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Editorial – Special Issue “Development Macroeconomics Bulletin"

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The Volume 4, Issue 2 of the Development Macroeconomics Bulletin of the Structuralist Development Macroeconomics Research Group is focused on the macroeconomic and financial policies required for a sustainable economic development, which comprises a myriad of aspects from urban development, debt sustainability and monetary policy, green finance and the path of output growth. Although some articles are concerned exclusively on Brazilian economy, this issue had articles that analyses the cases of other countries and regions, for instance the countries of Mercosur and the urban development of the city of Bilbao in Spain.

As done in the previous issues of DMB, this issue is composed with articles two main axes, macroeconomics, and development. The macroeconomic axis had two articles, one regarding the recent developments of monetary policy in Brazil; and the second about fiscal policy and public debt in the countries of Mercosur.

The Development axis had five articles. One article related to the long-term evolution of economic development in Brazil, two articles about green finance and the role of development banks and the other two related with regional and urban development.

This issue starts with the article of José Luis Oreiro that aims to discuss the reasons for the chronically high policy interest rate in Brazil. It is argued that high policy interest rate is the cause not the consequence of Brazil´s fiscal unbalance ion the last 3 years. A high level for the policy interest rate is the result of many structural and institutional reasons. For the structural side Brazilian economy still present a high level of price indexation due to the unfinished stabilization made by Real Plan (1993-1994), which demands high levels for policy interest rate for inflation to converge to the target rate defined by the National Monetary Council. From the institutional side, the rigidity of the Institutional Arrangement of the Brazilian Inflation Targeting Regime, expressed in unrealistic targets for inflation and the use of headline inflation instead of core inflation in the definition of target inflation, creates a bias for Central Bank to increase interest rate even when the behaviour of actual inflation does not preset any consistent upward pressure as it is the case along the year of 2024. Both problems are well documented in the Brazilian literature about the issue, which make us to conclude that a rentier political coalition exist in Brazil that can block any serious political discussion about the required reforms for Brazil to have more moderate levels of interest rates. In Brazil interest rate doubles to attend the interest of the rentier class.

The second article of this issue, written by Mateus Ramalho Ribeiro da Fonseca and Elisângela Luzia de Araujo, analyses debt dynamics in MERCOSUR countries – Brazil, Argentina, Paraguay, and Uruguay – from 2000 to 2024. Over these nearly two and a half decades, two distinct trajectories were identified. The first, which extended until approximately 2010, was marked by improvement in fiscal indicators and public debt stabilization. This scenario was favoured by a beneficial external environment, characterized by the commodities price boom. During this phase, several countries implemented fiscal rules to discipline public spending and control debt trajectory.

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The second phase began around 2011 and was impacted by adverse global events such as the 2008/2009 financial crisis, the Eurozone crisis, armed conflicts, and the COVID-19 pandemic. These events resulted in a complex economic environment characterized by increased uncertainty, resurgent inflation, and rising interest rates, which hindered growth recovery and contributed to increased indebtedness in developing countries, including MERCOSUR members. During this phase, many fiscal rules were reformulated, especially to adapt to economic cycle conditions. The main research findings indicated that MERCOSUR countries lack more effective mechanisms to deal with recently aggravated cyclical fiscal challenges. Additionally, addressing the bloc's structural problems is relevant, both old and emerging ones, such as the climate crisis, which demands significant investments for mitigating and adapting to its effects.

The third article, written by Adalmir Antonio Marquetti, Alessandro Miebach and Henrique Morrone 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.

The fourth article, written by Kerssia Preda Kamenach, makes a review of the literature regional and urban development theories which highlights a temporal division starting from the 1970s, marked by economic crises and significant technological changes, such as the oil shocks and the emergence of microelectronics. In the 1990s, the focus shifted to local development and decentralized policies, influenced by capitalist globalization, European regional policy, and saturation problems in industrial districts. These changes were driven by new challenges imposed by the flexible production of multinationals, the need for strategic interaction between public and private sectors, and the urgency to address environmental issues and growing individualization. Regional development involves an effort by local societies in formulating regional policies, aiming to discuss issues that make the region the protagonist of its own development process. This approach highlights the importance of active participation by local communities in identifying their needs and potentialities. Thus, regional policies become tools to empower regions, promoting more inclusive and sustainable development. Collaboration among different local actors is essential to achieve these goals, ensuring that development is tailored to the specificities of each region. The article concludes that municipal management continues to play a vital role in inclusive and sustainable development. By articulating policies that address local specificities and fostering collaboration between public and private sectors, municipalities can be catalysts for development, driving the local economy and improving the well-being of the population. Thus, the analysis of regional development cannot be dissociated from the actions of local governments, whose capacity to adapt and implement policies is essential for the success of development strategies.

The fifth article, written by Felipe de Castro Vieira and Luiz Fernando de Paula This article aims to analyze the dynamics and characteristics of wind energy financing in Brazil, highlighting the role of its main actors and seeking to evaluate the hypothesis of the replacement of development banks (DBs) by the capital markets. They argue that the hypothesis of DB substitution, particularly BNDES, by the capital market is premature and fragile. The relationship between DBs and the capital market is complementary, as there are segments not adequately covered by the capital market, such as environmental infrastructure, wind energy activities, and SMEs. It is worth noting that DBs, particularly BNDES, can functionally promote the development of the capital market, as they are increasingly subscribing to debentures related to infrastructure.

The sixth article, written by Daniel Moura da Costa Teixeira, stated that the restoration of forest ecosystems is a pivotal strategy for addressing environmental challenges such as climate change, biodiversity loss, and land degradation while fostering socioeconomic development. This paper examines the financial and governance frameworks necessary to scale up restoration investments, emphasizing their role in achieving sustainable land use. By integrating a Post-Keynesian perspective, it highlights the challenges posed by uncertainties, high discount rates, and illiquidity in forest investments. The article explores mechanisms like blended finance to mobilize resources and overcome market failures, presenting a comprehensive analysis of financial instruments and policies. The findings underscore the importance of aligning ecological, economic, and social objectives to ensure the viability and scalability of forest restoration initiatives, with policy coordination emerging as a critical enabler.

The seventh and last article, written by Idoia Postigo, makes a broad analysis of the Metropolitan Region of Bilbao in Spain my means of a public and private cooperation that was coordinated by the Bilbao Metropoli 30 which is a non-profit public-private partnership, created in 1991, which reflects on the future of the metropolitan area of Bilbao. It currently has more than 140 public entities, companies, universities, technology and educational centres and associated social organizations that represent different sectors of the metropolis. Its fundamental task is to promote a shared long-term vision for Metropolitan Bilbao, initially made up of 30 municipalities (hence its name), but within the flexible framework of the metropolitan concept, given that it is an area without defined geographical limits. Likewise, its mission focuses on aligning the public and private efforts of its associated entities in the achievement of this vision, through the promotion of transformative projects. Bilbao Metropoli 30 was declared an entity of public utility by the Basque Government on 9 June 1992 and its work has been recognised as a priority activity by Provincial Law 10/2023 of Bizkaia.

Therefore, in a comprehensive way and with the collaboration of several leading researchers in their areas, we make public the Volume 4, Issue 2, of the Development Macroeconomics Bulletin, based on the main themes related to the objectives of the investigation of the Structuralist Development Macroeconomics Group (SDMRG).