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Brazil: From High Growth in the Golden Age to Quasi-Stagnation in Neoliberalism

Brasil: Do Alto Crescimento na Era Dourada à Quase-Estagnação no Neoliberalismo

Adalmir Antonio Marquetti [a]

Alessandro Miebach [b]

Henrique Morrone [c]

RESUMO

O artigo investiga a economia brasileira nas diferentes fases do capitalismo entre 1950 e 2023. O Brasil passou de um país com elevado crescimento durante o período do desenvolvimentismo (1950-1980) para uma quase estagnação sob o neoliberalismo e sua crise (1980-2020). A queda na taxa de acumulação de capital, resultante da redução da taxa de lucro e das mudanças institucionais do neoliberalismo com o fim do estado desenvolvimentista, está na origem do reduzido crescimento observado no Brasil nas últimas quatro décadas.

Palavras-chave: Brasil; acumulação de capital; mudança institucional .

JEL: E25; N16; O30.

ABSTRACT

The article investigates the Brazilian economy through the different phases of capitalism between 1950 and 2023. Brazil transitioned from a country with high growth during the period of developmentalism (1950-1980) to a quasi-stagnation under neoliberalism and its crisis (1980-2023). The decline in the capital accumulation rate, resulting from the fall in the profit rate and the institutional changes of neoliberalism with the end of the developmentalist state, is at the root of the limited growth observed in Brazil over the past four decades.

Keywords: Brazil; capital accumulation; institutional change.

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[a] Professor of Economics at the Pontifícia Universidade Católica do Rio Grande do Sul (PUCRS) and Researcher at CNPq. E-mail: aam@pucrs.br.
[b] Professor of Economics at the Universidade Federal do Rio Grande do Sul (UFRGS). E-mail: aledonadio@gmail.com.
[c] Professor of Economics at the Universidade Federal do Rio Grande do Sul (UFRGS) and Researcher at CNPq. E-mail: hmorrone@hotmail.com.

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1. Introduction

Between 1950 and 1980, Brazil's GDP grew at an average rate of 7.3% per year, doubling every decade. However, between 1980 and 2023, the annual growth rate fell to 2.2%. This marked a transition for Brazil from being a country with high growth rates to one characterized by slow growth. Understanding the factors behind Brazil's shift from rapid to sluggish economic growth is essential to overcoming this prolonged period of quasi-stagnation.

Brazil's role in the global capitalist economy is defined by a dependent position. Its institutional and technological developments are shaped by international trends, while its dominant social class has a subordinated role within the global bourgeoisie. Often with a temporal lag, Brazil mirrors the institutional transformations and cultural patterns of leading capitalist nations, particularly the United States.

Capitalism unfolds in distinct phases, each defined by a unique interplay of institutions and technologies. In every phase, an institutional framework determines the state's and the market's roles in the production process, shapes the distribution of power and income within and across social classes, influences international power dynamics, and establishes mechanisms for transferring wealth to leading nations. Technological advancements and shifts in income distribution affect profit rates, driving financial and productive investments across agriculture, industry, and services. A country's productive structure is molded by sectoral profitability incentives and the global division of labor. Each phase is marked by distinct patterns of profit rates, capital accumulation, and economic growth. For different conceptions of the relationship between institutions and long waves in capitalism, see Rangel (2005), Aglietta (1979), Gordon (1980), and Duménil and Lévy (2013).

Structural crises driven by declining profitability often catalyze institutional and technological changes that, alongside political disputes, pave the way for a new phase of capitalism. The Great Depression of the 1930s marked the collapse of economic liberalism, the crisis of 1973 signaled the end of the Golden Age, and the 2008 financial crisis represented the unraveling of neoliberalism. Around 1980, core countries enacted institutional reforms favoring capital, particularly financial capital. Advances in information and communication technologies facilitated organizational transformations within companies, boosting capital productivity and weakening labor's bargaining power. The market became the dominant mechanism for resource allocation, contributing to a partial restoration of profitability.

Neoliberalism emerged as a distinct phase of capitalism, born from the crisis of the Golden Age, with its institutional changes accelerating after the collapse of the Soviet Union. As it evolved, financial and productive globalization decoupled the interests of the dominant bourgeoisie from national priorities, leading to the relocation of industrial production to East Asia, particularly China.

Moreover, neoliberalism expanded the scope for asset valorization by converting capital assets into financial assets. This shift led to financial innovations and speculative bubbles, culminating in the 2007-08 financial crisis, which marked the structural crisis of neoliberalism. Triggered by defaults on subprime mortgage loans, the crisis affected the global financial system and had a negative impact on the productive sector. The 2010s were marked by low accumulation and growth rates in developed countries. The COVID-19 pandemic struck the economy during the gestation of a new institutional and technical structure aimed at replacing neoliberalism.

The institutional changes that will define capitalism after the structural crisis of neoliberalism in 2007-08 have not yet been fully established and remain a subject of dispute. The election of Trump in 2023 may help consolidate this new institutional capitalist framework.

However, it is evident that developing countries have gained greater economic and political power, alongside the resurgence of the state's role in capital accumulation and economic planning

(MARQUETTI; MIEBACH; MORRONE, 2024). The hegemonic rivalry between the United States and China partially explains the delay in establishing dominant institutions in this new stage of global capitalism and the resurgence of nationalism.

This article provides a brief analysis of the Brazilian economy through the different phases of capitalism since World War II, emphasizing key factors that could enable the country to achieve higher growth and overcome its quasi-stagnation. The central argument is the need to implement a national project that fosters growth and enhances living standards for the Brazilian population.

2. The Brazilian economy: from rapid growth to quasi-stagnation

Brazil, during the Golden Age, experienced developmentism in the form of import substitution industrialization. The industrial sector was the primary driver of economic growth between 1950 and 1980, expanding at a remarkable annual rate of 7.9%. This was more than double the growth rate of the agricultural sector, which expanded at a rate of 3.95% during the same period.

The capital accumulation rate began to decline in the mid-1970s due to the fall in the profit rate, which was intensified with the implementation of the Second National Development Plan, the military regime's response to the Golden Age crisis. The Second National Development Plan was financed mainly by external debt. The increase in interest rates by the Federal Reserve in 1979 triggered the external debt crisis and a huge rise in income transfers abroad, which reduced both public and private investment.

Figure 1 underscores the pivotal role of capital accumulation in driving Brazil's economic growth from 1950 to 2023. By overlaying the nation's economic trajectory with the broader phases of global capitalism, the figure reveals a strong correlation between the capital accumulation rate (gK) and GDP growth rate (gX). This suggests that capital accumulation has been the gravitational force shaping Brazil's economic growth during this period.

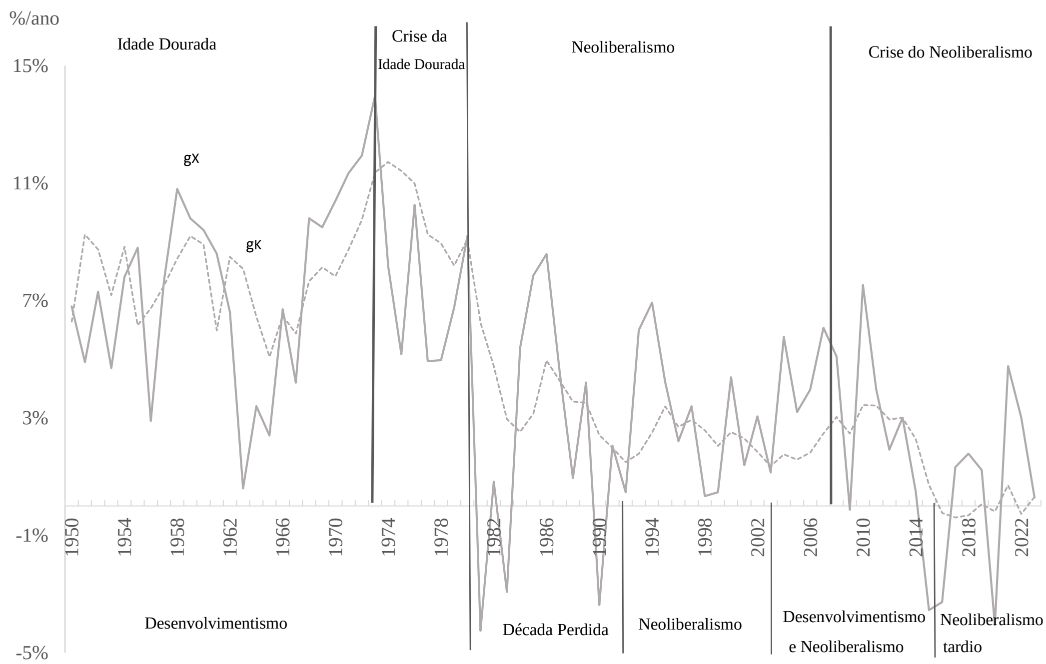

Figure 1: The Capital Accumulation Rate and Annual GDP Growth in Brazil: 1950-2023
Source: Marquetti et al. (2023)

Deindustrialization of the Brazilian economy began in the mid-1980s. Private sector investment in productive capital, particularly in the manufacturing industry, became less profitable, while the relative profitability of investments in the financial sector and commodity production increased. The shift in sectoral profitability, partly driven by changes in the terms of trade in the context of external debt crisis and high international interest rates, is a crucial factor in understanding the deindustrialization process.

The 1980s, often referred to as the "lost decade," were marked by slow growth, the debt crisis, and high inflation. Politically, the period saw the redemocratization process, the strengthening of labor movements, and the rise of neoliberal ideas. A notable example of this shift was the promulgation of the "Citizen Constitution" in 1988, which was close to the patterns of the Western Welfare State, followed by the election of Fernando Collor de Mello in 1989, whose government embraced neoliberal policies.

With the inauguration of Fernando Collor, Brazil's institutional framework shifted toward neoliberalism, a movement that solidified during Fernando Henrique Cardoso's presidency, particularly through the economic stabilization process. This period saw economic liberalization, privatizations, deregulation, and a reduced capacity for state intervention in planning and investment. The state's ability to stimulate private investment diminished. According to Marquetti et al. (2023), during the 1990s, capital profitability gradually recovered as the share of wages in national income declined. The failure of neoliberal policies to enhance wage income contributed to a shift in power, paving the way for the ascension of the Workers' Party (PT).

The cycle of social-democratic-inspired governments led by the Workers' Party, supported by a favorable international context, promoted income distribution, benefiting the poorer segments of society. However, these governments did not break from the core features of neoliberalism, particularly those related to the financial sectors. The "reprimarization" of the country's productive structure persisted, even with the implementation of certain policies inspired by developmentalism.

Profit rates increased despite the rise in the wage share (MIEBACH; MARQUETTI, 2023) due to the expansion of capacity utilization and favorable terms of trade. However, the shift in international conditions after the 2008 neoliberal crisis and the continued rise in wage shares led to a decline in profitability in the early 2010s. These developments, explored by Marquetti, Hoff, and Miebach (2020), were central to the impeachment of President Dilma Rousseff and the implementation of a late form of neoliberalism under the governments of Michel Temer and Jair Bolsonaro.

The objectives of late neoliberalism included boosting capital profitability and dismantling the social gains of the 1988 Constitution, goals vigorously pursued by Brazil's oligarchies. Beginning in 2016, the wage share declined, linked to weakened labor bargaining power due to labor reforms and low rates of capital accumulation. As a result, profit rates rose in tandem with the shrinking wage share.

Under Bolsonaro, there was a new round of privatizations. Several projects were proposed to reduce public goods and other legal provisions associated with worker's rights. However, the pandemic limited the neoliberal turn.

The impacts of the pandemic, alongside the reduction in living standards—particularly among the poorer segments affected by the reforms of late neoliberalism—contributed to the unprecedented defeat of an incumbent president seeking re-election. Lula defeated Bolsonaro in a closely contested race under threat of a coup d'état.

The third Lula government appears to draw inspiration from its earlier mandates, when it was possible to blend elements of developmentalism with neoliberalism. However, the current economic and political context differs significantly from the early 2000s. Economically, there are clear signs of moving beyond neoliberalism and recognizing the importance of state intervention in the global landscape. Nevertheless, Brazilian elites remain reluctant to abandon neoliberalism. Their stance reveals significant political barriers to adopting a new development model. As a result, Brazil finds itself at a crossroads.

3. Final Remarks

It is evident that under neoliberalism, the Brazilian economy grew at reduced rates, a situation we refer to as long-term near stagnation. The cycle of Workers' Party (PT) governments promoted significant redistributive policies but failed to break the cycle of near stagnation due to the difficulty in dismantling the economic and institutional framework inherited from neoliberalism. To reverse this economic trajectory and foster greater capital accumulation and economic growth, a new institutional arrangement must be implemented that breaks with neoliberal paradigms. This initially involves restoring a proactive role for the state in economic planning, public investment, and strengthening state-owned enterprises. State leadership is crucial to dynamizing capital accumulation, as demonstrated by several successful historical experiences.

Reforms aimed at improving the efficiency of the public sector should go hand in hand with expanding state capacities and enhancing the provision of public goods. Additionally, it is crucial to establish a new set of state-owned enterprises focused on tackling urban and environmental sustainability challenges while fostering increased labor productivity. Popular participation in state decision-making and the management of public enterprises is also essential. However, the country's political fragmentation, with powerful far-right parties and a strong neoliberal alliance centered around agribusiness and the financial sector, presents a significant barrier to the necessary transformation.

For these measures to be effective, they must be integrated into a national development project that garners broad consensus within Brazilian society. Higher growth rates can only be achieved through overcoming neoliberalism. Furthermore, failing to do so could pave the way for the far-right's rise, with unpredictable consequences for human rights, the environment, and the well-being of future generations. How to build the necessary consensus to relaunch Brazilian development remains the central dilemma for the country.

Only a new political compromise that promotes a profound change in the current institutional structure will allow Brazil to follow a new path capable of confronting the challenges of the 21st century. This is the challenge that must be faced.

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