

## THE STABLE REPUBLIC OF BRAZIL

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In Brazilian history, stability is a stronger feature than disruptive change. For our purposes, Aristotle, who was interested in stability and how to achieve it, rather than Marx, who saw disruptive change as the driving force of modern civilization, is used to provide categories for a discussion. Aristotle offers *aristocracy*, *oligarchy*, and *democracy*, while Marx offers *bourgeoisie* and *proletariat*. Stability in Brazil has meant governance by oligarchy. It can be argued that Brazil has the most entrenched (*enraizada*) governing class in Latin America, and perhaps of anywhere in the world. It is also true that Brazil has an aristocracy of wealth, and that Brazil is one of the world's most unequal societies. In 2021, Oxfam International stated 5% of the Brazilian population controlled 95% of the national wealth. The other 95% of Brazilian citizens had only 5%. They are the citizens of Brazil's democracy. Oxfam concluded axiomatically "...extreme inequality breeds conflict, violence and instability," though also noting that twenty-eight million Brazilians were lifted out of poverty in fifteen years (2001-2015), and less than 10% were still in poverty. Despite the continuing "extreme inequality," Brazil remains a peaceful country, not a country of "conflict, violence and instability." The World Justice Project report of 2021 noted that, while there is much crime in Brazil (homicides, burglary, and extortions), and while Brazilians often resort to violence to redress grievances as do people in the US and many other countries,



there is an absence of armed civil conflict, meaning that Brazilians are effectively protected from armed violence and terrorism.

Brazilian democracy includes regular elections, and is alive and well. All citizens between age eighteen and seventy are required to vote, and elections are highly competitive. In federal elections, voters choose deputies, senators, the president, and vice-president. They have the power to elect or reject the candidates placed before them. Probably few Brazilians would say that retired army captain and now president Jair Bolsonaro is an oligarch, but he is, having been continuously elected to the Chamber of Deputies from the state of Rio de Janeiro since 1990, before winning the presidential election in 2018. Also, in the 2018 elections, his son Flavio was elected to the senate, another son Eduardo became a federal deputy, and a third son Carlos has been a Rio de Janeiro city councilman since 2001. A feature of Brazilian oligarchy is family members run for elective office. In running for president, and governing as president, Bolsonaro never regarded himself as an outsider unfamiliar with the use of political power, nor imagined he did not have the right to use it. People in politically-polarized Brazil profoundly disagree about what the Bolsonaro government is doing, or trying to do, and whether his is a good or bad government, but nobody argues Bolsonaro has failed to wield the powers of his office with authority, or that he has not been a strong president.

## **THE FEDERAL GOVERNMENT AND COVID-19 PANDEMIC RELIEF**

In March 2020, the COVID-19 pandemic struck Brazil, bringing both severe public health and economic consequences. Among those most threatened were informal sector workers not eligible for unemployment relief available to workers in the formal sector who had in effect contracts to work, paid taxes, contributed to retirement accounts, and were eligible for benefits defined in labor law. Informal workers, on the other hand, were members of a shadow, or “invisible,” economy who paid neither taxes nor received labor law employment benefits. But of Brazil’s 104 million workers, they were the largest group, numbering an estimated 76 million. In large cities, they can be seen as vendors on the streets selling food, often partly or entirely homemade from a cart or small portable stand; soft drinks; perhaps popsicles at soccer stadiums; or various items for home or personal use including electronics laid out for display on sidewalks, on small stands, even on push carts, or carried through the streets for sale, such as brooms. They generally earned less, often much less, than the minimum wage. The government did not know who they were having never been registered (*cadastrado*). In a marathon process during March and April 2020, the federal government oversaw the digital registration of this mass of workers, bringing them out of the shadows and invisibility. This was possible because technology-savvy Brazilians are among the most digitalized people in the world, and ahead of both the US and Canada. The government, really the nation of Brazil, won a World Bank prize in 2021 for this rapid registration of millions of workers that made them eligible to receive the federal government *auxilio emergencial* (emergency aid) established in March 2020. Men

received 600 *reais* (about one-third of the minimum wage) a month, and women heads of household 1200 *reais*. This aid was indispensable for the economic survival of millions of individuals, and the infusion of money stimulated local economies. Also continued was the separate *Bolsa familia* (family grant) program established during the Lula presidency (2003-2010) that covered 14.5 million families. In late 2021, *Bolsa familia* was replaced by the more generous and far reaching *Auxilio Brasil* (Brazilian Aid) program, which registered 17 million families. Although emergency aid ended in late 2021, people who lost it were urged to apply for *Auxilio Brasil* through the *Caixa Economica Federal* (Federal Loan Bank), the only bank present in one form or another in all of Brazil’s 5,570 municipalities. The bank’s home page included a succinct, easy-to-understand series of statements—notably different in style from bureaucratic legalese—identifying who is qualified to receive aid.

Making so much money available required amending the constitution to allow deficit financing previously forbidden as part of a program to control inflation. Economy minister Paulo Guedes, an investment banker trained at the University of Chicago, oversaw these policies, his presence a guarantee that the large program of emergency relief and expanded family grants met reasonably high standards of fiscal and monetary responsibility. Altogether, the economic aid response to the COVID-19 pandemic emergency showed the federal government at its best, and Brazil won a place among the countries that responded most successfully to economic disruption of the pandemic.

## **GOVERNMENT ECONOMIC POLICY BEYOND COVID-19 RELIEF**

Responding with alacrity to economic disruption caused by COVID-19 most likely represents the government's finest hour, but there are economic policy actions other than relief. How should they be viewed? Bolsonaro, with his minister of infrastructure Tarcisio Gomes de Freitas, focused on identifying unfinished infrastructure projects which may date as far back as the José Sarney administration (1985-1990). The goal was to finish them, in the process giving Bolsonaro a chance to do inaugurations, a longstanding privilege of presidents, governors, and mayors. These inaugurations began early in Bolsonaro's administration, and at first the president remembered he was completing work started by a predecessor. Later, more at ease and given to improvisational speech, he might make a fuller case for his government's contributions. Bolsonaro effectively uses these events to connect with audiences that are usually large and enthusiastic. The inaugurations with greatest national impact have been opening several stations of canals and locks in what is the largest infrastructure project ever undertaken in Brazil, the transposition of water from the São Francisco river, Brazil's river of national unity, to four states in the Northeast in an effort to mitigate cycles of drought. An old idea, transposition dated to the 1840s, initiated under the government of Emperor Pedro II (1840-1889), and was repeatedly endorsed by subsequent governments. It was finally set in motion by president Lula in 2007, who selected 2012 as the date for completion. Though planning and construction proceeded, there were years of delays, and the inaugurations have been left to Bolsonaro, who uses them to attack Lula, his main opponent in the upcoming 2022 presidential election. Bolsonaro condemns

Lula for the delays, referencing loans extended by Brazil's national development bank to several countries for their infrastructure projects, including to communist Cuba to build the Mariel port, and to Venezuela under Chávez and now Maduro, which he calls a communist dictatorship, in order to build a hydroelectric dam. They were being completed (though the loans never repaid) while transposition of the São Francisco was delayed. Lula's government and Brazil's leading construction companies completed large projects outside of Brazil, but were unable to complete the most important Brazilian infrastructure project. Depending on his mood at the moment, Bolsonaro might or might not call Lula a *presidiario* or ex-convict, a reference to two years of incarceration following conviction for corruption, even though the Supreme Court would overturn it on appeal because of due process violations by the presiding judge.

Completing unfinished infrastructure projects of previous administrations and showcasing them as a main economic policy is surely a novelty, and remains to be evaluated. For many Brazilians, however, they represent correct policy, and make Bolsonaro the right president in the time of COVID-19, when big new infrastructure initiatives are inappropriate. Among other things, Brazilians by culture are detail-oriented, dislike *bagunça* (meaning messy disorganization), and are also highly visual. The image of a hitherto unfinished and barely passable section of road being completed can be very pleasing to see, certainly to Bolsonaro supporters.

## **RESETTING FEDERAL ECONOMIC DEVELOPMENT POLICY**

In what is surely the most remarkable resetting of Brazilian economic development

policy in recent Brazilian history, Bolsonaro and economy minister Guedes, with infrastructure minister Tarcisio de Freitas as the principal spokesperson, have committed Brazil's federal government to a "no" investment policy, except for what can largely be done by foreign investors. That is, foreign investors are being invited to submit bids to construct ports, roads, subways, railroads, and airports that are part of a program of building infrastructure and extensive privatization. The marketing of these policies occurs in a series of "road shows", one recently before representatives of the São Paulo's Federation of Industrial Firms (FIESP). Bolsonaro attended, and was warmly applauded upon rising to introduce Tarcisio, who laid out the policy. Tarcisio had good news, clinching his argument by stating several foreign investors, more than anticipated, were now expected to join the bidding for contracts to build railroads. It is a remarkable outcome of thirty years of neo-liberal proselytizing with which the Brazilian entrepreneurial elite seems fully sympathetic, and also a consequence of nearly a decade without significant economic growth in Brazil, a lost decade of stagnation. In Bolsonaro's government, the lost decade will not be overcome with an ambitious new program of government led investment. Guedes, as minister of the economy, also holds the portfolio of what used to be the minister of development, and insists the program of bidding for infrastructure contracts as defined by the government is working, affirming in a recent interview that Brazilian investment for 2022 will be 20% of Gross Domestic Product. The investment capital is largely foreign, and it is private. For older economists from the era of the military dictatorship (1964-1985), with its many years of high growth rates and an independent ministry of development with projects identified and given priority budgeting, this minimalist federal

government investment program and outreach to foreign capital threatens to put Brazil in a permanently low- or no-growth economy, continuing the situation of stagnation which has existed since 2013, of accepting it as a norm by relying on what private foreign investment might achieve in a process of bidding for the right to construct projects preselected by the government. In fact, the Guedes-Tarcisio program consolidates and puts in place long developing tendencies and ideas about economic growth and development in Brazil that downplay the role of state as an economic *gestor* (administrator), passing it off to private capital, especially foreign capital, which incidentally represents an almost complete renunciation by Bolsonaro of his own past. As a federal deputy, he voted eighty percent of the time with the Lula government of 2003 to 2010.

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#### **NOTE ON THE BRAZILIAN OLIGARCHIES**

Perhaps the most notorious examples of family oligarchies are those in northeastern states such as Maranhão, Alagoas, and Pará:

**Maranhão:** Former President José Sarney (1985-1990) was governor of his home state of Maranhão (1966-1970), before becoming president, and also served as a senator (1970-1985; 1990-2014). His daughter Roseana served two terms as governor of Maranhão (1995-2002; 2009-2014), while his son José Sarney Filho was elected to the Chamber of Deputies, became leader of the Green party in the Chamber, and served as Minister of the Environment (1999) during President's Fernando Henrique Cardoso's administration. The wealthy Sarney family owns Maranhão's main television station, and many other properties. Sarney family

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policy is always to be on the side of power in national politics. Hence, Sarney's son as Minister of Environment in the Fernando Henrique Cardoso administration supported the election of Workers Party candidate Lula in 2002, the enemy of Cardoso's PSDB (Brazilian Social Democratic Party).

**Alagoas:** Smooth-talking, agreeable Renan Calheiros has been a leading and frequently-investigated senator from Alagoas since 1995. His son Renan Calheiros Filho has been the governor of Alagoas since 2015. Calheiros Filho was preceded by Teotonio Vilela Filho, the son of Teotonio Vilela (1917-1983), who served prominently as a senator representing Alagoas (1966-1983). Teotonio Vilela's brother, Cardinal Avelar Brandão Vilela (1912-1986), was archbishop of Salvador Bahia (1973-1986), and also president of CELAM, the Latin American Episcopal Council of Roman Catholic bishops, from 1966 to 1972. Unlike other rich oligarchs—the Vilelas owned sugar plantations—members of the Brandão Vilela family exceptionally have not been tainted with charges of corruption.

**Pará:** Senator Jader Barbalho has dominated politics in the large, mineral-rich Amazonian state of Pará since the 1970s. He opposed the military dictatorship (1964-1985), and since 1975, has twice been elected governor, four times as federal deputy, and three times as senator from Pará, a position he still holds in 2022. His wife Elcione Barbalho has served as a federal deputy off and on since 1995. Their son Helder Barbalho was elected governor of Pará in 2019. Jader Barbalho has been continually investigated in large-scale fraud and corruption scandals. Charges developed by public prosecutors against both Barbalho and Renan Calheiros were only set aside by the Supreme Court in February 2022.