Brazil, like every other land-based nation in the Western Hemisphere, has a frontier. It is not unreasonable to posit that the presence of a frontier has some effect on economic growth. Frontiers provide land, which is a form of capital. They provide mineral extractive sources that can be developed. They stimulate migration. This development is not cost free. The damage done by frontier openings to the environment and to indigenous populations is well known and of concern. However, the opening up of interior lands has some effect on economic growth, although the size of this effect has never been precisely estimated. If the effects of opening the frontier were small, it would make the ecological damage associated with this process indefensible. If the benefits of opening the frontier were substantial, this could pose significant moral and policy questions about the trade-offs between the elimination of poverty and the preservation of the environment.

Why might frontiers stimulate economic development? The case of the Brazilian Center-West provides one set of answers. The southern Amazonian frontier turned into an agricultural powerhouse. The Center-West became a center for large capital intensive high efficiency soybean farms, making Brazil the number one exporter of soy products to the world. The Center-West would also become the dominant producer in Brazil of cattle, cotton, sorghum and rice. (Pereira 1995, IBGE 2004a, 2004b)

Furthermore, the migration stimulated by the opening of frontiers stimulated an expansion in housing, infrastructure creation, retail trade and services. Any increase in population will stimulate in industries designed to serve a general population. The new population will require houses, roads, stores, schools, churches and hospitals, infrastructure that needs to be built only once – but which nevertheless produces a
substantial spike in civil construction. The increase in employment in retail trade, education, religion and medicine will be less dramatic at the beginning, but more enduring in the long run as the population will continue to require these services on a permanent basis. Thus there is a non-trivial multiplier effect associated with the opening of frontiers, as the demand for labor increases in a wide variety of sectors independent of the primary crop, mineral or industry that stimulated the outward expansion in the first place.

As a result, frontier expansion can produce economic growth in a number of unexpected sectors; in some cases, that growth can be greater than the growth produced by policies explicitly associated with the sector itself. We will argue that this is exactly what happened in Mato Grosso – in an industry rarely considered in Amazonian discussions – the hotel industry. Between 1940 and 1980 Mato Grosso, rose to a dominant position in the Brazilian hotel and restaurant trade in Brazil. This rise occurred despite the presence of governmental policies oriented towards developing hotels in competing regions.

**Terminological note:** When this chapter refers to Mato Grosso, it refers to the area that now comprises both the states of Mato Grosso and Mato Grosso do Sul. In 1979, the former state of Mato Grosso was divided into the two states that exist today. Since this chapter involves 1940–79 when the state was undivided, we use the historical terminology and boundaries.

**Mato Grosso as a leader in hotel and restaurant employment**

When this study was commenced, it was expected that Rio de Janeiro would lead Brazil in residual hotel and restaurant employment, due to its scenic advantages, its role as a cultural center and its long tradition of world class hotels. It was also expected that in the 1970s Bahia would replace Rio as the highest residual due to the urban renewal of Salvador in the 1960s and 1970s and the substitution of Salvador for Rio as the number one tourist destination in Brazil. (EMBRATUR 2000)

Table 9.1 shows that this is not what occurred. Rio was only fourth highest in hotels in 1940, and at some points had the lowest residuals in Brazil. Only Rio’s restaurants showed the expected high residuals. Bahia did show the upward curve that was expected, although its revival began earlier than expected in 1960.

The biggest surprise was Mato Grosso. Mato Grosso started poorly as expected, but its residuals rose rapidly. After 1960, it was the dominant