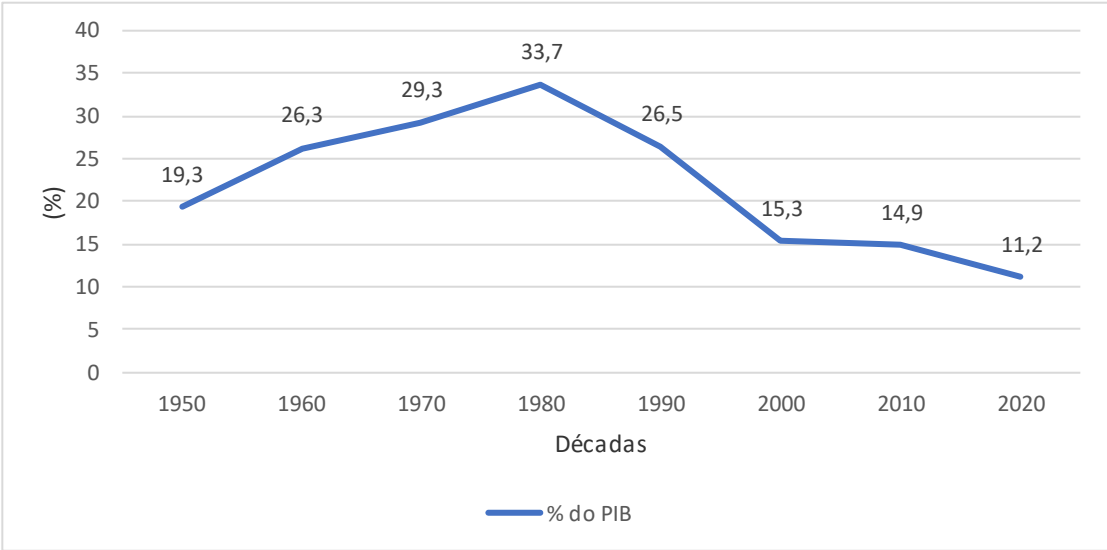
> Competitive deficiency is the situation that predominates in Brazilian industry. Most of the sectors are focused only on the domestic market that, if by its dimensions represents the main competitive advantage of the country, by reducing purchasing power, increasing inequality in income distribution and alienation from the market of significant portions of the population has not represented a stimulus to industry competitiveness (COUTINHO, FERRAZ, 1994, p.258).

Even so, after a decade of economic stagnation and with an industrial park with competitive deficiencies, the FHC-1 government deepens the process of trade opening initiated by its predecessor in the early 1990s. In FHC's first term, Brazilian industry would face a very difficult economic situation, since, not enough removal protectionism formerly granted by government to the industry, transition from an era of chronic inflation to na era of lasting stability, added abrupt reduction import tariffs, appreciated exchange, high interest rates and high tax burden.

In view of this, in addition to other sectors, industry, especially the transformation, to face a new and competitive situation - given a degree of exposure to external competition - would go through an intense process of productive restructuring, which translated into the adoption of new management tools such as reengineering, downsizing, just-in-time, mergers and acquisitions, outsourcing and even industrial relocation. From then on, the transformation industry, for various

reasons - for which we allow ourselves a more detailed analysis - such as exchange tripod - interest - taxes , infrastructure with deficiencies, the so-called Brazil cost, low qualification and productivity work factor, problems in transport logistics, among others, started to face a process for which several authors claim to be premature deindustrialization, considering that effects resulting from this same process can, among others, be visualized through the participation of the transformation industry in the GDP.

Graph 1 | Brazil, Manufacturing Industry as a percentage (%) of GDP.



Source: IPEADATA, Elaboration by the authors.

Another important issue relates to the fact that with globalization and the Third Industrial Revolution a new technological paradigm emerged, attributing relevant importance to dynamic sectors in the industry. Between the 1970s and 1980s, the successful experiences of countries such as Japan and the Asian Tigers, such as South Korea, corroborated the evidence

> [...] that investments in development and technological learning in dynamic industrial sectors of the microelectronic-based technological paradigm constitute central elements for the resumption of long-term economic growth (CURADO, 2013, p.628).

It should be noted that one of the factors that differentiates the Brazilian economy from other economies, such as China, India and South Korea, relates to the percentage of aggregate demand destined for investment (Gross Fixed Capital Formation / GFCF). While China allocated 42.9% to investment, the Republic of Korea 31.1%, India 27.1%, Brazil only 16.4%.[4]

4 Refers to the year 2020 accordingly UNSD – United Nations Statistics Division (National Accounts).

As if that were not enough, it is opportune to observe that, in relation to manufacturing, China's participation in the world's Added Value between the years 2005 and 2020 increased from 13.7% to 31.7%, the Republic of Korea from 2.89% to 3.28%, India from 1.74% to 2.99%, while Brazil's participation reduced from 2.19% to 1.31%. But, it is worth noting that other countries such as the USA, Japan, Germany, Italy, United Kingdom and France also registered a drop in participation in the world's VA of the manufacturing sector, mainly, more accentuated was that of the USA.[5]

Although the country continues to exhibit significant regional imbalances, the movement of industrial deconcentration initiated around 1970, which among other motivations highlights the fiscal war waged between federal units, ended up harming some states and benefiting others. The state of São Paulo had its participation in VTI reduced from 58.1% in 1966 to 36% in 2019, Rio de Janeiro from 17.1% went on to account for 8.4%, Minas Gerais increased from 5.6% to 10 ,4%, the state of Pará from 0.33% to 4.1%, Bahia from 1.94% to 4%, Paraná from 3.15% to 7.06% and the state of Santa Catarina from 2 ,1% to 5.3%.[6]

However, despite this movement of deconcentration of industrial production, regional inequality still persists, so much that the Southeast and South regions accounted for 73.6% of the national GDP in 2002 and for 70.2% in 2019.[7]

As if the competitive deficiencies and the progressive loss of participation of the transformation industry in the GDP were not enough, among other problems, the reprimarization of the Brazilian economy, instead of disturbing, on the contrary, makes us believe to enchant the federal government, because for the social scientist and technical director of DIEESE Augusto Junior:

> "The government's vision for the future is that of a country that produces food, minerals and energy," says Augusto, which is why everything related to industrial policies, including cuts in investments in science and technology, has been abandoned. "We have heard ministers say that Brazil will be the great farm of the world, as it will also be the great mine. Don't expect any electric car industry coming here," he laments (IEDI, 2021).

In fact, the arguments of the aforementioned author are corroborated by the official statistics of the federal government, which clearly show us the reversal that occurred with the country's export agenda due to the movement of increasing international prices of commodities, mainly from the group of minerals.

5 Accordingly to the statistics estatísticas da UNIDO.
6 IBGE/Annual industrial survey (PIA).
7 **Regional account System - IBGE**

> Between 1998–2002 and 2008–2012, commodity prices increased substantially, but fell in 2013–2017, although they remained significantly higher than the prices registered in 1998–2002 or even in 2003–2007. But price increases varied by commodity group: the prices of energy and minerals increased much more than those of agricultural and manufactured goods. (UNCTAD, 2019, p.7)[8]

The foreign trade numbers portray one of the faces of the setback of the economy and, consequently, of the country's own economic development, especially because during forty years (1930-1970), remarkable effort of governments together with national and foreign businessmen resulted from consolidation of industrial capitalism and modernization of the Brazilian economy. However, from 2003 onwards, with the movement of expansion of demand and increase in prices of agricultural and mineral commodities, Brazilian economy begins a trajectory of setback with reprimarization of its exports.

Table 3 | Participation in total Brazilian exports by aggregated factor (in%): various years

Year	Basic Products	Manufactured Products	Semi-Manufactured Products
1975	59,4	30,5	10,1
1980	42,7	45,4	11,9
1985	33,7	55,4	10,9
1990	28,3	55,1	16,6
1995	24,0	55,9	20,1
2000	23,4	60,7	15,9
2005	29,9	56,4	13,7
2010	45,8	39,8	14,4
2015	47,8	37,6	14,6
2020	57,3	28,7	14,0

Source: IPEADATA, Elaboration by the authors.

The participation in the total of Brazilian export of agricultural products increases from 11% in 1997 to 20% in 2021, extractive industries from 6% to 28%, while products from transformation industries fall from 81% to 51%.[9]

8 Between 1998-2002 and 2008-2012, commodity prices increased substantially, but fell in 2013-2017, although they remained significantly above prices recorded in 1998-2002 or even 2003-2007. But price increases varied by commodity group: prices for energy and minerals increased much more than those for agricultural and manufactured goods.(UNCTAD, 2019, p.7)

9 According to the statistics of MDIC

In addition, it is somewhat contradictory, especially coming from the federal government's statement that Brazil "will be the farm of the world", when a significant percentage of the population is in a situation of some type of food insecurity, another perverse face of a setback development country. Another important issue related to economic development concerns structural changes necessary and capable of modifying productive structure as well as an industrial structure.

> [...] according to cepaline structuralism of the 1950s, the process of economic development is directly related to changes in production structure . Thus, economic growth would generate permanent transformation in the productive structure and the country gradually stops producing low value-added goods to produce increasingly sophisticated goods (ALENCAR et al , 2018 , p .253).

Well, we believe that in Brazil such transformation has not yet occurred fully, because, comparing the country with countries like China and the Republic Korea, we find significant differences.

Table 4 | Selected countries and participation of IT in total VA of manufacturing and total employment by technological intensity – 2019

País	% VA Total of manufacturers				% Total of employees Manuf.			
	A	MA	MB	B	A	MA	MB	B
BR	1,9	31,8	29,5	36,8	1,8	24,8	19,7	53,7
CH	10,3	31,1	30,0	28,6	13,9	34,6	21,9	29,6
RC	26,8	34,0	25,6	13,6	15,1	40,5	25,1	19,3

BR (Brasil); CH (China) e RC (República da Coréias).
A (High intensity); MA (High average); MB (Low average) e B (Low intensity).

Source: UNIDO, Elaboration by the authors.

In Brazil, it was verified that, in 2019, more than 66% of the total VA of industrial manufacturing was concentrated in industries of medium-low and low technological intensity, which accounted for 73.4% of the total employment of that same branch. Differently, China and South Korea had higher percentages in VA and employment in sectors/industries of medium high and high technological intensity. Due to this and other factors more than 49 % of jobs in Brazilian industries receive low wages, especially when compared to those in South Korea.

Table 5 | Brazil, China and South Korea according to average total salary per employee (in US$ at current prices) - 2005 to 2019.

País	Average Total Salary (US$)	
	2005	2019
Brasil	6.599	10.990
China	1.915	9.766
Republic of Korea	25.104	39.512

Source: UNIDO, Elaboration by the authors

It is worth adding that one of the factors that drive economic development is directly associated with the change in the structure of the economy, resulting from innovation, especially because in post-modernity, one of the most expressive sectors/activities was tertiary, notably services related to knowledge production

> [...] the change in the existing economic structure can be considered the "start" of any economic development process. According to Dosi, Pavitt and Soete (1990), it supports development by diversifying economy and increasing participation in the productive structure, of the sectors with higher intensity in knowledge and higher growth rate demand (BATISTI, 2018, p .62).

In the case of Brazil, it must be taken into account that economic development based on innovation was somewhat distant from other economies, considering

> [...] that there is a blatant mismatch between the concept of economic development (from Schumpeter) and reality facts of the Brazilian economy . [...] although the productive structure in Brazil has a transformed sense of raising labor productivity, this transformation was not the result of an endogenous technological innovation process, nor even a provided system of technological innovation . On the contrary, the industrialization in the country created and maintained a gap between R&D activities and companies (SANTOS , 2011 , p .90).

In addition, in the viewpoint of the same author, modifications that occurred in the productive structure of the country did not provide better living conditions for the population, because the GDP growth contributed to the concentration of even greater income from work among the 10% of the richest (SANTOS , 2011). In summary , after four hundred thirty years of colonization and economic development based on the agro-export model, Brazil, by initiative of the federal government, started the modernization of its economy through a process of import substitution industrialization.

Between the 1930s and 1970s, the industry developed by substantially changing its own structure, as well as promoting several changes in the economic and social structure of the country. However, from the 1990s onwards, for various reasons, the manufacturing industry started a continuous trajectory of reducing its participation in GDP, exports of industrialized products decreased again, while those of basic products (agricultural and mineral) increased, denoting a clear movement of deindustrialization and reprimarization of the Brazilian economy, which is why we believe that the country's economic development is characterized by a movement of progress and setback.

THE ECONOMIC DEVELOPMENT OF THE MUNICIPALITY OF FRANCA IN THE PHASE OF SETBACK OF BRAZILIAN DEVELOPMENT

After examining some of the main changes that occurred - in the economy and in the manufacturing industry - and that impacted the economic development of Brazil, we then sought to verify if they exerted any influence on the economy, on the industry and, consequently, on the economic development of the São Paulo municipality of Franca, an important production center for men's leather shoes in the country. However, before that, we considered it necessary to make some pertinent observations regarding the footwear manufacturing subsector, considering that Brazil is one of the main and largest footwear producers in the world and occupies the fifth position, behind only China, India , Vietnam and Indonesia, which are the largest world producers.[10]

Between 2018 and 2020, the average annual footwear production in Brazil was around 855 million pairs, while Chinese production reached 10.9 billion pairs.[11] In the last eight years, the average annual footwear production in Brazil was approximately 943 million pairs.[12] Regarding export, between 2013 and 2018 Brazil exported an average of 124 million pairs per year, while China, the main world footwear exporter, reached an annual average of 8.4 billion pairs.[13]

In addition, while China accounted for more than 65% of world footwear exports, Brazil's participation did not exceed 1%, besides that, not enough reduced participation of the country in the total world exports , footwear production practically stabilized due to low consumption per capita,

10 ABICALÇADOS – Footwear industry sector report
11 Ibdi
12 Ibdi
13 Ibdi

so much that, between the years 2014 to 2018, it was around 4.06 pairs/inhabitants per year.[14]

The main footwear production centers in Brazil are located in the states of Ceará, Rio Grande do Sul, Paraíba, Minas Gerais, Bahia, São Paulo and Pernambuco. In São Paulo state, the main centers are Franca, Birigui and Jaú (ABICALÇADOS). Another important information also relates to the fact that, according to the Annual Industrial Survey - PIA Company / IBGE, the participation of the footwear manufacturing subsector in total Value Industrial Transformation (VTI), decreased from 1.83 % in 1996 to 1.04 % in 2019.

After this brief overview of the footwear manufacturing subsector in Brazil, we sought to weave a brief history of it in the São Paulo municipality of Franca, to then examine changes that occurred in its economy. From a commercial hub based on salt trade, to coffee cultivation and agriculture, from the production of food, beverages, tobacco and cigarettes, to the production of leather and skins and handmade leather products, the small county of Alta Mogiana became a city and in it emerged a small industry that throughout its existence, would become one of the largest production centers for men's shoes in the country.

As Franca's economy developed, it exerted a certain attractiveness over other locations, whose most representative indicator, besides trade, was the intense migratory flow that occurred. With the installation of the footwear industry, the city of Franca continued to receive increasing large contingents of migrants mainly from the state of Minas Gerais, as the footwear industry being artisanal, absorbed a lot of labor.

In the 70s, a period marked by high growth rates of the Brazilian economy, the local footwear industry reached its peak with the installation of new factories, increased production capacity and employed more workers. The factories that were installed followed as a rule the standard of the industry that was characterized by the predominance of large and medium-sized companies. In the 80s, despite the inflationary situation that was installed in the country, the footwear industry of Franca experienced, at least in 1986, some spasm of growth in terms of production, to then suffer an increase in idle capacity and some stagnation. It should be noted that at this time competition was lower and the possibility of correcting prices allowed some accommodation of the situation and little

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or almost no concern with gains and reduction of production costs.

In addition, the emergence of the footwear industry in Franca was based on its own specialization developed due to its economic formation that ended up becoming vocation, because the development of this was based more on obtaining comparative advantages - availability of raw material and abundant labor - and the passive insertion markets than, the strengthening and development of competitive advantages and active insertion markets. Internally, the maintenance of structural deficiencies such as concentration and poor distribution income, regional imbalances, technological lag seen from the perspective of obsolescent machines and equipment, among others, restricted somewhat the possibilities of the growth and development industry screen facing inward , ie , domestic market. Externally, the maintenance of structural deficiency, translated in the Destination of a production single market, resulted in the dependence and fragility of the industry, limiting and restricting, lack of more consistent and competitive strategy, possibilities of growth and development facing outward, ie, foreign market (BRAGA, 2000).

As we have already verified, there is a close relationship between changes in the productive structure and the economic development, and such changes would result in the production of more sophisticated goods, with higher technological content and higher added value, instead of producing low value-added goods (ALENCAR [et al], 2018). In addition, the branches of the manufacturing industry that produce more complex goods incorporate more knowledge and technology, elaborate products with higher added value, employ more qualified personnel whose remuneration (salary) is higher.

Regarding the changes that occurred in the economy of the municipality of Franca, we can say that they can be identified over three distinct periods. In the first one, which extends from the end of the 19th century until around the end of the 1940s, the economy of that municipality was predominantly agricultural and livestock, highlighting the cultivation of the product that gave it the status of coffee capital. In the second period (1959-1985), the progressive movement of reducing the participation of agriculture in the total Added Value was compensated by the expressive participation of the industry, corresponding to the seminal and consolidation phase of the footwear manufacturing branch in the municipality. In the third period (1996-2018), concomitant with the continuous decrease in the participation of industry in total VA, there was a progressive expansion of the tertiary sector, that is, services.

Table 6 | Franca according to participation of large sectors in Total Added Value (in%) - various

Year	Industry	Services	Agroculture
1920	13,0	20,4	66,6
1939	16,3	52,5	31,2
1949	20,2	44,3	35,5
1959	37,2	47,8	15,0
1970	54,9	40,3	4,8
1980	59,9	38,6	1,5
1985	61,1	31,9	7,0
1996	30,8	67,2	2,0
2006	31,6	66,8	1,6
2018	22,5	76,4	1,1

Source Note: for data prior to 1999, GDP estimates for activities at municipal level are not consistent with those at state and national level . The problem is due to use different methodologies.

SOURCE: IPEADATA, Elaboration by the authors.

It should be noted that within the manufacturing industry, the footwear manufacturing genre constitutes, together with main branches related industries, one of the main pillars of the local economy, even because

> […], in Franca, footwear industry specialized in the production of men's leather shoes, whether high or low cost. In this cluster, integrated a productive circuit that articulated: 1) small, medium and large producing companies; 2) tanneries; 3) industries machines equipment and components; 4) sole manufacturers; 5) services linked maintenance machines and tools; 6) commercial establishments; and 7) institutional aimed research and dissemination technologies (such as Technological Research Institute State São Paulo - IPT and National Service Industry - SENAI . Traditional economic activity consolidated the municipality as na important production center and research, highlighted among the most relevant in the country […] (PEREIRAJR , 2015 , p .182-183).

We must still add, that the footwear manufacturing integrated branches manufacturing chemical products; manufacturing forms footwear; manufacturing plastic artifacts and rubber; manufacturing matrices soles, besides having other institutions such as the Shoemakers Union, Union Footwear Industry Franca (SINDIFRANCA), Association Trade and Industry Franca (ACIF), Social Service Industry, articulated SINDIFRANCA is Competitive Intelligence Center Shoe (NICC).

In the same way that happened with the manufacturing industry in Brazil - reduction of its participation in GDP - the same was verified with the industry of Franca, a fact that perhaps can be explained, among other reasons, due to the excessive degree of industrialization of the Brazilian economy, since

> […] the economic policies of the development cycles until the 1980s produced a pattern of industrialization that resulted in a very high weight of the industry in relation to the world standard. The adjustment of the industry towards the international norm following the policies of liberalization and state reform in the first half of the 90s indicates that there was a pro-industry allocation pattern in the previous model (BONELLI, PESSOA, 2010, p.9) 1

Regardless of this, the structure of the manufacturing industry of Franca is still expressively concentrated in a few industrial genres, which, in turn, are articulated to the branch of footwear manufacturing, since, together, the subsectors of preparation of leather and leather manufacturing, chemical products, rubber and plastic products manufacturing and machinery and equipment manufacturing, accounted for 86% of the total VTI in 2017, with only the leather and footwear branch representing 71.8%. Thus, the high degree of specialization of the municipality means, on one hand, an advantage, but on the other hand, it can represent dependence and fragility, given that its industrial structure is concentrated in activities that are not prone to investment, besides being medium-low and low technology.

> […] the last great surge of investments and modernization of the Brazilian footwear sector had occurred in the 70s. With this, the footwear industry entered the 90s with a relatively obsolete productive park, demanding from the middle of the decade, a profound structural adjustment in order to resist the competitive pressure generated by trade opening and, mainly, by more fierce competition in third markets (RIBEIRO, POURCHET, 2000, p .8) 2

In addition , authors above stated that due rising labor costs, developed countries like USA and Europe moved their production to other countries like Taiwan, South Korea, Hong Kong and Brazil, where labor was cheaper (RIBEIRO , POURCHET , 2000) 2.

> Over time, new competitors emerged, notably China, India and Indonesia, with salaries even lower than the previous group, causing new relocation.to new footwear producing countries focused on low value products , while other developing countries migrated to medium value products, keeping production high value footwear in countries with greater skills in the design area, notably Italy. Brazil was relatively successful in following this transition (RIBEIRO, POURCHET, 2000, p .10) 2.

It is worth noting that countries such as the Republic of Korea, India, Indonesia and Taiwan in 2020 had a relative participation higher than Brazil's Added Value in the world manufacturing, besides that, adds up that regarding salaries paid activity leather, leather products and footwear, value estimated by UNIDO - in US atcurrentprices–salary/employee in2020 Brazil was US$ 5.828; China US$ 7.475; Republic of Korea US$ 26.659; India US$ 2.678; Indonesia US$ 3.072 and Italy reached US$ $ 28.586 . (UNIDO) 3

Resuming the discussion about the municipality of Franca, until the end of the 1980s, its productive park, specifically the footwear industry, was also in a situation of obsolescence, presented competitive deficiencies and the highest percentage of its exports was destined to the North American market. Thus, the trade opening implemented by FHC-1, mainly the reduction of import tariffs, combined with certain economic policy measures such as appreciated exchange rate, high interest rates, high tax burden etc., ended up affecting the manufacturing industry in general, especially the subsectors with competitive deficiencies such as footwear manufacturing.

In view of this, the industrial activity of the municipality of Franca, given its high coefficient of specialization in the manufacture of men's leather shoes, was severely affected by the most acute phase of the Real Plan, the difficulty of exporting caused by currency overvaluation, the increase in imports and the transfer of production to countries with cheaper labor by the main importer (USA), so much that, the Francan footwear producing companies were forced, as a passive/adaptive reaction, to adopt measures that could reduce their production costs, adopting as an adaptive reaction measures such as intensifying the outsourcing of the entire process or stages of production to other service providers.

Table 7 | Franca, sales of footwear destined for the foreign market in pairs and average price / pair in US

Year	Sales to foreign markets	
	(in millions of pairs)	Average Price/Pair (US$)
1993	15,5	16,45
1996	8,1	22,01
1999	5,2	21,02
2002	5,4	15,14
2005	8,5	19,22
2008	4,5	28,43
2011	3,0	30,98
2014	3,0	27,68
2017	3,2	23,70

Source: SINDIFRANCA, Elaboration by the authors.

Although the average price/pair increased by just over 44% in 2017, compared to 1993, in physical volume there was a reduction of 79.3%, and also that sales revenue fell sharply from US$ 256.5 to US$ 76.2 million, or still, a drop of more than 70 %. With the reduction of the physical volume

of footwear export, large industrial plants ended up losing an important share in the production scale, besides that, the decade of 1990 with globalization markets and appreciation of consumption and innovation, caused a shortening of the product life cycle, which good measure, probably must have impacted negatively use installed capacity those industrial plants.

Not enough process productive restructuring that resulted even in spatial relocation of some companies, transfer whole production or stages of the process to third parties, management problems, succession, among others, caused significant change configuration in the Francan footwear industry. Several changes occurred on a global scale as a shortening of product life cycle, whether due to obsolescence, whether due to innovation, new forms of industrial organization, such as Industrial Districts, Clusters, Local Productive Arrangements (APL's).

Table 8 | Footwear industry of Franca, number of companies and active links by size classes of companies - 1985 and 2020.

Class of Companies	Quantity of companies		Quantity of Active Links	
	1985	2020	1985	2020
Micro	148	763	1.106	3.137
Small	85	91	3.837	3.632
Medium	46	19	11.905	3.274
Big	11	-	9.156	-
Total	**290**	**873**	**26.004**	**10.043**

Micro: from 1 to 19 employees; Small: from 20 to 99; Medium: from 100 to 499 and Large: 500 to 1,000 or more employees

Source: RAIS/MTE, Elaboration by the authors.

The large and traditional footwear manufacturing companies concentrated a significant percentage of production and more than 35% of the total active links, in addition to operating with a larger production scale, leading the launch of new collections, adopting marketing strategies to differentiate themselves from the competition, mirroring a management model similar to the North American one, including a more dilated organizational structure, some of these companies even became verticalized, as well as paying their employees better.[15]

15 Statistics from IBGE (PIA – Company) and CEMPRE (Central Registry of Companies) and RAIS/MTE show that workers' remuneration increases according to the size of the company..

However, after the 1990s, for various reasons, the large industrial plants closed their activities and the local footwear industry in its new configuration became basically composed of micro and small companies, while the number of active links in 2020, compared to the year of 1985, decreased by more than 61 %. It is worth remembering that in the year 1985 the footwear industry of Franca accounted for 51.9% of the total formal active links, however, in 2020, its participation was reduced to only 12.48 %, although only seven subsectors of manufacturing industry added up equivalent to more than 96 % VTI (Value Industrial Transformation), which, four are low technology (82.4 %), one medium-low (5.4 %) and two subsectors medium-high technological intensity.

In turn, in the last thirty-five years (1985-2020) the subsector footwear manufacturing suffered severely loss of participation to the Total Added Value, reduction of physical volume production destined for the foreign market, closing activities of large companies and, mainly, an abrupt reduction in its participation of total formal active links, since in 1985 accounted for 51.9 % total, while in 2020 participated only with 12.5 %.

However, from decade 1990 onwards, the municipal economic development suffered significant change in its sectoral composition of the local economy, therefore, with participation of the manufacturing industry VA total continuous downward movement, opposite direction, progressively, expanded sectors trade and services, phenomenon analogous occurred Brazilian economy, ie, its tertiarization.

Thus, with the purpose of verifying whether there was indeed a change in the sectoral composition of the local economy, we first verified the distribution of formal active links among the large sectors of the economy in the years 1985 and 2020, and then calculated the value of the Restructuring Coefficient.

Table 9 | Franca, distribution of formal active links among the large sectors of the economy (in%): 1985 and 2020.

Big Sectors	Participations in active links	
	1985	2020
Industry	65,73	24,64
Trade	10,71	31,45
Services	21,89	39,56
Civil Construction	1,29	2,91
Agroculture	0,38	1,42
TOTAL	**100,00**	**100,00**

SOURCEE: RAIS/TEM, Elaboration by the authors.

According to the percentages of participation of each large sector of the economy in the total formal active links, there was a sharp reduction in the participation of industry - mainly the footwear industry -, while a significant expansion of the tertiary sector (trade and services) was noted, since the joint participation of the two large sectors increased from 32.60% in 1985, to 71.03% in 2020. Finally, based on the data from table 9, we then calculated the Restructuring Coefficient, whose value reached was 0.4109, that is, although it did not reach a value equal to 1, we can admit that in the period considered, although not so deep, there was a considerable change in the sectoral composition of the economy of the municipality of Franca.

FINAL CONSIDERATIONS

The Brazilian economy presented three well-defined phases regarding its development, since, in addition to being cyclical, it comprises moments of advance and setback, which was evidenced by the arguments that we presented in the previous sections. The first phase is located between the years that comprise the entire colonial period (until 1822), The Brazilian Empire (1922-1989) and the period called Old Republic (1989 to 1930), phase in which the Brazilian State remained passive in the view of the role defined by world powers regarding the division of work, namely, export of primary products (minerals and agricultural), in total harmony with Ricardo's precepts comparative advantages.

The second phase started after the crisis of 1929, characterizing remarkable efforts of the Brazilian State in the development of the national manufacturing industry and consequent restructuring its economic bases, as a change model agrarian-exporter. In addition, this boosted changes in social structure as a whole, as new division work, salary increase, exodus from the countryside to the city, dizzying development of some regions and cities etc. This set of changes can be understood as being a movement of advance in Brazilian economic development, which will last until the mid-80s.

Finally, in the third phase, which begins in the 90s and extends until the present moment, the national industry sharply lost participation in the composition of the Brazilian GDP, as well as in its export agenda. This phase is characterized by the loss of competitiveness of the Brazilian industry in the context of globalization, especially due to the low percentages of investment in modernization, qualification of labor, overvalued exchange rate, exorbitant interest rates and high taxes, as well as,

in the world context, the emergence of countries with bulky indicators of economic and industrial development, such as China and the Asian Tigers. We understand this set of changes as being the movement of retraction of Brazilian economic development. In this phase we have seen the increasing deindustrialization of the Brazilian economy, which affects, as well in its advance movement, as in remarkable transformations in its economic and social structure. Along with this, we verified the change in the export agenda and an increasing participation of primary products that, once again, become the most relevant in their composition. The fact is that, in this third phase, which we classify as a setback, in addition to deindustrialization, we also verified a reprimarization of exports concomitant with the tertiarization of the country's economy.

The footwear industry of the municipality of Franca has great adherence to the movements of advance and setback verified in the Brazilian economy, since the 30s to the 80s, the Francan footwear industry presented high percentages of growth, which reflected positively on the development of the Francan economy as a whole, including the formation of a productive circuit that added several related companies and that developed from demands presented by this industry; likewise , from the 90s the Francana footwear industry was strongly affected by the adopted economic model and its participation in the municipal economy is since then decreasing, showing in the analysis of its percentage of Total Added Value, either by its percentage participation number active labor links and, still, by observed physical volume footwear exports, which also presented a sharp drop in the last 20 years. Added to this is the result presented by the restructuring index, namely, 0.4109, which demonstrates that the city of Franca undergoes relevant restructuring in its economic bases.

There are several reasons for restructuring the Francan economy to this setback phase, but fact is that challenges presented to the footwear industry, from the 90s, were many and complex: economic opening in the view of an obsolete industrial park, high tax burden, competition from Asian countries, overvalued exchange rate, exorbitant interest rates, tax war between federal entities, absence of state actions to circumvent the entry of footwear manufactured abroad, as well as, to make the footwear industry more competitive to dispute foreign markets etc. These facts resulted in the closing of several large companies, outsourcing production processes, wage losses in the footwear sector, decrease of the quantity of pairs manufactured and exported, as well as

participation of active links. This caused a loss in the protagonism of the footwear industry formation of VA municipial economy of Franca, as well as this sector ceased to be the main vector of municipial economic development.

However, given so many and varied challenges, we understand that the footwear industry of Franca presents resistance and remains relevant for the local economy, considering that it is still responsible for employing almost 25% of the active labor force, as well as participating with 22.5% of the formation of the Added Value in the local economy. This demonstrates that the measures adopted by the local business community had, to some extent, results that guaranteed the survival of the Francan footwear industry even in the face of the national deindustrialization process

Be that as it may, the Francan economy is a reflection of the deindustrialization process that occurs in Brazil and that at the moment is marked by the return of commodities as the main products in the Brazilian export agenda. Not that agricultural products are not important for the Brazilian economy, on the contrary: the increase in their prices in the world market and the increase in Brazilian export related to them are fundamental for the trade balance and for regulating the exchange rate, as they are important in internalizing foreign exchange. However, allowing such a sharp process of deindustrialization is to renounce a great effort made by the Brazilian State and by the local elites in favor of economic development and the various collateral results that it boosted and that could continue to boost, with positive results in indices of formal employment, increase in average wages, increase in tax collection and better indices of economic and social development.

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