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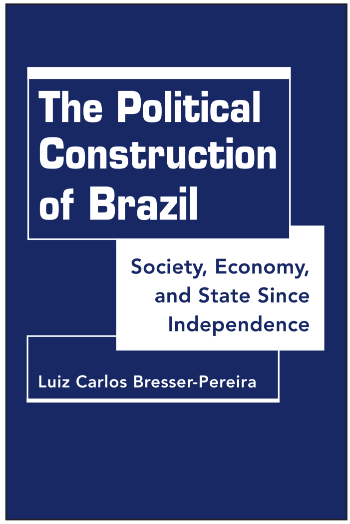
The Political Construction of Brazil: Society, Economy, and State Since Independence



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ISBN: 978-1- 62637-307-5 hc

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Introduction

This book is my attempt at an all-encompassing analysis of Brazil that ties together society, politics, and the economy; or, in other words, the nation, the state, and the market. My objective is to narrate and discuss the building of the nation and state—the building of contemporary Brazil—since its independence in 1822. I want to answer several questions: Why did Brazil fall behind the United States? What was the main problem faced and successfully resolved during the Empire period? When was economic nationalism placed on the agenda? Why was Brazil able to industrialize starting in the 1930s? Why is dependency theory essentially a mistaken interpretation? What caused the transition to democracy in the 1980s? And, finally, why has the redistribution of income since the 1980s been relatively successful, while growth has been dismal? Is the explanation for this just economic (the deindustrialization in consequence of the dismantling of the mechanism that neutralized the Dutch disease), or should we add two cultural features that turned dominant from the 1980s: the high preference for immediate consumption and the loss of the idea of nation?

In writing this book on the history of my country, I had in mind the sociological, political, and economic theories that I had learned from Karl Marx, Max Weber, and John Maynard Keynes; and in Brazil from Francisco José de Oliveira Vianna, Caio Prado Jr., Hélio Jaguaribe, Alberto Guerreiro Ramos, and Celso Furtado. I also used the theories that I have been trying to develop throughout my life, particularly the theory of the emergence of the "technobureaucracy" (the professional social class); the theory of inertial inflation; and, in the last fifteen years, the definition of "new developmentalism"—a theoretical framework for understanding the economics of growth, prices, financial stability, and the distribution of income in middle-income countries; the political economy of class coalitions or political pacts; and the developmental state.

Starting with the colonial period, I discuss the reasons for Brazil's backwardness only in comparison with the United States. Then, in Part 1 of the book, I examine the Empire of Brazil (1822–1889), when the state was formed and the integrity of the territory was ensured. In Part 2, I seek to understand the accelerated growth between 1930 and 1980 that characterized the Brazilian capitalist revolution. In Part 3, I seek to understand the low growth rates that prevailed after 1980, when Brazil made its transition to democracy and focused on the reduction of economic inequality. I attribute the loss of dynamism in the Brazilian economy, in the first instance, to the great financial crisis of the 1980s (the foreign debt crisis); and, in the second instance, to the incapacity of the local elites to neutralize the tendency toward cyclical and chronic currency overvaluations that exists in developing countries. This tendency exists particularly in the countries that have the Dutch disease, including Brazil.[1] As a consequence, the Brazilian manufacturing industry has been hobbled by a major competitive disadvantage that is causing deindustrialization and quasi-stagnation. Income per capita, which grew at the high rate of 4.1 percent a year between 1950 and 1980, has only grown 0.94 percent from 1981 to 2014; in 2015, a deep recession made the per capita growth rate negative. Another way of understanding this unsatisfactory growth rate is to consider two cultural factors that have been reinforcing each other over the last thirty years: the severe weakening of the concept of nationhood and the strong preference for immediate consumption. The relative loss of the concept of nationhood was first caused in the early 1970s by the dominance of the associated dependency theory among intellectuals, and then from 1990 by the adherence of the Brazilian economic and political elites to economic liberalism, or neoliberalism.[2] During this time, we lost most of our identity as a nation, a fundamental asset for the development of every people, and an asset that has become even more strategically important in the era of globalization, when competition among nations has gained a new and bigger dimension.

The preference for immediate consumption has grown stronger since the 1985 transition to democracy. It is expressed in the chronic current account deficit,[3] which finances consumption rather than investment, and by the loss of the state's capacity to finance investments in infrastructure. The loss of the concept of nationhood is reflected in the submission to the Washington Consensus and in the large current account deficit and overvalued currency. These cause foreign indebtedness, increased consumption, and cyclical balance-of-payments crises. They serve the interests of rich countries, not of Brazil. The two cultural factors reinforce each other because the chronic current account deficit is a consequence of both. They are a manifestation of exchange rate populism insofar as it is associated with consumption rather than with investment. Nevertheless, the current account deficit and the associated exchange rate populism are welcomed by orthodox (economically liberal) economists, as well as by developmentalist and Keynesian economists—the former because they legitimize foreign finance, the latter because they keep wages artificially high.

Capitalism is an economic and political system in which not only firms, but also countries, compete worldwide, and where the stronger take advantage of the weaker at both the regional and global levels. Thus, it is not surprising that the policies of the rich countries in relation to the developing ones often undermine the basic political agreement that forms a nation: the agreement among the industrial entrepreneurs, the state technobureaucracy, and the workers. It is this agreement that enables the state to defend its national interests and to become an instrument of economic development. When the workers join this developmental class coalition, the state, besides being an instrument of economic growth, also becomes an instrument for reducing inequality and increasing social cohesion.

The capitalist revolution—a decisive period in the history of any country—took place in Brazil from 1930 to around 1980. It first occurred in the city-states of northern Italy in the fourteenth century, with the emergence of the commercial bourgeoisie, but it only gained strength with the formation of the nation-state and industrialization in England. In terms of transformative power, only the Neolithic Revolution—the transition of man from hunter and gatherer to farmer—can be compared in importance to the capitalist revolution. This revolution occurs when a society becomes a nation, forms a sovereign state, dominates a territory, and achieves its industrial development. In Brazil, the statesman who headed the great transformation was Getúlio Vargas; the strategy he adopted was national-developmentalism; and the time during which his influence was dominant (1930–1960) is known as the "Vargas era."

In this book I analyze the *political* construction of Brazil. This may be surprising given that I am an economist, but first and foremost I am a social scientist for whom it is impossible to understand any country from only an economic, political, or cultural standpoint. Brazilians, like all other people, are permanently involved in the political construction of a nation, of a state, and of a market system. By the time the capitalist revolution was taking place in Britain, France, and Belgium—the first three countries to complete it—the British, French, and Belgians were involved in a political construction that would become endless, and that would be copied by others. After the first capitalist revolutions, the history of each people became a collective work through which men and women both cooperate and contend with each other in order to build their nation and their state. This is a process that goes through moments of difficulty and even of relative decadence, but in the long run we observe progress and human development. What makes the capitalist society different from the ancient empires and civilizations is that it is no longer subject to annihilation. Economic development is a historical phenomenon that begins with modernity. Capitalist development is a process of capital accumulation with the incorporation of technological progress, in which the economic surplus is necessarily invested in production—something that did not occur in previous societies. Within the framework of economic competition, which defines capitalism, business enterprises have no alternative but to keep investing and incorporating new technologies, and society must continuously reform and improve its institutions, among which the two most important are the state and the market.

When a people is transformed into a nation, forms a nation-state, and industrializes, it is achieving its capitalist revolution. Usually, the state precedes the nation. A group of nationalist politicians and intellectuals provide history and meaning to the nation, which becomes effectively autonomous, and the industrial revolution materializes. The state then becomes the instrument of capital accumulation by a triumphant national bourgeoisie. But some decades later, the workers and the new middle classes gain power; then the state becomes democratic and changes into the instrument of collective action encompassing the entire society. The bourgeoisie and the new middle class—the technobureaucracy—are now the ruling classes.[4] But given the struggle of the popular classes, the state in the more advanced countries first turns liberal democratic, and later on becomes social democratic. As Adam Przeworski (1985) shows in his classic analysis, social democracy—the more advanced form of economic and political organization of capitalism—was the outcome of a major compromise among the social classes.

I start from this historical framework in thinking about Brazil. Its capitalist revolution was the work of a developmental class coalition that combined the Brazilian industrial bourgeoisie, the government technobureaucracy, the urban working class, and the non-exporting sectors of the old oligarchy. The opponents of this revolution were the liberal politicians and economists associated with the agricultural exporting oligarchy, the rentier capitalists, the financiers, and foreign interests. Class coalitions and political pacts are central to this book, insofar as I see the Brazilian capitalist revolution as the outcome of developmental class coalitions fighting against a liberal-dependent coalition. The liberal, or orthodox, economists had a significant role to play when it was necessary to stabilize Brazilian economy, but they were never able to promote the country's economic development, mainly because they proved to be dominated by the colonial inferiority complex associated with the condition of dependency. In a recent work on the interpretations of Brazil, Christian Edward Cyril Lynch (2013) writes about this inferiority complex. To him, this complex was expressed in the understanding of the major interpretations of Brazil as thoughts, not as theories as they should be.[5] Major interpretations are narratives based on theories that do not necessarily originate with the author, but always involve a generalization, and must make sense to the society.

This is a book of historical interpretation. I include eleven "brief theories" that are not found in textbooks. They are related to the concepts and models of "new developmentalism," a theoretical framework for understanding middle-income countries that includes developmental macroeconomics and the political economy.[6] I titled this book *The Political Construction of Brazil* knowing that the endeavor is beyond the scope of my abilities, and knowing that I will only be able to seize and describe a piece of the huge, complex reality. A great deal of what was essential to the construction of Brazil was left aside. Among these details are the extraordinary writers and other artists, such as Antônio Gonçalves Dias and Carlos Drummond de Andrade, Antônio Francisco Lisboa (Aleijadinho) and Oscar Niemeyer, Padre José Mauricio and Heitor Villa-Lobos, Alfredo da Rocha Vianna (Pixinguinha) and Ary Barroso, Oswaldo Cruz and Cesar Lattes. Much more has been left out because I limited this book to describing and analyzing economic, political, and social development.

This is a book of an academic, but it is also the book of a Brazilian who identifies with his country and with the idea of a society—one that is already capitalist and democratic, but that needs to be effectively autonomous and to banish the popular preference for immediate consumption in order to begin catching up and developing. It was originally published in Portuguese in 2014. This English edition is an updated version in which I also discuss the new economic and political crisis that broke out in 2015. In this translation, I tried to make the history of Brazil, of its institutions, and of the conflicting political ideologies as clear as possible to readers outside Brazil.

Notes

1. "Dutch disease" refers to a situation in which the currency of a country with strong commodity exports appreciates, thereby undermining the country's industrial sector. Manufacturers receive less profit in the local currency, or the cost of exporting may even exceed revenues, so the manufacturers stop exporting. For a full discussion of the Dutch disease, see Brief Theory 7.

2. When I use the word "liberal" in the political sense, it is not an equivalent of "progressive," as is commonly used in the United States; it refers to the defenders of civil rights and liberties. The enforcement of these rights and liberties was a victory for liberals and democrats that is today also shared by developmentalists. However, "liberal" can also be used in an economic sense, referring to a view of society that assumes only a limited role for the state, with the market as the main coordinator of the economy. (See Brief Theory 3, "Who are the Liberals?")

3. "Current account" refers mainly to the balance of trade, which is the balance of exports versus imports of goods and services; but it also includes factor income (e.g., from interests and rents) and financial transfers (e.g., remittances). Countries finance the current account deficit by reducing international reserves, or incurring in foreign debt.

4. I have used the terms “technobureaucracy” and “technobureaucratic class” since the early 1970s to denote what was also called the “new middle class,” or the “professional,” “technocratic,” or “knowledge” class.

5. Christian Edward Cyril Lynch (2013, p. 734), after explaining this understanding by pointing to the fact that our major interpreters did not try to generalize, but sought to explain a national contingent reality, adds a provocative and, for me, correct explanation for employing the term “thought”: “The diffuse perception of *[backwardness]* of a country would be a result of the *[peripheral] place* occupied by it in the world.” (Emphasis in the original.)

6. For a summary of new developmentalism, see Bresser-Pereira (2010, 2015) and the website www.bresserpereira.org.br.