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The developmentalist-neoliberal debate in Brazil – from the post-Second World War to the 90's

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“Crise: État structurel de l’économie capitaliste libérale”
Luc Fayard

“If it is efficient it does not require a monopoly, if it does, it does not deserve”
Castello Branco

“It is not the charity which will save the world, but the efficiency.”
Roberto Campos

“What there has never been in Brazil is a liberal shock.
The economic liberalism, and the capitalism alike,
did not flop in Latin America.
It has simply never come to be.”
Roberto Campos

Abstract

This article aims at presenting the economic debate in vogue in Brazil from the subsequent years of the Second World War until the end of the 90's. Firstly, the main features of the most prominent thoughts involved in this context – developmentalism and neoliberalism – and after the way in which these ideas resounded in the government realm of each period. The cleavages concerning these two dominant ideologies of the Brazilian economic thought are fundamental to elucidate the development of this economy: the developmentalism – with a protectionist bias, supporting the interference of the state in economic issues aiming, *a priori,* at the autonomous growth and the welfare state, and; the neoliberalism – based on the prominence of the market, acting against the "iron hand" of the state and supporting the individualism, bringing us the idea of a social Darwinism.

INTRODUCTION

During Vargas government in the 30's, Brazil stepped into an economic process following the regional example: a context where the participation of the state in economic issues was growing and intentional, insofar as it provided means to the marginalized countries to initiate their industrialization and to protect themselves from the international competition.

Inserted into a context which made clear the deterioration of the terms of trade, it was mandatory to develop policies prompting a reduction of imported goods with a high aggregated value and it would be possible with an internal production of the same goods by these countries. This process was known as import substitution and was broadly disseminated by developmentalist economists.

With interesting results related to the economic growth of some countries following these measures, such as high GDP increases and the development of consumer goods industrial complexes, the arrival of a period in which the maintenance of these policies could lead to a loss of competitiveness – given the lack of efficiency of state-owned companies and many macroeconomic imbalances – and with the advent of an ever more insurmountable globalization[1] capable of piecing together the whole world, the nations controlled by the state foresaw the disrupt of that old-fashioned economic model and accepted a new ideology proposed by some groups of scholars: the neoliberalism.

In accordance to some measures postulated during the Washington Consensus and the augmentation of the leverage power by neoliberal groups, new policies designed to reduce the participation of the state in the economy – as commercial and financial openness, privatization of state-owned companies and some other radical steps – were able to come to the fore of the political debate and one of the countries to accept this new conjuncture was Brazil.

In the late 80's, Sarney government already undertook measures aiming to facilitate the importation of several goods, being followed by the next governments which went further in this process, implementing tax cuts, sweeping away tariff and non-tariff barriers to trade, and implementing privatization policies.

This paper presents the impacts of each period – the developmentalist and the neoliberal one – for the Brazilian economy, underlying positive and negative points for

[1] In the end of the 20th century, profound changes in the context of nations, in the power structure of states and their life style were relevant. Among them, it is worthy to cite: the "victory" of the capitalism, given the fall of the Soviet Union; the growing neoliberal influence; development of a great globalization process. (Gilpin, 2004).

both and regarding either the social or the economic field of analysis. It is important to bear in mind that the outcomes of these periods are seen and felt until nowadays.

Developmentalism - neoliberalism

From the end of the Second World War on, a group of scholars supporting the existence of serious discrepancies between the development models of advanced nations in relation to the underdeveloped ones prevailed in Latin America. This group, which emerged with a powerful and competent ideology, obtained a large respect as from the end of the 40's. Having Raúl Prebisch as one of its main names, they were called developmentalists and endorsed that the international division of labor was extremely positive for developed countries whereas the underdeveloped ones had to carry the burdens of a marginalized society and the traces of dominance structures. (Furtado, 1998).

The developmentalists analyzed these questions and proposed an independent growth strategy for these Less Developed Countries (LDCs), turning its industries to the national market and protecting them from the competition of foreign and more specialized companies. The state – seen as a major actor – should provide the incentives and the barriers against possible threats to this model, given that the dissemination of enterprises in the international scenario undermines the action of whatever central regulating institution. (Furtado, 1998).

In 1945, as Baer (2009) affirms, the global trend was harmful to primary exporter countries, like Brazil, a country that still maintained its commercial base relying on coffee, sugar, cotton, cocoa and tobacco. The deterioration of the terms of trade would inextricably lead to an underdevelopment in relation to industrial powers, ensuring that free commerce benefits only advanced nations.

Intending to develop its industries, LDCs should opt to protect them from the international and unequal competition of more specialized foreign corporations. This policy would better the interior industrial capacity, mainly the infant ones, prompting them to improve their production techniques, diminishing the dependency to developed nations, exploring likely competitive advantages and utilizing abundant natural resources.

The developmentalists, now based on the Economic Commission for the Latin America (ECLA), as Colisete (2007) asserts, understood that the underdevelopment presented in South American nations depicted the clear discrepancies between industrialized economies and those still pursuing this goal. The main cause of this situation is the economic structures in which these nations are involved. Firstly, the economies of the region:

> "Would have developed ill-diversified and integrated structures, with a dynamic primary exporter sector but incapable of propagating technical progress to the rest of the economy, efficiently employing work-force and allowing a sustainable growth of salaries." (Colisete, 2007, p.4).[2]

Other strong point linked to this thought was that:

> "The pace to absorb technical progress and increase productivity is significantly higher in industrialized economies – center – than in primary specialized ones – periphery –, what should lead to an eternal revenue differentiation on behalf of the former. Moreover, the

[2] All the direct citations of this paper are a free translation of Brazilian authors and papers. Any case of misunderstanding, whatsoever, is not of their responsibility.

> exportation prices of primary products tend to present a negligible evolution compared to manufactured goods produced by industrialized countries. As a result, there would be a tendency to the deterioration of the terms of trade that would negatively affect Latin Americans through the transfer of productivity gains from the primary exporter sector to industrialized countries. (Colisete, 2007, p. 4).

This way, it is essential that the state takes the commanding heights of the economy, with a coordinated function over the required efforts to enable the growth and its utilization in favor of the welfare state, the reduction of the poverty, the income distribution and the industrial development. Ultimately, the individualism does not hold a privileged position in this theory, being even rejected, given that the collectivization is a major concern.

Opposing to these postulates, there was a group of scholars supporting a completely different thought: the neoliberals. Existing so many contradictions and incertitude about this term, what does neoliberalism mean specifically? According to Vidal (2006), this new way of liberalism does not differ too much from its classic idea formulated in the 18th and 19th centuries, asserting:

> “The exaggerated individualism; the uncontrolled adherence to individual liberties, above all the economic ones; the sanctity of the private property; the aversion against any kind of equality […] even if relative, deliberately produced by a government intervention; the apology to a free social competition order based on the free market […]; the refusal to the politics as a likely countervailing force against the superior economic rationale. (Vidal, 2006, p. 2).

For Gros (2003), the neoliberalism represents the perfect ideology for the era of globalization when the capitalism does not work only for the national markets, but offers an international mobilization of capital and goods and where the role of the state may hamper this process, regulating the individual action of companies and individuals. Thus, it is mandatory that the state seeks to reduce its intentions on the financial globalization, on the integration of economies, of markets and production. Related to this are a major role of entrepreneurs on economic and political issues and a minor space of action for workers, aiming at increasing the available industrial work force.

The neoliberal ideology was not discussed only in the United States or Europe – the latter, with the influence of the Austrian School mainly Mises and Hayek and the publication of The Road to Serfdom in 1944 – but the first country to adopt its commandments was Chile with Pinochet government in 1973. In advanced economies the neoliberalism was first implemented in England during Thatcher government in 1979. (Gros, 2003).

The neoliberals were based on the idea that human beings are unequal by nature, be in physical, mental, intellectual characteristics or even in their abilities to achieve goals. Thus, as Gros (2003) points out, the social inequalities are inevitable as long as they express different capabilities concerning the insertion in the dynamics of the market and the nuances of historical conditions. It is clear, then, that amidst different individuals, the prominence of the most adapted ones will inextricably lead to a faster development of their society.

There being this deep-seated individual bias in the neoliberal theory it is possible to comprehend their refusal against the historical tendency for the peoples to fight for an egalitarian economic, political and social system. This fight would make those not adapted or not prepared individuals to take part in the construction of the society and, as a consequence, of the market – this represents the idea of a social Darwinism. Thereby, being the market, according to Moraes (1994, *apud* Gros, 2003, p. 81), the perfect picture of justice, freedom and wealth and "[…] the unique rational factor of social and economic order […]", the presence of these individuals would be pernicious to the development in its broader concept.

Another noteworthy neoliberal argument is the support of the minimal state. As Lopez (1988, *apud* Gros, 2003, p. 85) asserts, the neoliberals "[...] have a negative concept of power, which means that it is not a social relation but, rather, a sheer coercive tool against the individual, derived from the state or any other social organization". In the neoliberal ideology, the state must have a reduced role aiming at: a) protecting the citizens from external enemies; b) granting liberty and self-determination of individuals; c) keeping an efficient structure to allow the cooperation of different economic actors, and; d) granting the material integrity of the population. Furthermore, Gennari (2001) affirms that the reduction of the scope of the state could act like a hindrance to the power of syndicates and would positively foster the exploitation of the work force.

The next section deals with the extent to which the aforementioned ideologies shaped the Brazilian economic thought, besides a summarized explanation of the results of each period.

Developmentalism in Brazil

The history of developmentalism in Brazil is already well disseminated, dating back to the colonial period. It is worthy to remember that throughout this process four main ideologies coexisted and built what could be experienced during the last century; these ideologies are the nationalism, the industrialism, the *papelistas* and the positivism. Not intending to dwell too much on their specific characteristics, an explanation over their main postulates is mandatory.

According to Fonseca (2004) the nationalism is the oldest of the four ideologies. Its scholars advocated the necessity to get rid of the direct relations with the Portuguese metropolis. Even without aiming specifically at the independence of Brazil, its arguments depicted a strong dislike in relation to the colonial situation, with the commercial monopoly and the political centralization of Portugal. This was the embryonic project of the fights for independence.

The industrialists, as the case *ut supra*, can be strongly related to the idea of independence, given that the colonial situation was familiar to rural economies. These scholars asserted that the development of an efficient industrial complex is required to enact a sustainable growth. Assisted by the agriculture, these two economic models would play a cooperative role prompting the development of the country. The regulation and intervention of the state was necessary either for internal or external purposes, trying to protect the vulnerable national industry. (Fonseca, 2004).

The *papelistas* broke with two classic concepts: first the extent to which the state must intervene – really influent in the other two ideologies; and secondly the principle of the balanced economy, affirming that the liquidity is the major factor to determine the “mood” of the economy. Interest rates therefore should receive a greater attention from the political economy. Albeit there are some divergences, it is possible to trace a resemblance between this argument and the Keynesianism. More related to the physiocratic thought, these scholars supported the Brazilian agriculture and its comparative advantage.

The positivists understood that state intervention must be rational and according to the exact necessity to mitigate social conflicts. In addition, this regulation should be designed to launch the society toward the progress, including fostering education and moral values.

These four arguments were fundamental to establish the theoretical framework that gave birth to the contemporary concept of Brazilian developmentalism, which had its first actions undertaken during Getúlio Vargas government in 1930. This epoch was a watershed in the Brazilian economic thought and implemented new legitimized relations between the state, the economy and the society, where "[…] the first should take the lead, as a way to stimulate its development." (Fonseca, 2004, p. 17).

The role of the developmentalism has always been, in a chauvinist view, oriented to promote the production, foster national industries, control the income distribution, provide essential services for the development of the society and enhance the quality of life. Not portraying this as a tautology it is always necessary not to obscure the strong refusal to the laws of the market.

In Brazil, despite the own bases in relation to the developmentalist theory, the influences of ECLA were a milestone in this context, mainly due to the active participation of Prebisch, who, as Furtado (1998) claims, conducted the most prominent ideas in Latin America. It is possible to conclude that at least the seeds of the independent strategy of development were in place to turn Brazil into a more industrialized nation.

The implementation of developmentalism

With incipient measures toward a liberal posture, the postwar in Brazil did not look like what could be seen some years later. Dutra government, from 1946 to 1950, had a project of integration with the international economy, mostly with the United States, as it was expected to exist what was called “the dollar illusion”: a possible increase in the international liquidity and the Brazilian intentions to attract it to the national economy.

However, that seemingly facility to receive external investments did not hold true and the Brazilian government had to revoke the liberal bias. From 1947 on, new measures started to be implemented and with the new Vargas government and the beginning of the unsuccessful Salte Plan, in 1950, the pinnacle of developmentalism was on its way. With a model designed to lead Brazil to a more independent economy, Baer (2009, p. 274) explains the core of that strategy:

> “The emphasis was on developing a domestic production capacity to acquire internally as many manufactured products before imported as possible. Special attention was provided to more sophisticated goods, basic resources, energy and other key industries.”

When not prohibited, the importations received severe tariff and non-tariff barriers and the exportations were neglected. These economic determinations would have a strong negative effect on the years to come, when the import substitution model (ISM) faced considerable changes, given the need of raw materials, consumer goods and capital that could not be obtained internally. (Baer, 2009).

The subsequent governments continued this strategy seeking for an autonomous growth, and the implementation of different plans was common. Always bearing in mind that the development of a solid national industry was needed, the Plan of Goals – with remarkable results –, during Juscelino Kubitschek government and the Triennial Plan during Jango's administration were examples of the continuous developmentalist aspirations.

Data concerning the growth of the economy during this initial strong period of developmentalism and protectionism confirm that "the average of real growth rate from 1947 to 1962 was superior to 6% each year and during the most intensive industrialization, from 1956 to 1962, it went up to 7.8%." (Baer, 2009, p. 84). Another intriguing point regards the industrial growth throughout these years, which was over 262%.

However, as from the advent of certain constraints imposed by the lack of openness of the country, the economy was left in a vulnerable situation. Thus, the developmentalist prominence needed to be altered – even if in a modest way – to promote a certain openness to the international trade. Tariffs were reduced, non-tariff barriers were simplified, new incentives and credit to exportations were introduced. Some of the goals of this new policy were reached, as the diversification of the exporting agenda, the influx of international investment and the importation of capital goods.

This new economic model – from 1964 to 1974 – arriving along with the military coup and the first military president, Castello Branco, despite the relevant changes in the political economy, was not able to overcome some of the obstacles imposed by the previous strategies. The growth based on international indebtedness led the country to a future staggering inflation, and the dependency on foreign sources of investment and energy made clear the vulnerability of the country. The Oil Crisis[3] in 1973 and 1979 would just corroborate these statements.

Although many difficulties were faced during the new economic approach, the Brazilian economy experienced the so-called "economic miracle" from 1968 to 1973, given the impressing economic performance – an annual growth of 11.1% – and the reduction of inflation and the external imbalance. (Giambiagi *et al.*, 2005).

There being this new conjuncture of foreign dependency, Geisel government sets again the bases of a stronger national industry. According to Baer (2009), under the aegis of the II National Development Plan (II NDP), the government intended to: a) substitute the importations of basic and capital goods; b) the fast expansion of the economic infrastructure[4]; c) the creation of the energetic self-sufficiency, and; d) the development of comparative advantages.

Once more Brazil obtained high rates of growth, around 7% from 1975 to 1979, emphasizing that the industry had an even better performance, 7.5%. Notwithstanding, this growth was again relying heavily on foreign investments, which

[3] The periods related to the Oil Crisis in 1973 and 1979 refer to the promotion of a strong increase in the prices of oil by the members of the OPEC (Organization of the Petroleum Exporter Countries). From US$ 2.48 in 1972, the values went up to US$ 3.29 in 1973 and US$ 11.58 in 1974. In 1979 the average price hiked up to US$ 30.03.

[4] The economic infrastructure corresponds to the needs of the productive sector, embracing the transports, communication and energy.

increased from US$ 1.1 billion in 1974 to US$ 2.2 billion in 1979, due to the ongoing liquidity in the international market. (Giambiagi *et al.*, 2005; Baer, 2009).

At the conclusion of Geisel government the last military president surges to power, General Figueiredo. Involved in an economic context of serious inflation, growing foreign debt – which represented 81.4 billion dollars in 1985 – and pervasive deficits in the balance of payments, the ISM already faced serious limitations. The government, trying to alleviate these burdens, implemented recessive measures. “The goal was the reduction of the internal consumption, in order to generate exportable excesses.” (Giambiagi *et al.*, 2005, p. 110). Furthermore, the adopted policies spawned a great recession from 1981 to 1983, fact that, allied to structural consequences of the II NDP, reversed historical deficits.

Nevertheless, these steps were not able to halt the losses in international foreign-exchange reserves given the high interest rates and other expenditures. The situation did not get even more daunting due to an agreement negotiated with the IMF on late 1982, which provided US$ 4.2 billion for the country. When Figueirdo left the government, in spite of the successful movements for democracy, the country faced an increasing inflation, a strong fiscal deterioration and a period of weak economic growth.

The military period, in general, deserves a great attention concerning the economy. From 1964 to 1967, structural and cyclical measures were implemented, however the growth was limited, presenting rates not higher than 4.2% per year. During 1968-1973, the international context, the idle capacity and some rational policies paved the way to the “economic miracle” saw from 1968 to 1973. During

Geisel government, growth rates hike up to 7% per year and during Figueiredo's presidency there is the biennium 1978-1980 presenting interesting 8% growth rates, great imbalances during 1981-1983 and, finally, fast stages of recover in 1984. Throughout the last years of the military regime it is possible to analyze, according to Giambiagi *et al.* (2005, p. 94), "[…] the peak and the descent of the ongoing model of economic growth since the 50's, that is, the import substitution model, controlled by the state […] and severely relying on the foreign indebtedness."

Ad instar the prior civil governments, the militaries also handed over gargantuan economic programs. Castello Branco started the Emergency Action Government Plan – EAGP –, Costa e Silva launched the Strategic Development Plan – EDP –, and Geisel the famous II NDP, always following developmentalist and interventionist aspirations.

The unpopularity of the military regime, economic constraints and internal divisions in the dictatorial government led to the beginning of a pre-democratic government, with the new civil president José Sarney[5]. The main hurdle to be overcome by the new economic policy was the inflation, and plans like the Cruzado, Bresser and Verão implemented vain efforts to solve them.

Despite the economic hardships experienced during the 80's in Latin America – what bequeathed the epithet of lost decade to the whole region - what matters the most for our analysis is the dissolution of the ISM.

The dissolution of the import substitution model

[5] Incidentally, the indirectly elected president was Tancredo Neves, however his death made possible the presidency of Sarney, a politician with strong relations with the militaries.

The economic measures of the import substitution model obtained relevant success when we refer to the economic growth. Silber (2002) claims that during 1900-1980 Brazil had the second largest growth rate in the world, only supplanted by Japan, what must take into account the long existence of the ISM, even though with certain nuances. Nevertheless, in a global context of ever more intense globalization, where production processes develop competitive scale gains, where economies and markets cooperate, information and communication technologies are enhanced etc., the choice for the isolationism will certainly be pernicious.

Some criticisms are reported to the ISM policies in Markwald (2001), such as: a) the protectionism set priorities to sectors demanding scarce resources, generating inefficient allocation of them; b) with the protectionism undertaken by the state, firms tend to gain market power, leading the economy to oligopolies; c) in a closed economy the diversification of products is extremely scant, decreasing the availability for consumers; d) with the augmentation of the competition – largely provided by a commercial openness – industries tend to specialize, and; e) the existence of rent-seeking mechanisms in closed economic regimes are abundant, insofar as the firms tend to benefit from the protection and “forget” to invest in other productive activities.

Sarney government – from 1987 to 1990 – gave the first steps into a more open economy, liberalizing some tariff barriers. The table hereunder illustrates this situation.

Table 1 – Historical tariff impact, from 1987 to 1990

YEAR	AVERAGE (%)
1987	51
1988	41
1989	35
1990	32,2

Source: Baer, 2009; Silber, 2001

Neoliberalism in Brazil

The ninety's – bringing the new ideas of a globalized international context, where private actors played an ever more prominent role – was capable of influencing Brazil in an unprecedented perspective: in accordance to the global trend, the Brazilian government decided to undertake neoliberal policies.

One of the most eminent events to the Brazilian neoliberal ideology was the Washington Consensus in 1989, a meeting of the Institute for International Economics in Washington, which presented a series of measures to be implemented specially by Latin American countries to enter the sustainable trajectory of growth.[6] Out of all the listed measures, two were fundamental to the government: the commercial and financial liberalization and a reduction of the interference of the state in the economy, what, as Nascimento (2000) suggests, provides means to the reproduction of private wealth.

In 1990 takes possession the first directly elected president since 1964. Fernando Collor de Mello, in a context of staggering inflation – 80% per year – and

[6] According to Gennari (2001), the main points introduced by the Washington Consensus were: a) fiscal discipline; b) rational public expenditures; c) tax reform; d) financial liberalization; e) floating exchange rate ; f) commercial liberalization; g) foreign investments; h) privatization; i) deregulation; j) protection of intellectual property.

economic stagnation, intended to implement some of the neoliberal measures discussed above, aiming at a more appropriate economy for the free market.

In the core of those measures were the privatization and the commercial openness. Under the aegis of the Industrial and International Commerce Policy (IFCP), the main goals were: reshape the outdated and inefficient industrial complex and reduce the public debt.

The unexpected and tumultuous change in the presidency in 1992, amidst a severe political unrest, led to the impeachment of Collor, so that the vice-president Itamar Franco assumed the executive. *A priori* resilient, gradually the new figure adhered to the ongoing liberalization process, even stimulating it.

Giambiagi *et al.* (2005) asserts that the liberalization of the commercial policy also had great impacts on the economy. Import licenses and special importation regimes were extinguished, along with quantitative controls and tariff /non-tariff barriers. The next table presents the general tariff reduction on importations.

Table 2 – Importation tariffs from 1990 to 1994

SECTOR	**1990**	**1991**	**1992**	**1993**	**1994**
Basic products	12,6	8,3	6,1	4,8	4,3
Capital goods	36,0	29,2	25,0	21,0	19,3
Passenger vehicle	85,0	59,3	49,3	39,3	34,3
Accessories for capital goods	34,0	27,8	24,3	20,9	19,1
Devices and accessories for the transport sector	39,1	31,5	26,3	21,2	18,6
Others	51,2	40,7	33,5	25,7	19,3

Source: Giambiagi *et al.*, 2005

Analyzing the economic data from 1990 to 1994, there is a decrease in GDP during the three first years, with a turning point in 1993 as it conducted to a growth of 4.9% and in 1994 with an increase of 5.9%. In the beginning of the decade, during brutal phases of industrial restructuring due to the new policies, there were huge hardships for national industries to implement new strategies and to foresee great opportunities, what can explain some bad results in the beginning of the decade.

In 1994 was elected Fernando Henrique Cardoso (FHC), with insurmountable recognition for the successes of the Real Plan[7] and the control of the long-standing inflation – which, according to Baer (2009), decreased from a monthly rate of 50.07% some months prior to the plan to 0.96% after it. The new government maintained the previous neoliberal policies and showed even more initiative when it comes to privatizations. The outcomes can generate controversies among scholars, however the economic stabilization was a remarkable achievement.

Concerning the commercial balance, the strong exchange rate designed to halt a possible increase in the inflation and other measures to ease the flux of merchandises increased the importations from 1995-1997, while the exportations did not have an uncommon change. (Giambiagi *et al.*, 2005).

In the field of the privatizations, the main objective was to reduce the huge burdens inherited by the public sector, implementing policies that would:

> "Reshape the strategic position of the state in the economy transferring to the private initiative the incorrectly explored activities of the public sector,

[7] The Real Plan was designed mainly to revert the high inflation rates, however it was conceived in three phases: a)the first one should promote a fiscal adjustment to revert the main cause of inflation, government expenditures; b)the second one aimed to create a stable pattern of value called Real Unity of Value, and; c) there would be new strict rules established regarding the emission of money.

> contributing to the reduction of the debt […]; allowing the resumption of the investments on those companies and activities that get to be privatized; contribute for the modernization of the industrial complex of the country […]; channel the public administration's efforts to the activities which demand a fundamental participation of the state to respond to national priorities, and; contribute for the strengthen of the capital markets." (Giambiagi *et al.*, 2005, p. 186).

In the 90's the foreign direct investments (FDI) in Brazil also represented a great increase. The facts that most contributed to this situation, according to Baer (2009), were the stabilization of the currency – what made the market more attractive to foreign firms –, the privatization process under way - which was responsible for one quarter of the total investments from 1996-1998 – and the Mercosur, which focused the interest of transnational companies on the country.

Impacts of neoliberal policies

In terms of economic growth, the Collor government corresponds to only 1.3% per year, what changes to interesting rates when the Itamar Franco period is analyzed, insofar as it had a growth of 4.9% and 5.9% in 1993-1994, respectively.

Concerning the commercial balance of the first half of the ninety's, there is a clear supremacy of importations and a movement toward the equilibrium throughout the expansion of trade liberalization. If the biennium 1990-91 represents a decrease of the exportations, the next three years show an expressive increase of them, mainly manufactured goods, with an average of 4.8% per year. This exporting capacity certainly has increased partly due to the radical needs o f change to adequate to the new competition framework created by the liberalization. (Giambiagi *et al.*, 2005).

Economic analysis of the FHC government can be split into two distinct periods: the first one, with a rigid foreign exchange policy, growing dependency on foreign investments and a severe fiscal imbalance; the second one – which eventually goes some years into the next decade – adopts a floating exchange rate and a strong and rational fiscal policy.

The economic performance of the second half of the ninety's has weaker GDP increases, at around 2.6% in the first term of office – 1995-1998. This may be mirroring the difficult external and fiscal conjunctures, which hindered the flux of investments. Notwithstanding, the balanced inflation allowed the control of prices and facilitated the dispute between new firms what "[…] boomed the benefits of the newly introduced competition". (Giambiagi *et al.*, 2005, p. 190).

The relation between importations and exportations are interesting to be analyzed. Insofar as the government intended to maintain the parity with the dollar, an increase in the quantity of goods entering the country seems to be expected and a likely stagnation of foreign sales – or even a decrease – would not be a surprise. The numbers corroborate these assumptions since there was an increase of 14.9% in the exportations and a more modest 4.1% growth of exportations. Again liberal policies were remarkably influencing the economic results.

The second term of office of FHC – 1999-2002 – had an average GDP growth of 2.1%, which, despite the still unexpressive numbers, must be taken into consideration due to the heavy economic crises that affected the economy during this period.[8] Importations and exportations behaved in a different way than in the prior period. Considering that the former parity was not in force after the end of 1998, the importations had a sharp decrease, declining 4.9%, whereas the exportations remained in the same path, with an increase of 4.2%. (Giambiagi *et al.*, 2005).

Observing more precisely the impact of liberalization in the social realm, the income distribution carries a nuisance remark. Baer (2009, p. 327) affirms that "whatever the initial motivations for the creation of state-owned companies, in the sixty's they became an expressive source of jobs, either in terms of quantity or in salary". However, the privatizations reversed this tendency to absorb the work force. This was noticeable even before the effective implementation of these policies, as long as the excesses in the quantity of workers may hamper the possibilities of a private investor to be tempted by the venture. Considering some examples, the Rede Ferroviária Federal (RFSA) dismissed about 20 thousand workers before the privatization and after it the number of employees was even more reduced. In some major public ports, the staff was reduced from about 26.400 in 1995 to somewhat 5 thousand in 1997. Another example was the iron sector, the Companhia Siderúrgica Nacional (CSN) had 24.463 employees in 1989 and just 9.929 in 1998. Cosipa, alike the others, reduced its staff from 14.445 to 6.983, and Usiminas from 14.600 to 8.338. (Baer, 2009).

It is difficult to conclude objectively upon the effects on the distribution of jobs. If the revenue obtained with efficiency gains were turned to poorer sectors, the

[8] During the whole FHC government four great crises affected the economy. The Mexican crises in 1994, the Asian and the Russian crisis in 1998, and the pernicious economic effects of the 9/11 attacks against the United States. (Filho and Pedrosa, 2004).

privatization would have been more successful. However, the available data points out that the major profits generated by newly privatized industries were channeled to private interests. Moreover, a significant share of the economic gains was directed to foreign companies through ever increasing remittances of funds: US$ 1.6 billion in 1990, US$ 2.5 billion in 1994 and 7.2 billion in 19998. (Baer, 2009).

Conclusion

Throughout several years there have been discussions on the more appropriate implementation of a developmentalist or neoliberal economic model, having each of these ideologies their pinnacle moment in history. The following years after the Second World War show a prominence of developmentalist policies and, as a consequence, an overarching control by the state, not only on the economy, but also on social issues. The American New Deal – even prior to the period discussed here –, the European Welfare State and many other policies in Latin America are some examples. Concomitantly with the existence of such models, the debate created by the neoliberals exposed various criticisms which were the crux of the ongoing opposition, defending the scrapping of the state intervention and fighting for the free market and the individualism.

In Brazil, a simplified analysis concerning the benefits or not of each model, either in the economic or in the social realm, will certainly be misleading. From the 50’s until the mid-70’s developmentalist policies were able to conduct the economy to impressing growth rates – despite some hardships during this period – and a strong industrial development. It is mandatory to cite that, although some goals have been reached, the inflation had staggering increases, the foreign debt and dependency grew tremendously, the state faced several fiscal difficulties and the national industries started to be far less efficient and competitive than their counterparts abroad.

The maintenance of protectionist measures started to be questioned as the neoliberals became more influent in the political scenario. The understanding – or lack of understanding – of the Brazilian rampant industries and the whole economic situation advocated the necessity of a more open economy, a less present state, the possibility to communicate with an ever more globalized world, the development of comparative advantages etc.

As from the beginning of these new policies, some of the burdens carried by the government – like the expenditures with inefficient activities and the bureaucracy to keep the economy closed – as much as the clear industrial retardation and the impossibilities to connect with world could be mitigated. Nevertheless, the growth rate did not behave better than during the last years of the protectionism, the unemployment rate increased fast, and the toll of bankruptcy was extremely high – mainly among small firms.

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Appendix A – Presidential Chronology in Brazil (1946 – 2003)

PRESIDENTIAL CHRONOLOGY IN BRAZIL (1946-2003)	
PERIOD	**PRESIDENT**
31/01/1946 - 31/01/1951	Eurico Gaspar Dutra
31/01/1951 - 24/08/1954	Getulio Dornelles Vargas
24/08/1954 - 28/11/1955	João Café Filho
08/11/1955 - 11/11/1955	Carlos Coimbra da Luz
11/11/1955 - 31/01/1956	Neceu de Oliveira Ramos
31/01/1956 - 31/01/1961	Juscelino Kubitschek de Oliveira
31/01/1961 - 25/08/1961	Jânio da Silva Quadros
25/08/1961-06/09/1961	Paschoal Ranieri Mazzilli
06/09/1961 - 01/04/1964	João Belchior Marques Goulart
01/04/1964 - 15/04/1964	Paschoal Ranieri Mazzilli
15/04/1964 - 15/03/1967	Humberto de Alencar Castello Branco
15/03/1967 - 31/08/1969	Arthur da Costa e Silva
31/08/1968 - 31/10/1969	General Aurélio Lyra Tavares, Admiral Augusto Hamann Rademaker Grunewald and Brigadier Márcio de Souza e Melo
30/10/1969 - 15/03/1974	Emílio Garrastazu Médici
15/03/1974 - 15/03/1979	Ernesto Geisel
15/03/1979 - 15/03/1985	João Baptista de Oliveira Figueiredo
15/03/1985 - 15/03/1990	José (Sarney) Ribamar de Ferreira Araújo
15/03/1990 - 02/10/1992	Fernando Collor de Mello
02/10/1992 - 01/01/1995	Itamar Augusto Cauteiro Franco
01/01/1995 - 01/01/2003	Fernando Henrique Cardoso

Appendix B – Macroeconomic Indicators (1946 – 2002)

MACROECONOMIC INDICATORS (1946 - 2002)												
INDICATOR	1946/50	1951/55	1956/60	1961/63	1964/67	1968/73	1974/80	1981/84	1985/89	1990/94	1995/98	1999/02
GDP Growth (% p.y.)	8.1	6.7	8.1	5.2	4.2	11.1	7.1	-0.3	4.3	1.3	2.6	2.1
Inflation (% p. y.)	11.3	16.6	24.7	59.1	45.5	19.1	51.8	150.3	471.7	1,210.0	9.4	8.8
Exportation increase rate (% p. y.)	15.6	1.0	-2.3	3.5	4.1	24.6	18.3	7.6	4.9	4.8	4.1	4.2
Importation increase rate (% p. y.)	23.9	3.2	3.2	0.0	2.7	27.5	20.6	-11.8	5.6	12.6	14.9	-4.9
Commercial Balance (US$ millions)	249	121	125	44	412	0	-2,439	5,386	13,453	12,067	-5,598	3,475