Routledge Handbook of Regionalism and Federalism

John Loughlin, John Kincaid, Wilfried Swenden

Brazil

Publication details
Celina Souza
Published online on: 13 May 2013

How to cite :- Celina Souza. 13 May 2013, Brazil from: Routledge Handbook of Regionalism and Federalism Routledge
Accessed on: 03 Nov 2022

PLEASE SCROLL DOWN FOR DOCUMENT

Full terms and conditions of use: https://www.routledgehandbooks.com/legal-notices/terms

This Document PDF may be used for research, teaching and private study purposes. Any substantial or systematic reproductions, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.
Case studies by region:
Latin America
Brazil

From ‘isolated’ federalism to hybridity

Celina Souza

Introduction

Brazilian federalism was shaped by political, economic and territorial cleavages and pacts throughout Brazil’s history. Variances in local-state-centre relations or in territorial politics over time show that Brazil has experienced a continuum of federal relations, moving from an ‘isolated’ federalism in the early republican days to centralization during two authoritarian regimes and finally to a more complex system that embodies features of both decentralization and centralization as a result of 1988 Constitution, which re-established democracy. The country has evolved from few links between levels of government soon after the end of the monarchy, to political, administrative and financial centralization during two authoritarian regimes, to a more liberal approach to the role of the state when democracy was restored in 1945, and finally to a complex combination of centralization and decentralization and participatory and representative democracy.

Despite these variances, Brazil has retained certain features across the centuries. Among them, two stand out. The first one is that with very few intermissions, the federal government has never stopped growing and leading economic and social changes. The second is that after each major political change, a new constitution was written up.

The creation of the Brazilian federation in 1891 resulted from the adoption of a republican regime after the breakdown of the constitutional monarchy established at the end of the Portuguese colonial rule. The federation, however, was born ‘isolated’ because there were few constitutional, economic and practical links between levels of government and regions. Economic isolation started to cease in the 1930s when Brazil launched its plan to build an urban-industrial society under the leadership of the federal executive to replace the production of agricultural goods. This plan was led by Getúlio Vargas under the auspices of a civilian dictatorship.

At the end of the Second World War, Brazil, as well as other Latin American countries, embarked on what became known as import substitution industrialization (ISI), an economic framework aimed at establishing and protecting local industries through various ways such as tariffs, import quotas, subsidized government loans and state-owned companies. This period marked the beginning of a political choice of making the state – namely, the federal government – the leading institution so as to steer the country’s economic and social development. This choice has been supported by different political regimes and maintained ever since. The ISI
strategy differed from the policy choices made for the reconstruction of European countries after the Second World War. The rebuilding of those economies involved varying mixtures of Keynesian, corporatist, social market and dirigiste principles and the construction of welfare regimes (Loughlin, 2009). ISI, and what became known as the developmental state, survived until the late 1980s when the country began to experience 15 years of political and economic turmoil, high external debt and uncontrollable inflation.

Vargas’s regime ended with the restoration of democracy and a new constitution enacted in 1946. This period can be seen as the foundation of Western-style democracy, with an effective separation of powers; free, fair and competitive elections; and political freedom. However, it also marked the beginning of inflation and of the later burden of high external debt. These two trends, coupled with a wave of social turmoil, led the way to a coup in 1964. Democracy, therefore, did not survive a major economic and political crisis; instead, a military coup placed Brazil in the wave of dictatorships that ruled Latin American countries during that time.

Until the early 1980s, policies enacted by the military successfully controlled inflation and furthered the ISI model. The regime also expanded the size of the state. Thus, close to the end of military rule, the federal government administered or was the major investor in more than 300 state-owned companies. Good economic performance was severely hit by the 1980 international crisis, an event that affected all Latin American countries. Unable to control inflation and maintain the high rates of economic growth of the first decade, and with no clear alternative to replace the ISI model, the military started to lose support.

The year 1985 marked the beginning of re-democratization; then, in 1988, a new constitution was approved fully restoring a democratic order. The drafting of the 1988 Constitution was coupled with enthusiasm and optimism about the country’s future. For 20 months, Congress and Brasília were the centre of Brazilian life, a visible exercise in democracy and political participation.

In 1989, Brazilians finally elected a president by popular vote, Fernando Collor de Melo. His short term was characterized by the impossibility of controlling inflation, several attempts to decrease the size and costs of the federal government, and Collor’s inability to administer a broad parliamentary coalition. Surrounded by allegations of corruption, Collor was impeached by Congress strictly following all the necessary constitutional procedures. The vice-president, Itamar Franco, governed for the remaining term, and in 1994 Fernando Henrique Cardoso was elected president. Since 1994, two political parties have regularly polarized presidential disputes – the PSDB (Brazilian Party of Social Democracy) and the PT (Workers’ Party) – whereas party competition is more fragmented in the states and municipalities.

Cardoso was affiliated with the PSDB. He administered a coalition of centre-right parties and was re-elected in 1998. Cardoso was followed by President Luiz Inácio Lula da Silva from the PT, who built a centre-left coalition and was also elected twice. Both presidents were successful in approving their agenda of reforms, many of which required constitutional amendments. Cardoso’s agenda targeted inflation control, the recovery of federal revenue, the opening up of Brazil’s economy, and the breakdown of the state monopoly of certain utility services, in line with the globalization agenda. Cardoso also implemented social policies, mainly conditional cash-transfer programmes, and built up the institutional and financial frameworks to provide universal access to health care and fundamental education. Cardoso’s term was also marked by attempts to decrease the size of the federal government in line with the New Public Management movement. Cardoso’s main legacy was control of Brazil’s resilient inflation, a commitment followed by his successor.

Under Lula, a former union leader, the country registered economic growth, which in turn was followed by job creation, expansion of credit and investments in infrastructure. Although Lula did not reverse any of Cardoso’s privatizations, he abandoned the objective of downsizing
the state and aggrandized the size and the costs of the federal government. Therefore, Cardoso’s choice for accomplishing certain aspects of the New Public Management wave was rapidly abandoned and the choice of all previous regimes to build a strong state leading economic and social change was back. Lula’s main legacy was to introduce a policy of social inclusion. This was new to Brazil, a country that rarely had been able to combine economic growth and social inclusion.

In 2010 Brazilians elected Dilma Rousseff from the PT, the country’s first female president. Rousseff was elected on a platform of continuity with the economic and social achievements of her predecessors. Rousseff vowed to eradicate extreme poverty and to keep the country on a sustainable development path.

Brazil is the world’s eighth wealthiest economy, with a gross domestic product (GDP) of around €1.4 trillion. In Latin America it is the largest country in area – 3.3 million square miles – and in population – 193.73 million. According to the 2010 Census, 54% of Brazilians declared themselves white, followed by mulatto (42.6%), black (6.9%), Oriental (0.5%) and indigenous people (0.3%). The great majority said they belong to the Roman Catholic Church. Unlike many polities, Brazilian federalism was never a response to deep social fissures along ethnic, linguistic and religious lines, and the country’s territorial integrity has never been seriously challenged by foreigners or threats of secession.

Despite the absence of threats to territorial integrity, Brazil is marked by high levels of territorial inequality. This inequality exists among regions, within regions and between municipalities. The most striking inequality is among Brazil’s five geographical regions. Solutions have not been found even after 50 years of regional development programmes and institutions attempting to decrease the socio-economic gap among regions. This inequality is illustrated by the fact that the north-east contains 28% of the country’s population but is responsible for 13% of its GDP, while the south-east, which represents 43% of the population, generates 57% of the country’s GDP. Social indicators amplify this inequality. These show the failures of traditional regional development policies based on financial incentives such as tax breaks to attract economic activities to less developed regions. Despite the efforts made by constitution’s drafters, including those in 1988, to decrease economic concentration through the distribution of taxes from better-off to worse-off regions, this distribution is not enough to address the country’s economic concentration in the south-east. As argued elsewhere (Souza, 2002), deep regional inequalities imply that the capabilities of sub-national governments to respond to the demands of their constituencies are highly uneven. As a result, it appeared to be rational to adopt policies led and partially financed by the federal government through general taxation.

Throughout the two last centuries and until the 1990s, Brazil has had a history of economic boom and bust. Its development has been hampered by high inflation, excessive indebtedness and disregard for social inclusion. It also has had a history of political turmoil and experienced two long periods of authoritarian rule. Nevertheless, federalism remained as the country’s territorial device, and the federal executive has always led social and economic changes. Brazil is now rated as an upper middle-income country, and in the last two decades, it has consolidated its macro-economic and political stability and has promoted economic reforms to enable it to be a more active player in the global market and in international political arenas as well as sponsoring social reforms not only to combat poverty and inequality but also to include large segments of society in the economy.

Reforms starting in the mid-1990s and ongoing sound macro-economic and social policies have resulted in more than 15 years of stability, growth, social gains, decreases in poverty levels and a gradual reduction in inequality. The country’s external macro-economic constraints have also been addressed, particularly the payment of International Monetary Fund (IMF) loans and
the sorting out of the country’s foreign debt, hence making it less vulnerable to external events. Furthermore, and also since the mid-1990s, Brazil has consolidated its democracy by considerably strengthening democratic institutions and check-and-balance mechanisms.

The trajectory briefly described above and further analysed below shows how territorial politics has evolved by moving between decentralization and centralization, democracy and authoritarianism, short periods of liberalism and long periods of state intervention, and few attempts to downsize government and the predominance of ‘Big Government’.

This chapter follows the avenues opened by Rhodes and Wright (1987: 2–3) to analyse territorial politics. They argue that understanding territorial politics requires a ‘return to history’ together with analyses of critical junctures. Brazil’s territorial institutional arrangements have been changed mainly through constitutional reforms enacted during critical junctures. Lately, however, these reforms were approved to adapt constitutional mandates to new economic and political contexts. These reforms have affected the federation in different ways, making it more complex and variegated, a trend found in all federations as acknowledged by different scholars on federalism. The chapter also attempts to contribute to the further development of Loughlin’s (2009) concept of the ‘hybrid state’ by adding a Latin American perspective in which the development of the state and of macro-economic and social policies as well as their political experiences somehow differ from the path followed by Western European countries and by the United States and Canada.

### Evolution of the political and social system since 1945

#### Constitutional reforms

Brazil is under the aegis of its seventh constitution, drafted between 1987 and 1988 as a result of the country’s return to democracy after almost 20 years of military rule. Brazil has had a variety of federal arrangements and has experienced periods of authoritarianism and democracy, all expressed in the country’s constitutions. Each constitution was subjected to numerous reforms, as Table 32.1 shows.

Constitutions ruling ‘modern’ Brazil started in 1946. The 1946 Constitution was a result of the country’s return to democracy after the end of Vargas’s authoritarian regime and the reintroduction of democracy.

<table>
<thead>
<tr>
<th>Year of enactment</th>
<th>End</th>
<th>Time length (years)</th>
<th>Number of amendments</th>
<th>Amendment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1891</td>
<td>1930</td>
<td>40</td>
<td>1</td>
<td>0.025</td>
</tr>
<tr>
<td>1934</td>
<td>1937</td>
<td>3</td>
<td>1</td>
<td>0.333</td>
</tr>
<tr>
<td>1937</td>
<td>1945</td>
<td>8</td>
<td>21</td>
<td>2.625</td>
</tr>
<tr>
<td>1946</td>
<td>1967</td>
<td>21</td>
<td>27</td>
<td>1.285</td>
</tr>
<tr>
<td>1967</td>
<td>1969</td>
<td>2</td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td>1969</td>
<td>1988</td>
<td>19</td>
<td>26</td>
<td>1.368</td>
</tr>
<tr>
<td>1988</td>
<td>24</td>
<td>76</td>
<td></td>
<td>3.166</td>
</tr>
</tbody>
</table>

*Source: Author’s own calculation*

**Notes:**

1. Amendment rate is an index proposed by Lutz, 1994, and is the result of the division of the total number of amendments by the constitution’s age in years.

2. Some do not list a long amendment enacted in 1969 to the 1967 Constitution as a new constitution. Others, however, do consider it a new constitution given not only the long length of the amendment but also because the amendment itself was subjected to further reforms.
of popular voting. Its drafting was influenced by liberal ideals that did not last long, given the need for rapid economic growth under the aegis of the federal government. The 1946 Constitution was Brazil’s second long-lasting constitution. Its measures and the democratic regime it regulated survived several political crises: the resignation of President Jânio da Silva Quadros in 1961 and the ascension of Quadros’s vice-president, João Goulart, despite the hostility of the military and entrepreneurs given Goulart’s support from labour unions and the Communist Party. Consistent with its liberal approach, the 1946 Constitution was the first and only one, with the exception of the 1891 Constitution, in which only principles, rules and rights were set up in the constitution. All other constitutions, including the current one, regulate public policies and define government functions along with the definition of principles, rules and rights.

When the military took over in 1964, it did not issue a new constitution until 1967; then, in 1969, it was again changed through a constitutional amendment. The 1967–69 constitutions centralized political power and public finance. Competitive elections were forbidden for federal and state executive positions and for mayors of state capitals and municipalities considered ‘national security areas’ or ‘mineral sites’.

By the end of the 1970s, the lack of popular and political support for the military regime became apparent due to the slowdown of the economy. The military allowed direct elections for state governors in 1982 and tried to pacify local elites by gradually increasing federal transfers to municipal governments.

Re-democratization, which started in 1985, was understood as implying political, fiscal and administrative decentralization, along with the idea that a democratic state should provide universal access to social services. All these demands received special treatment in the constitution, and access to several social services were ruled as citizens’ social rights. The 1988 Constitution also determined the principles guiding the design and implementation of social policies: universal access, decentralization and community participation. These principles were regulated by constitutional amendments that instituted a combination of centralization and decentralization for social services: taxes from the three levels of government were earmarked for their provision, guidelines and further regulation remained under the jurisdiction of the federal executive and Congress, the overseeing of policy execution was granted to community councils, and policy implementation was transferred to sub-national spheres, mainly to local governments.

More than any other previous constitution, the 1988 drafters opted for the constitutionalization of policies and government functions rather than allowing issues to be subject to ordinary legislation (i.e. legislation requiring a simple majority, or even merely administrative acts). The constitutionalization of policies and government functions, however, is not uncommon in countries that have recently re-democratized or rewritten their constitutions. The trend to increase constitutionalization is a strong indicator of the view of Brazilian constitution makers of all times that constitutions should not only regulate principles and rights but also become a code.

As a way to overcome the high level of constitutionalization, the 1988 drafters made the rules for amendments relatively easy to fulfil as compared to other countries and even to the constitution issued by the military: 60% in two roll-call votes in which the House and the Senate vote separately. Rules for constitutional amendments are important because a better understanding of the constitutional reform process requires not only the calculation of its amendment rate, an indicator that the original constitution presents few obstacles for change, but also a measure of the difficulty index for changing the constitution. If one applies Lutz’s (1994) method for measuring the difficulty index, a task undertook by Melo (2007) for Latin American countries, the 1988 Constitution registers the third easiest index among 18 countries – 1.25 – compared to Uruguay’s 4.5, the strictest amendment rule. This means that the framers ‘untied the hands’ of future legislators and presidents, probably because the framers were uncertain about some issues,
given that the constitution was approved before the end of the transition to democracy and was written during a time of economic and political instability. By facilitating the rules for constitutional amendments, the framers allowed for the Constitution’s adaptation to a new macro-economic context and to the democratic stability achieved in the mid-1990s. Easy amendment rules, coupled with changes in the political and economic contexts, is the most important institutional variable for explaining the high amendment rate of the 1988 Constitution.3

The 1988 constitution makers opted for two methods for its review: legislative revision and amendments. The former, which was determined by the constitution itself to occur in 1994, allowed for revision of the entire constitution, but only six changes were approved despite the easier method of absolute majority in two rounds of roll-call voting in which both the Senate and the House voted in unicameral sessions. The second method – amendments – requires a qualified majority. Through the latter method, 70 amendments were approved between 1992 and June 2012. The great majority of the amendments, however, were destined to adjust constitutional mandates to a new macro-economic milieu and later to put into practice constitutionalized social rights, mainly health care and fundamental education.

One of the decisions taken by the 1988 constitution makers was to increase the exclusive capacity of the Union to legislate, thus delegating future legislators’ and presidents’ decisions on policy preferences as well on whether and when to put into force social rights introduced by the Constitution. By easing the revision rules and by expanding the capacity of the federal executive to propose the regulation of constitutional mandates, the framers allowed the redesign of the tax and of the property rights models initially adopted as well as to turn certain constitutionalized social rights into policies and actions.

As argued elsewhere (Souza, 1997, 2001, 2005), the 1988 constitution makers focused their efforts on setting up rules destined to legitimize the renewed democratic regime, whereas rules governing macro-economic and social issues reflected the uncertainties of that critical juncture. Changing these rules, however, became central in the mid-1990s. Amendments enacted thereafter were crucial for adapting Brazil to domestic and international changes.

**Institutional reforms**

Since the military regime, there has been a wave of institutional reforms affecting territorial politics. Reforms enacted during authoritarian regimes were destined to weaken democratic institutions and sub-national unities and polities. The main military reform changing the rules of the territorial political game was to prohibit direct elections to the federal and state executives and to around 200 municipalities. Unlike during Vargas’s regime, state governors were not appointed by the president but rather by the state legislature. Another reform affecting territory was the merging of two states – Rio de Janeiro and Guanabara. The military regime also limited the creation of new municipalities imposing rules that were almost impossible to fulfil.

With re-democratization in the 1980s, popular elections were reintroduced at all levels of government, starting with state governors. The new constitution of 1988 changed the country’s territorial division by creating three new states and also transferred to the states the rules for instituting new municipalities. Later, the creation of new municipalities was so overwhelming and seen as a threat to fiscal control that the federal executive managed to approve, in 1997, a constitutional amendment with restrictive rules. However, territorial boundaries remain a matter of dissatisfaction and several proposals for the creation of new states are currently discussed in Congress.

Despite the existence of high regional inequality, Brazil has never adopted any sort of regional government. Administrative structures linked to the federal government have been created,
abolished and recreated to administer funds and incentives to attract private investments to the three poorest regions, but regional gaps remain. In the same vein, there has never been a distinction between cities and towns of different sizes. Large cities and small towns share the same powers laid down in the constitution.

**Fiscal reforms**

The current design of Brazil’s fiscal system is a result of the legacies of three different political and economic periods in the country’s recent history. The first legacy comes from the military regime, when financial centralization was the main characteristic of the tax system and when the trend to raise taxes started. Public revenue increased from 17% of GDP in 1960 to 26% in 1980; the federal government’s revenue increased from 10.4% of GDP in 1960 to 17% in 1980; the states’ revenue decreased from 5.9% of GDP in 1960 to 5.5% in 1980, whereas the municipalities increased their revenue from 1.1% of GDP to 2.1% during the same period. Increasing federal and local taxes vis-à-vis state revenues has become a trend ever since. The military regime also deepened the previous system of intergovernmental transfers aimed at addressing regional inequality. The federation has used such transfers since its early years. As a result, regional economic disparity decreased slightly. This decrease can be attributed neither to centralization of public resources nor to authoritarianism alone, but rather to good economic performance during more than a decade of economic growth rates of almost 10% a year and to the military’s support of less developed regions.

The second legacy comes from the 1988 Constitution. This charter made profound changes in the fiscal system, mainly by increasing resources for sub-national units vis-à-vis the federal government and by earmarking several federal taxes to specific policy areas. The rates and rules of many taxes, including state and municipal taxes, are determined either by the Constitution or by federal legislation.

The 1988 Constitution expanded the already complex mechanism for intergovernmental revenue transfers introduced by the military. Revenues from two federal taxes are shared through funds established for this purpose. The states receive 21.5% of these tax revenues, 85% going to the north, north-east and centre-west regions and the remaining 15% to the south and south-east regions – Brazil’s two economically better-off regions. Municipalities receive 22.5%. Rates and formulas for distribution are stipulated in the Constitution. These formulas, however, do not compare to the extensive systems of equalization payments found in Canada and Switzerland, for example. Financially better-off states and municipalities benefited from new taxes transferred from the federal to the sub-national purses. One important feature regarding the tax system in that period was that the decision to increase sub-national resources was not made by government administrators but by constitution makers, thereby politicizing the tax system and requiring further reforms to be approved by constitutional amendments.

The third legacy began with the launching of the 1994 stabilization plan, which tamed Brazil’s hitherto unstoppable inflation. Following the plan, a fiscal adjustment programme became a priority, and constitutional amendments were passed to take the country in a new economic direction. Constitutional revisions also decreased the loss of federal revenue by creating new taxes, increasing tax rates and reducing sub-national taxes. Later, when economic stabilization was achieved, new revisions began to recover more local than state revenues. The trajectory of the distribution of financial resources between the three levels of government is shown in Table 32.2. The table also shows that after the enactment of the 1988 Constitution, taxes never stopped rising, reaching close to 35% of GDP in 2010, only a little less than the average of Organization for Economic Co-operation and Development (OECD) countries.
Also as a result of the 1994 stabilization plan, the federal government was able to control what was then seen as one of the most important pillars of fiscal stabilization: the expenditures of the states and the renegotiation of their debts, given that they were the largest debtors, moving from 15% of the public sector’s debt in 1989 to 42% in 1997. The federal effort to control sub-national debt and expenditure was not easy. Several attempts have been made by the federal government to sort out the indebtedness of the states (Souza, 1996). However, agreements between the federal and the state governments were systematically evaded by the states, one of the reasons being that they knew the federal government would bail them out because of the impact of the states’ debt on public finance as a whole. Between 1997 and 1999 and following the success of the stabilization plan, the federal government managed to change the terms of the agreements, introducing mechanisms authorizing it to retain a share of the states’ revenue whenever the state did not fulfil its obligations. Another important change was a programme launched by the federal government creating incentives for the states to privatize their commercial banks and their electricity companies.

The new agreements signed between the states and the federal government implied that the states’ debt was transferred to the federal government. Sub-national governments are to pay their debt back in 30 years and with a minimum interest rate of 6% per year. Debt payment, however, is updated through a pool of indices established to measure the performance of the economy. At the time of the agreements, the negotiation of the indices was seen as favourable to all parties involved. However, after 2007, one factor in the index – the price of commodities – started to rise highly and continuously, making debt payment a serious burden for the states.

The agreements between the federal government and the states also determined a ceiling for the commitment of the states’ net revenue to debt payment and prohibited borrowing while the state’s debt was higher than its real net revenue. The federal treasury is responsible for following up on the agreements, and treasury officials are allowed to make regular visits to the states to check their accounts, following the IMF model.

Finally, in 2000, a Fiscal Responsibility Law inspired by New Zealand’s experience was approved, coupled with a law imposing criminal and administrative charges on public-sector financial managers if they do not meet the requirements of the fiscal responsibility law. These laws pull together and strengthen many existing limits on spending and add some new ones. They impose limits on public-sector debt and expenditure on payroll and prohibit the bailing out by the federal government of new debts contracted by sub-national governments.

This section has shown that from an historical perspective, the states have declined in fiscal importance vis-à-vis other levels of government, despite collecting the highest tax in absolute terms, a type of value added tax, which, unlike in many federations, is under the states’ jurisdiction. It has also shown that the states have become the weakest link of the federal fiscal chain.

Table 32.2 Financial revenue by level of government, including intergovernmental transfers, 1960/2010 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal</th>
<th>State</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As a % of GDP</td>
<td>As a % of total revenue</td>
<td>As a % of GDP</td>
</tr>
<tr>
<td>1960</td>
<td>10.37</td>
<td>59.44</td>
<td>5.94</td>
</tr>
<tr>
<td>1980</td>
<td>16.71</td>
<td>68.16</td>
<td>5.70</td>
</tr>
<tr>
<td>1988</td>
<td>13.48</td>
<td>60.09</td>
<td>5.97</td>
</tr>
<tr>
<td>2006</td>
<td>20.37</td>
<td>57.20</td>
<td>8.66</td>
</tr>
<tr>
<td>2010</td>
<td>20.04</td>
<td>57.10</td>
<td>8.66</td>
</tr>
</tbody>
</table>

Source: Adapted from several databases compiled by Afonso, 2011
Welfare state and policy reform

Attempts to introduce some welfare measures started during Vargas’s term, when minimum wage and several workers’ rights were approved in the two constitutions endorsed by his regime. The social regime introduced by Vargas in which only those who had formal jobs were entitled to retirement benefits and access to health care remained basically the same from 1930 until 1990, when unemployment insurance was created. Access to fundamental education had been granted to all citizens by previous constitutions but low investments never made this right materially possible.

Since 1994, a wave of constitutional reforms made possible the control of 15 years of high rates of inflation, hence creating the grounds for the beginning of policies to address the country’s high levels of poverty and income inequality and to expand the access of the poor to basic social services.

The wave of social reforms, all led by the federal executive and enacted through constitutional amendments, was quite impressive. These reforms shaped a brand new way of implementing social policies and introduced a combination of centralization and decentralization that now characterizes Brazilian federalism in terms of social services. This is because social policies have been reformed by federal initiative, are implemented mainly by local governments, and are financed by the three levels of government through the earmarking of their revenue. This is mainly the case for health care and fundamental education.

Reduction in poverty levels and a small decrease in social inequality are also results of several federal policies that increased the number of people entitled to non-contributive pensions (i.e. the elderly, disabled and rural workers) and raised the minimum wage much above the rate of inflation. A conditional cash-transfer programme, known as Bolsa Família, which now reaches around 12 million families, is financed by the federal government while local officials are in charge of the register.

Although all sorts of financial and administrative constraints affect the quality of its provision, fundamental education is close to universal access, and the poor now have free access to health care. The number of poor also decreased substantially over the last two decades. In 1990, poor families reached 42% of the population; in 2009, they reached 21%. Those living in extreme poverty decreased from 20% to 7% in the same period. As for income inequality, although still very high by international standards, it has been declining steadily over the last 20 years. Excluding the costs of social benefits, public spending on social policies represents today 9.8% of GDP, a percentage above the average of countries in a similar development position.

In summary, recent changes in social indicators cannot be attributed to economic growth alone but rather to the expansion of the scope of social policies and of social expenditure aimed at social inclusion and not only at poverty alleviation.

Electoral reforms

Different from all other issues discussed above, Brazil has had little electoral reform, except during the country’s two authoritarian regimes, when the electorate was excluded from selecting representatives for several executive positions. Voting has always been mandatory and the system of open-list proportional representation has survived since the 1930s, despite constant debate on its pros and cons.

The first major reform occurred in 1932 and 1934 during Vargas’s regime, granting women the right to vote. As is likely to happen at the end of authoritarian regimes, the 1988 Constitution banned previous restrictions on the right to vote, including for the less literate. The Constitution also introduced two rounds of voting for the federal and the state executive and for mayors governing municipalities with over 200,000 inhabitants if no candidate achieves a majority. The number of parliamentarians by state in the House of Representatives was also increased.
A major reform was attempted in 1993, when a plebiscite was called, following a constitutional provision, for the electorate to decide on the form of government (republic or constitutional monarchy) and the system of government (parliamentary or presidential). The electorate, however, voted to keep the system as it had always been since the republic. A constitutional amendment approved in 1997 allowed for one re-election for those occupying executive positions. Electronic ballots were introduced in 1996. These had two main consequences: a decrease of electoral fraud and an increase of voting by less illiterate voters.

**Political parties**

Brazil has had political parties for more than 160 years, and may have had more than 200 parties throughout the centuries. Their trajectories have been marked by all kinds of turmoil, from regime change to merger between parties of similar ideological views. Banned during Vargas’s regime, parties were allowed back only in 1945. When the 1964 military regime came to power, all parties were proscribed, and only two new ones were allowed to function. When the military started to lose support, the regime loosened the rules restricting the creation of new political parties. Since then, the number of parties has not ceased to increase. In 2011 there were 27 registered parties. This number makes the party system highly fragmented, and at the federal level no party is capable of governing without a broad coalition. Nevertheless, this fragmentation has not prevented the federal executive from enacting its agenda, as shown, for example, by the high number of constitutional amendments approved during the last two decades.

Since the adoption of the republic system, parties have always endorsed federalism and decentralization. As a matter of fact, whenever democracy was restored, it was associated with decentralization, as it happened in 1946 and 1988. Nevertheless, decentralization has historically favoured local rather than state governments.

**Hybrid or not?**

The concept of the hybrid state was advanced by Loughlin (2009) to investigate the co-existence of apparently contradictory policies and institutions in Western European countries in recent years. Loughlin found traces of traditional social or Christian-democratic forms of welfare-state policies and provisions and of new neo-liberal features; of representative and participatory democracy; of national and regional/local democracy; of traditional, top-down command models sitting alongside new, bottom-up market-type models; and of social democratic approaches alongside market-oriented approaches. Furthering Loughlin’s contribution, the editors of this volume have proposed some indicators to discuss whether there are common grounds in other regions of the world for sustaining the argument that countries are now experiencing a system in which federal and unitary features and neo-liberal and state policies and provisions operate simultaneously, hence characterizing a hybrid state.

The inclusion in this collection of case studies of three Latin American federal countries – Argentina, Brazil and Venezuela – adds a different perspective to the concept of hybrid state. This section analyses the Brazilian case vis-à-vis the concept of hybrid state and discusses the indicators proposed by the editors of this volume.

Starting with Loughlin’s (2009) list of characteristics of a hybrid state, the descriptions above show that Brazil was a laggard, including among its Latin American neighbours, in adopting welfare-state policies and provisions to combat the country’s outrageous records of poverty, income inequality and limited access to health care and fundamental education, even if it had, since the 1930s, protected citizens who had formal jobs. When social reforms were implemented in the 1990s, neo-liberalism was not seen as an alternative.
The co-existence of representative and participatory democracy became one of the most praised features of Brazil’s restored democracy. It started in the 1980s as a way of putting pressure on the financial and political centralization of the military regime in the few localities administered by parties from the opposition. It was deepened by the PT when the party started to win elections in state capitals through what became known as participatory budgeting. Furthermore, the 1988 Constitution ruled that one of the principles guiding the implementation of social policy was community participation. The constitution of community councils is required either by federal legislation or by multilateral organizations when they finance a given programme. The role of community councillors is to take decisions about resource allocation and mainly to control the use of resources. A different council is required for each social policy area. There are councils for health, fundamental education, employment, welfare services, rural development, environment, urban management, drugs and poverty alleviation. There are also councils for the rights of children and adolescents, blacks, women, disabled people and the elderly.

If in Brazil one may find a few traces of Loughlin’s hybrid state, one cannot identify a trend towards the co-existence of neo-liberal and market-oriented policies with state service provision. The same applies to the New Public Management recipe of slimming down the government or retrenching social spending. Instead, taxation and government services have increased steadily. State intervention and the robustness of the federal executive and of the federal public administration have characterized the country since the 1930s. Attempts to reverse this trajectory succeeded only during Cardoso’s term when public utilities and state commercial banks were privatized in the name of fiscal adjustment and inflation control. Federally owned commercial banks and large state companies such as the oil industry have remained under the control of the federal administration. This shows that Brazil and many Latin American countries are only now getting close to the Western European welfare and taxation models adopted between the 1950s and the 1970s.

Unlike countries such as the UK, Italy and Spain, there has never been any experiment with regionalized political structures, despite the existence since the 1950s of administrative and financial structures administered by the federal government as an attempt to decrease the economic and social gaps among Brazil’s five geographic regions.

Radical change on the way territorial power was distributed happened only once, in 1889, when a previous unitary and constitutional parliamentary monarchy was replaced by the republic and the federal systems. This does not mean, however, that profound changes have not occurred throughout the centuries. This was particularly true during Brazil’s two periods of authoritarian rule, when sub-national institutions and polities had little say in the political game.

The balance between centralization and decentralization is more nuanced. Brazil’s two authoritarian regimes centralized fiscal resources and restricted electoral and political participation. Whenever democracy was restored, political, financial and administrative decentralization followed. Since the 1988 Constitution and its further amendments, it is difficult to describe Brazil’s federation as either centralized or decentralized. This is because most policies are designed by the federal government and implemented mainly by local governments. Sub-national freedom to introduce legislation is limited, a freedom also restricted by interpretations of the Supreme Court. Few constitutional powers are allocated to the states and municipalities, and the Union holds the capacity to propose legislation on crucial policies. Furthermore, by federal initiative, a share of sub-national revenue is earmarked for the provision of social services. The states have gradually decreased their resources vis-à-vis the federal and the local spheres, and the payment of their debt to the federal government has become a constraint on their capacity to take advantage of the current good economic performance of the economy. However, the states have systematically blocked attempts by the federal government to review the current tax system, which is considered too complex and penalizes certain segments of society and businesses more than
others. At the same time, state and municipal governments now enjoy considerable political and administrative autonomy and also responsibility for policy implementation, while municipalities administer a share of public resources they never enjoyed before. This is why, as argued elsewhere (Souza, 1997, 2002), it is reasonable to argue that Brazil has several, although unequal, power centres competing among themselves, and since the last return to democracy, the country has become a centre-constraining federation in comparison to the regime that ruled from 1964 to 1985.

As discussed above, today’s decentralization has much more to do with municipalization alone. Furthermore, authoritarian regimes have always been suspicious of state-level politicians. Vargas, for instance, publicly burned the state flags, and the regime of 1964 decreased state revenue more than local revenues. Despite the fact that state governors were seen as one of the most important guarantors of the restoration of democracy, given their active role in mobilizing popular support calling for the direct election of the president and because they were elected by popular vote before the president and many mayors, constitution makers became more committed to local rather than to state demands for upgrading their revenue (Souza, 1997). This trend has been kept to this day.

Changes promoted by the 1988 Constitution and its amendments had two major impacts. First, they succeeded in decreasing poverty and income inequality and in expanding access to health care and fundamental education. Furthermore, they had a positive impact on positioning Brazil as a player in the global economy through the accomplishment of the globalization agenda; that is, inflation is under control, the economy is growing and, as it is now happening with the so-called emerging economies, Brazil have not been severely affected by the current financial crisis. Second, improving fiscal performance and the state provision of social services meant not only that taxes have been raised constantly but that the size and the costs of the public sector have increased as well. In the federal government, for instance, more than 200,000 new jobs were created between 2001 and 2010. The federal and local governments increased their public-sector workforce by 10% whereas the states decreased the percentage of their employees from 50% to 35% of the total number of public employees. Although the size of Brazil’s public sector is small compared to the average of OECD countries and even to other countries on the continent such as Argentina and Chile, an assessment by the OECD of Brazil’s public sector shows that its cost, at 12% of GDP, is above the average of OECD countries.

In summary, the changes analysed above have had impacts on several dimensions of society and the economy, but if Brazil has followed the global macro-economic agenda and has furthered mechanisms of participatory democracy, it definitely has not followed the trend to downsize the government, reduce state intervention and decrease taxation.

Both external and internal factors have driven these changes. The adjustment to the globalization recipe was part of President Cardoso’s agenda to make Brazil a global player, whereas strengthening state intervention and addressing Brazil’s social constraints were President Lula’s main electoral commitments. However, the main drive was regime change, from authoritarianism to democracy, followed by the writing up of a new constitution and by the constitution framers’ decisions to create easy amendment rules.

While there have been attempts to adopt parts of the neo-liberal agenda through certain privatizations, privatization and other market-oriented policies were not as comprehensive as those found in Western Europe in recent years, although the co-existence of participatory and representative democracy adds some traces of hybridism to the Brazilian state.

Conclusions

This chapter has discussed from the perspective of territorial politics the evolution and the reforms of the Brazilian state and of its federal, social and fiscal systems, in particular the changes made
after the return to democracy and the enactment of the 1988 Constitution. Despite the existence of many changes in the political, economic and social frameworks throughout the centuries, Brazil has been marked by the following main characteristics: the leading role of the federal government in promoting social and economic changes; the enactment of new constitutions as a result of critical junctures (i.e. whenever an authoritarian or a democratic regime was installed); and several constitutional reforms to adjust rules, procedures and policies to political and economic changes. The leading role of the federal government in promoting economic and social change started in the 1930s, and taxation has never stopped increasing.

Since 1994, a wave of constitutional reforms has deeply changed the country’s economic and social milieux. Furthermore, and also after 1994, Brazil has consolidated its macro-economic and political stability and introduced reforms to enable it to be a more active player in the international political and economic arenas. Social reforms, many approved by constitutional amendments, have finally made possible a significant decrease in poverty and a slight decrease in income inequality. These reforms have also allowed universal access to health care and fundamental education. Recent social changes now place Brazil close to what was achieved by Western European nation-states between the 1950s and 1970s.

Fiscal and social reforms after the 1990s have empowered federal and local governments more than any previous constitution or regime, whereas the states have been losing financial resources and implementation capacity, in particular after the approval of constitutional reforms and of the implementation of a policy of tight fiscal control at all levels of government, which was also piloted by the federal government.

Because Brazil and many Latin American countries have been late to join the group of fully democratic nations and the model of state social provision, few traces of a hybrid state can be found, except for the co-existence of several participatory mechanisms with representative political institutions. Privatizations of the mid-1990s have not continued, and the role, size and cost of the federal and local governments have increased.

Central political institutions and sub-central political organizations and government bodies, to use Rhodes and Wright’s (1987) terminology for defining territorial politics, are now more intertwined, a pattern also found in other federal countries but not many traces of a hybrid state have been advanced by politicians and policy makers.

As is likely to happen in countries that have started to address their social and macro-economic historical weaknesses during the aegis of globalization, sustaining social and economic gains depends on several variables, including the global environment. If the current economic international crisis continues, Brazil will not be isolated from its effects and social achievements could slow down, but if one believes that institutions matter, social and macro-economic policies are governed by well-established institutions and these policies enjoy wide political and societal support. Furthermore, there is no sign of discontent that may affect democracy and its institutions. In other words, the path of social and economic improvements may slow down but there is no reason to believe that the country will go back to its past trajectory of high inflation, outrageous poverty and inequality, and authoritarianism.

Notes

1 For a detailed analysis of these constitutions in English, see Souza (2002).
2 For descriptions and analyses of the constitutional characteristics of federal countries, see Kincaid and Tarr (2005).
3 There is recognition that empirical work on the effects of amendment procedures is relatively recent and still under-investigated (Ferejohn, 1997; Rasch and Congleton, 2006).
4 Six taxes previously under federal jurisdiction were transferred to the states’ value added tax.
5 For the debate about the impact of federalism on welfare state development, see Obinger et al. (2005).
6 In April 2011, 23.4% of Brazilians had private health insurance.
7 Brazil has always had a presidential system, except for during 14 months between 1961 and 1963 as an attempt to overcome political and social discontents when President Goulart was invested. Changing the system, however, was not enough to accommodate powerful resistances which resulted in the 1964 military coup.
8 There are several studies analysing this experience. In English see, among others, Abers (2000), Nylen (2000), Santos (1998), Souza (2001), and Wampler (2000).
9 The remainder of this section discusses the indicators proposed by the editors.
10 Many studies have discussed the path of Brazil’s recent decentralization, including in comparison to other Latin American countries. See, among others, Falleti (2005).

References