IS BRAZIL REALLY “AN UNREFORMED LEVIATHAN”? 

In his new book, *Brazil: The Troubled Rise of a Global Power*, long-time *The Economist* writer Michael Reid picks out economic, social, and cultural threads from the past that still color the governance of Brazil today.

Anne Grant

Michael Reid, whose previous book was the 2007 *Forgotten Continent: The Battle for Latin America’s Soul*, lived in Brazil from 1996 to 1999 and still returns regularly from his base in Lima. As is clear from the numerous notes in *Brazil,* he also does his homework.

Reid sees the country’s roots, its achievements, its promise, and its contradictions. In Part I, which covers Brazil’s early history, for instance, he notes that in the nineteenth century “The biggest constraints on Brazil’s economic development remained the enormous difficulty and cost of transporting goods around the country.” And “Nor did the First Republic [1893] heed … warnings [of a reporter] of the need for popular education and social inclusion.” Brazil’s World War II economy, he says, was built on commodities; no attention was given to competitiveness.

Sound familiar? In fact, themes familiar to readers of *The Brazilian Economy* echo through the book. Throughout, too, Reid does not back off from giving credit or criticism where either is due. The result, at least for a non-Brazilian, is a much clearer sense of what Brazil is really like now—and why. In Brazil, for instance, street demonstrations like those so common in France are rare, which is why seeing so many people in the streets in June 2013 was such a shock to the Brazilian psyche. It was fascinating to learn that one of the rare few occurred in 1880, under Emperor Dom Pedro II—when the fare charged by trams in Rio de Janeiro prompted three days of rioting! Although, unlike 2013, the army eventually opened fire on protesters, the fare rise was cut immediately.

Anne Grant, an American lawyer, has been senior editor of *The Brazilian Economy* since its inception.

Reid does a particularly useful job of setting the context for what Brazil is going through today, before analyzing the current situation in detail. He points out that in the 1930s, in the first ascendance of Getulio Vargas, there was economic recovery but it was deficit-financed. The 1934 constitution was liberal, but it was ignored. He distinguishes Brazil’s military dictatorship (1964–85) from those elsewhere in South America because it maintained a “façade of democracy” and relative due process. And he explains what ultimately led to its undoing because of three sets of distortions that were “especially costly in the 1980s: (1) inflation, (2) currency overvaluation and Brazil’s persistent balance of payments problem, and (3) state interventions in the economy.

In Part II, The Making of Democratic Brazil, Reid begins by explaining the difficult launch of the New Republic: “Begun amid such hope, the New Republic delivered only disappointments,” and points out that when the coalition behind it fractured, “for better or for worse a potential opportunity for a radical rupture with the socio-economic patterns bequeathed by the dictatorship was lost.” He itemizes changes made by the 1988 constitution, though noting that “it confused constitutional principles with policy choices and sometimes involved an absurd level of detail.”

After describing the soap opera that was the Collor administration—“it was somehow characteristic of Brazil’s problems that the man who proclaimed it his mission to modernize his country (and in part did so) practiced the old patrimonial vice of blurring the public interest with private ones”—Reid dissects how the Real Plan conquered inflation and says of the election of Cardoso, “Brazil’s slow accident-prone transition to democracy finally seemed complete.” The litany of lost opportunities for structural reform that follows in the rest of the book explains why it only seemed that way.

The transition from Cardoso to Lula was encouraging. Lula in his 2002 Letter to the Brazilian people reassured them that “stability and control of the public accounts and of inflation are today the patrimony of all Brazilians,” and so it seemed throughout his first term. But, Reid says, “The reality was that the cycle of faster economic growth that had begun with the Real Plan had run its course.” In fact, in his second term Lula adopted “a somewhat more statist economic policy.” Rousseff intensified this. She and her administration accepted that “growth would have to come more from investment than consumption. But as a promised economic recovery failed to arrive in 2012, they seemed to panic.” After dissecting how things then went wrong, Reid commented, “In footballing terms, these policy mistakes were own goals. They offered Brazilians no lasting benefit.”

But Read recognizes that starting with Cardoso, income inequality fell for the first time since the 1960s, and “by guaranteeing that no Brazilian should starve, Bolsa Família (Family Grant Program) set a floor without which the notion of democratic citizenship would have been a mockery.” However, he does point out in what follows that “the new middle class” is middle class only in economic, not in social or cultural terms.
“The protests of June 2013 suggested that Brazil’s social transformation of the past two decades has generated much more demanding citizens.”

Reid makes trenchant comments on Petrobras as a vehicle for politics and about land ownership problems, but does note that “Brazil is an agricultural superpower thanks to sustained increases in productivity,” often with help from state-owned Embrapa, a research operation. He also is encouraged by the evidence of entrepreneurial success in a variety of areas. In this discussion he points out problems with the 1942 Labour Code, which was based on Mussolini’s, which now has 900 articles, noting it is “almost impossible to comply with the code in full.”

In Part III, Prospects, Reid looks at where Brazil has been (its history) and asks tough questions about where it might be going. For instance, in his thorough discussion of foreign policy, Reid simply asks, “What does Brazil really stand for, and what does it want?”

Chapter 13, An Unreformed Leviathan, relies on Reid’s habit of telling detail. “What marketers call social classes C, D, and E, who make up more than 80 percent of the population, spend an average of 3 to 4 hours a day on public transport, in many cases on crowded buses or suburban trains. No wonder they were angry about the fare rise.” But they were angry about other things as well. One demonstrator said, “Stop saying it’s about fares, it’s for a better Brazil.” Reid comments that “[Rousseff’s] initial response was to propose a Constituent Assembly—as if she had just woken up after falling asleep in 1984.”

In 2013, Reid notes, Brazil “boasted the world’s most fragmented system”—the 12-party Rouseff coalition administration brought total ministries up to 39, which adds up to many more senior patronage jobs and reflects “Brazil’s tradition of patronage politics going back to the monarchy.” He points out that “The constitution in the late 1980s decentralized revenue more than it did responsibilities …. The result was a horrendously expensive and inefficient arrangement.” He notes that “In giving something to the have-nots, Lula didn’t take away the privileges of the haves,” and ties some of his and Rousseff’s activities to those of “the corporate state of Vargas and Geisel.” In discussing corruption Reid lays bare the roots of “the voracious cupidity of a predatory class of professional politicians.”

Quoting Mario Henrique Simonsen, Reid sums up his theses by saying, “The great national debate is not between left and right, but between the modern and the archaic.” That remains true.” He continues, “Unless Brazil abandons its recent dalliance with a revival of the corporate state and returns to trying to create an effective regulatory one, it will not be able to meet the demands of its increasingly empowered citizens for more opportunities, better services, and a better quality of life.” Yet depressing though his analysis may be, he is not without hope. “The protests of June 2013 suggested that Brazil’s social transformation of the past two decades has generated much more demanding citizens. That was not before time.”