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## National Planning in Brazil: An Historical Perspective

David J. Edelman<sup>1</sup>, David J. Allor<sup>2</sup>

<sup>1</sup> University of Cincinnati, USA

<sup>2</sup> University of Cincinnati, USA

### Abstract

This paper explores the evolution of national planning in Brazil over the last ninety years. Whereas the initial import-substitution industrialization in the country focused too narrowly upon specific sites, later export-led industrialization has attended only to the global market. The former was more attentive to the immediate environment, while the latter is becoming more attentive to the world. However, the conceptualization of national planning processes must simultaneously recognize the dynamics of the economy at community, regional, national, continental, and global scales. After nearly nine full decades of promoting the positivistic search for political order and the dream of economic progress, the institutionalized national planning process of Brazil has evolved. That evolution is summarized here.

**Keywords:** National planning, national development, development planning, Brazil, South America

### 1. PLANNING FOR NATIONAL DEVELOPMENT

For Brazil, the notion of national development has a long tradition, one stretching back into the last decades of the colony, then forward through constitutional empire, constitutional republic, dictatorial regime, unstable democracy, military hegemony and restoration of civilian rule. In the third decade of the republic, economic and political forces at both national and international levels promoted the institutionalization of planning as an essential function of the central bureaucracy. Over the next six decades, the goals, processes, and structure of national planning were altered, but the notion that centralized planning assured both the security and well-being of the nation remained intact. State-directed national development held a dual focus: national security and economic progress, which justified intervention into the national economy (Machado 1972, 143-4).

### 2. PARADOXICAL IMAGES: THE NEW BRAZIL AND THE OLD REPUBLIC

The New Brazil is the title given to that exuberant period stretching from the Golden Law (1888) and the overthrow of the monarchy (1889 to 1922). Thereafter the Old Republic endured rebellion and collapsed in 1930. With the departure of the emperor, Brazil installed the aging but popular Marechal Deodoro da Fonseca as its first president and then adopted the Constitution of 1891. Under that constitution, there were three branches of government:

administrative, legislative and judicial. A qualified dedication to republicanism projected an uneasy tranquility while masking the underlying political divisions.

At one extreme end, there was a small group of Positivists who favored a “scientific dictatorship” with the trappings of a republic. However, a much larger body of less doctrinaire Republicans supported a democratic, federal republic. Diverse elements composed that larger group: the historic republicans who had faithfully pursued their goal since 1870, the ardent radicals, the young quasi-Positivist army officers inspired by Benjamin Constant, and the senior officers who, for reasons of their own, adopted republicanism at the last minute. Such diversity inhibited the effectiveness of the Republicans and strengthened the hand of the more cohesive military (Burns 1980, 287).

Thereafter, the fourth power of the antecedent constitution, the *poder moderador*, was co-opted by the military in one of three manners: as a true moderating force among the divergent republicans, as an intervening force over the central administration or as military hegemony absorbing administrative, legislative and judicial powers.

For the senior military, the national economy was still seen as a derivative of agriculture: coffee, cattle and rubber. The creation of the New Republic did not displace the *fazenda* as the pivotal economic institution. The early decades of twentieth century Brazil revealed a political order of *café com leite*, where the presidency of the nation rotated between the coffee-based oligopoly of São Paulo and the cattle-based oligopoly of Minas Gerais (Correia de Andrade 1982, 140-1). Coffee was the dominant but unstable export. Rubber production increased, first, because of the invention of the automobile, then, as consequence of the mechanization of warfare in World War I. The Great War exposed the Brazilian economy to the power of industrialization and, conversely, to the vulnerability of non-industrialization. Although in the trappings of republicanism, the rural oligopolies clung to their traditional policy of agricultural export. Their underlying conservatism cost them their claim to a New Brazil; they were passing into history as part of the Old Republic. The claim to newness was slowly but painfully seized by the junior military, urban mercantilists and the small but growing urban working class. These groups saw the republic as the instrument of order, industrialization as the instrument of progress. The mentality of a younger generation struggled for recognition.

### **3. GLOBAL POLITICAL TURMOIL AND ECONOMIC DEPRESSION**

Whatever the hopes for the settlement of World War I, the decades which followed were marked by both global political turmoil and global economic depression (Ianni 1971, 43). Brazil was witness to, and later setting for, the emergent ideological struggles between communism and fascism. Communism was seen as the more serious threat as it attacked the four pillars of Brazilian society. The first was private property, whether as rural *fazenda*, or as modern industrial enterprise. The second was faith. While a Roman Catholic nation, it had a long tradition of religious tolerance, but that tolerance did not extend to atheism. Third was family. Collectivization was abhorrent to a kinship-based culture. Fourth, and finally, communism was seen as an international conspiracy, undermining national sovereignty. The fascists seized upon the emotive power of these same concepts. Brazilian adherents of fascism

adopted the motto, “God, Country, and Family”, to impel authoritarian governance (Burns 1980, 406). While many Brazilians favored the preservation of regimented order, as opposed to revolution and chaos, they saw fascism as reactionary. Brazil had to find a way to preserve political order but still secure economic progress.

The Great Depression required that Brazil find its way. Although the collapse of the world economy aggravated internal political divisions, Brazil was made more aware of the vulnerability of its economy in an international context. A national economy based upon the export of natural products was no longer viable. The junior military, the urban middle class and the growing urban working class gained a partial victory. The nation would industrialize, but that industrialization came with increasingly centralized governmental control.

#### **4. THE ESTADO NOVO**

Between 1922 and 1926, disaffected junior military, called tenetes, together with the urban middle class, promoted rebellion with the old republic but with little immediate success (C: Fausto 1989, 300). While the constitution of 1926 offered a “representative democracy” (Ianni 1971, 45), effective governance was much narrower. In 1929, a Liberal Alliance, with Getúlio Dornelles Vargas (1883-1954) of the extreme southern state of Rio Grande do Sul as presidential candidate, and João Pessôa of the northeastern state of Paraíba, as vice-presidential candidate, failed to dislodge the São Paulo-Minas Gerais oligarchies. In mid-1930, Pessôa was assassinated. The reinvigorated Liberal Alliance drew to itself the survivors of the tenete revolts and, with popular support, induced a military coup. Vargas became chief of a provisional government on 3 November 1930. He proved a durable leader as head of a provisional government (1930-1934), congressionally elected president (1934-1937), dictator (1937-1945), and then deposed but serving as senator (1945-1950), and finally as popularly elected president (1951-1954). Vargas began his political career “in an atmosphere of Comtean positivism”. He promoted change but was always cautious (C: Burns 1980, 399). Vargas was not a “man of vision”. Positivists saw him as leading the “phase of transition, historically necessary, for the full development of the nation” (Bastos 1965, 169). He relied in part upon the tenetes who favored a stronger role of the state in economic and social affairs but tempered their activism by appealing to nationalism. Vargas was careful to “avoid the sweeping violence that characterized the Mexican and Russian revolutions” (McCann 1973, 14). Constantly calculating the balance of allegiances and sentiments, which kept him in power, Vargas was fully aware that:

...industrialization, urbanization, the spread of nationalism, and the growing desire for change set in motion forces with which the sterile and unimaginative Old Republic was unable to cope (Burns 1980, 398).

Cautious but firm, Vargas sought to promote nationalism and centralize the bureaucracy to impel economic development. The Estado Novo willfully replaced the wreckage of the Old Republic.

##### **4.1. Constitutional Tinkering**

Although neither the 1891 republican constitution nor the 1926 democratic constitution referred to planning, Decree 524 (26 June 1890) had required the preparation of a general plan for transportation. The succeeding 1934 constitution asserted the power of the central government to establish and implement such a transportation plan (Article V) (C: Grau 1978, 128-9). In fact, Brazil's first national plan was a General Plan for Transportation (Decree 24497, 28 June 1934). More importantly, however, and in response to the deepening crisis of the Great Depression, the concluding article of that constitution required the elaboration of a plan for the reconstruction of the national economy (Article 16). Vargas was not sympathetic to that constitution. While it afforded the congressionally elected president powers to control minimal salaries, provide for the nationalization of businesses and grant broad national security powers, it was seen as too liberal for a society experiencing severe economic and social stress. Increasingly fearful of communism, but uncomfortable with fascism, Vargas intervened in the national elections of 1937 (Young 1967, 88-9). On 10 November 1937, Vargas cancelled the presidential elections, dismissed congress and promulgated a new constitution, thereby consolidating his administrative powers (Grau 1978, 130; Ianni 1971, 46-7; Burns 1980, 407-9). In the same year, ruling by decree, he disbanded all political parties. The constitutional machinery for the *Estado Novo* - centralized administration and national planning - were in place. National planning in Brazil was stripped of any communist taint by narrow dedication to the defense of political sovereignty and material progress. While more compatible with a fascist administrative mode, it avoided the overtly prejudicial rhetoric of fascist ideology.

#### **4.2. Early Institutionalization and Early National Plans**

Under the 1934 constitution, Vargas created a Federal Commission for Foreign Trade, among whose sectoral responsibilities was to frame “a plan of action for the defense of the economy” (Grau 1978, 133). Four years later, in 1938, Vargas created the Administrative Department of Public Service. The new agency “represented the rational ‘scientific’, central instrument of administrative control” (Daland 1967, 16). While the contemporary analysis of Schneider held that the agency was “not any kind of super ministry” (Schneider 1991, 146), its staff were more than mere technicians were. Daland presented an earlier contrary assessment.

The image of DASP was that of technical instrumentality, and it became staffed with a new generation of technicians in public administration and planning committed to the new image. In reality, however, the DASP was no more able to separate the exercise of its considerable “technical” powers from the policy-making process than does any other agency of real control. The DASP was a super ministry, in fact exercising controls over the national and state bureaucracies (Daland 1967, 16-7).

While the agency had no explicit charge to plan, it proceeded to draft initiatives for industrial investment. In response to continuing global depression and severe deprivations with the Brazilian society, the Administrative Department of Public Service fulfilled original charge to the Federal Commission for Foreign Trade by preparing the first national Five Year [Special] Plan of Public Works and Improvements for National Defense (Decree-law 1058, 19 January 1939). The plan held three crucial attributes. Immediate exigencies notwithstanding, the plan was future oriented to a five-year horizon. Second, it initiated the process of coordination

among sectoral ministries. Third, the plan tied the annual allocation of resources for implementation directly to the president (Grau 1978, 131). Brazilian national planning had its constitutional birth and quick adoption into the central bureaucracy. Moreover, national planning was associated with both the office of the president and the person of the president.

The participation of Brazil in World War II moved political ideology further away from fascism and moved economic development policy toward import-substitution industrialization. Throughout the first decade of the Great Depression, Vargas had sought to balance the investment interests of the United States and Germany through political non-alignment, while carefully fortifying a sense of Brazilian nationalism (McCann 1973, 149-75). In early 1942, as Brazil associated itself more closely with the Allied powers, Germans attacked Brazilian shipping. Impelled by nationalistic sentiment, as well as assurances from the United States regarding trade and military assistance, Brazil entered the war as a new international power. In order to respond to the exigencies of a war economy, Vargas created the Coordinating (Agency) for Economic Mobilization (Decree 4720, 28 September 1942), which directed economic affairs in the character of a "true super ministry" (Ianni 1971, 48-9). Supported by the analysis by the Cook Mission (1942-1943), the Administrative Department of Public Service prepared the post-war oriented Plan of Works and Equipment (POE) (1944-1948) (Decree-law 6144, 29 December 1943), which began the turning of Brazilian industrialization toward import substitution complemented by the expansion of public works (Grau 1978, 132). In May of 1944, Vargas subordinated planning to national security through the creation of a Commission of Economic Planning as an organ of the Council of National Security (Decree 16683, 29 September 1944).

The cessation of global conflict in 1945 led to a reappraisal of both national planning and national governance in Brazil. Roberto Simonsen argued compellingly for the maintenance of national planning processes favoring democratization (Lafer 1975, 29; Grau 1978, 133-5, and notes). Brazil clung to nationalism. While still cautious of democracy, it opened itself to industrialization and urbanization (Burns 1980, 435). Daland comments on the shift in aspirations.

The new democratic aspirations of the post war world, which affected Brazil, were accompanied by economic aspirations as well. The war had cut off imports of consumer goods and stimulated the substitution of Brazilian goods in their stead. As industrialization progressed, the new industrialists held similar developmentalist aspirations and sought a voice in political decisions (Daland 1967, 17). Vargas was deposed in early 1945 but the shadow of the Estado Novo did not vanish for another decade.

#### **4.3. Constitutional Definition for National Planning**

Marechal Eurico Gaspar Dutra (1885-1974) succeeded Vargas as the first popularly elected president since 1930. His presidency (1946-1951), while generally conservative in tone, intentionally abandoned the trappings of fascism. In the Brazilian constitution of 1946, the term plan is defined with reference to "the necessity of rationalizing the acts of intervention of the federal government" (Grau 1978, 57). Article 205 of that constitution instituted the National Council on the Economy, which following upon the work of the Cooke Mission and

with the support of the Administrative Department of Public Service, formulated a new and much broader national plan for public health, food production and distribution, transportation and energy (Machado 1972, 145; Daland 1967, 29-30). Called Plan SALTE (1949-1953), but amended to 1950-1954, it was the first of the Brazilian national plans to move economic development toward human resource development, if not social development (Law 1102, 18 May 1950; Law 1504, 15 December 1950). In order to redirect resource harvesting from Brazil's vast interior to serve industrialization, one component of that plan was the resurrected national railroad plan of 1944 (Grau 1978, 133). Recognizing the crucial dependence of modern industrialization upon energy, the plan placed emphasis on the "elevation of hydroelectric potential" (Machado 1972, 145). While "the idea of planning as a regular governmental function had gained much ground", political will to implement programs, more specifically to allocate funds, was low (Daland 1967, 30). Nevertheless, much of the Brazilian economy had been equipped for industrialization.

#### **4.4. Last Salute to the Estado Novo**

Upon the popular election of Vargas as constitutional president (1951-1954), central planning regained more power. In that the financial resources were not available to fund so broad a set of programs as required by Plano SALTE, Vargas sought a scaled down substitute (Daland 1967, 30; Grau 1978, 138). The succeeding plan, Plan for Economic Replacement and Development of the National Economy (1951-1955), was more narrowly linked to the regional development of the Brazilian hinterlands (Law 1474, 26 November 1951). Earlier in the same year, two decrees established the national Commission for Industrial Development to coordinate the programs of sectoral ministries (25 July 1951 and 30 July 1951). To further "rationalize the processes of finance" (Lafer 1975, 30), the 1948 Abbink Commission was succeeded by a 1951-1953 Joint Brazil-United States Economic Development Commission, which was "to render the necessary technical assistance so as to speed the preparation of applications for loans for development projects" (Daland 1967, 32). In order to secure tighter control over both finance and implementation of planned development, the joint commission convinced Vargas to create the National Bank of Economic Development (Law 1628, 20 June 1952). In 1955, the president of the Brazilian section of the joint commission was made a member of the Commission for Industrial Development (Decree 37195, 18 April 1955). Economic development policy continued to focus on the reduction of dependency upon foreign production, encouraged import-substitution industrialization, particularly in heavy industries, with the assurance of high tariff protection. Burns states that at the end of the extended Vargas era:

... a host of new industries appeared. More often than not, they became each other's customers, illustrating the self-propelling nature of industrialization once it is underway (Burns 1980, 457).

The last Vargas administration also set a crucial precedent for later economic regionalization. In 1953, Vargas created the Superintendency for the Economic Valorization of the Amazon, which was later transformed into the Superintendency for the Development of the Amazon. Unfortunately, the new regional authority set the precedent for the later deforestation of the Amazon (Guimaraes 1991, 99-100). With these accomplishments, Vargas had outlived his

period in history. His intransigence increasingly aggravated underlying political tensions. Crisis moved to climax when subordinates of Vargas were implicated in both murder and attempted assassination of political opponents, and were complicit in corruption (Young 1967, 102-3). Embattled by many and fearing the embarrassment of another deposal, Vargas committed suicide in 1954.

For the two years following, political dissent grew; none of three acting presidents secured conciliation. Nevertheless, the heritage of the Estado Novo was the irrevocable shift from rural oligarchy to urban-industrialist fraternity. That shift had been manipulated by the direct or indirect influence of the military. Notions of political order and economic progress were tied to notions of nationalism and developmentalism. National planning had been fully co-opted within the bureaucracy of the central government.

## **5. TRIUMPHANT DEVELOPMENTALISM**

The election of President Juscelino Kubitschek de Oliveira (1902-1976) and Vice President João Bechior Marques Goulart (1918-1976) as leaders of a popularly elected, civilian government (1956-1960), accelerated economic development and offered the promise of recasting the political order in favor of both political and economic justice. Kubitschek was a new man of vision in the positivist tradition (Alexander 1991, 160-1). A grandson of a Czech immigrant, he sought to fuse the developmentalism of Vargas with the cultural imagery of Da Cunha. Kubitschek was a good strategist. Whatever his personal beliefs, he wished to be seen as “a Vargas heir only in the most constructive sense of the term... instead of any authoritarian or demagogic tendencies” (Schneider 1991, 188). Goulart was more activist. More deferent to labor, he was elected to the vice presidency with a plurality higher than Kubitschek. Kubitschek and Goulart managed the difficult balance between the more rightist military and the more leftist labor.

The character of the Kubitschek administration became clear in four major developmentalist initiatives. The first of these was Kubitschek’s international initiative, “Operation Pan American”, through which the nations of Latin America could by themselves “undercut communism by eliminating its breeding ground” (Schneider 1991, 191). The proposal was received unsympathetically by the Eisenhower administration (Ianni 1971, 150), but was later co-opted by the Kennedy administration to create the Alliance for Progress. Such treatment aggravated anti-United States sentiments in Brazil, which had developed in the last years of the Vargas administration. Many Brazilians feared that both trade with and aid from the United States had placed twentieth century Brazil in the same dependency as trade with Great Britain in the nineteenth century. Despite the close alliance of Brazil and the United States during World War II, Kubitschek, and later Goulart, pursued a more autonomous political stance and heightened economic autonomy through accelerated industrialization. That industrialization, however, subjected the nation to both foreign debt and increasing inflation.

Second, having promised “fifty years of progress in five” (Correia de Andrade 1982, 168; Alexander 1991, 175-7), Kubitschek broadened the perspective of earlier consultative bodies through the creation of a national Council for Development (Law 38744, 1 February 1956). The new council monitored the implementation of development. Drawing upon the work of



the joint commission and the United Nations Economic Commission for Latin America (ECLA), the staff of the National Bank for Economic Development hurriedly prepared the Program [or Plan] of Goals (1956-1961) (Grau 1978, 138-40; Ianni 1971, 155). The new program had four sets of goals, specified in twenty-nine specific plans (Machado 1972, 146). The first set of goals promoted the extension of infrastructure, especially transportation and electrical energy production and distribution. Infrastructure investment in turn supported the second set of goals, the expansion of heavy manufacturing. In turn, industrialization supported the third set of goals, expansion of employment and improvement of urban centers. Recognizing the peculiar problems of peripheral development, the fourth set of goals addressed the modernization of agriculture to increase food production (Correia de Andrade 1982, 168-9; Lafer 1975, 29-36). The breadth of the Kubitschek program was more than vaguely reminiscent of the earlier Plano SALTE. Kubitschek hoped to be more socially responsive in permitting wages to rise while holding down the costs of living, but the infusion of investment-aggravated inflation (Schneider 1991, 191). In order to stem rising inflation and adverse balance of payments, Kubitschek introduced the Plan of Monetary Stabilization, 1958 (Machado 1972, 146).

It is important to note that national planning processes had an uncomfortable home with the Kubitschek administration. The planning function was held by the Department of Economics of the National Bank for Economic Development. The bank held the pivotal position in national development. It was the center of research, the center of finance and the center of accounting. While Brazil “desired to conduct planning through its own instrumentality” rather than through either Economic Commission for Latin America or the joint commission, the bank never claimed to be, nor could it become “a comprehensive planning agency... since its efforts were limited to the capital investments portion of the economy (Daland 1967, 37-9)”. National planning under the National Bank for Economic Development was bureaucratically more distant from Kubitschek than national planning under the Administrative Department of Public Service from Vargas; yet it remained narrowly economic.

The third of the Kubitschek initiatives was economic regionalization, perhaps drawing upon the precedent set by Vargas in the creation of the Superintendency for the Economic Valorization of the Amazon. Sensitive to the immediate need to relieve the problems of recurrently severe drought in northeast Brazil, to the broader need to tie Brazilian industry to its own base resources, and to the more pragmatic need to deflect political attention from other issues, Kubitschek seized upon the initiative of Celso Furtado to alter the structure of Brazilian development planning (Daland 1967, 41-2; Schneider 1991, 187; Correia de Andrade 1982, 171-2). While Congress was debating regional legislation, Kubitschek created the Council for the Development of the Northeast (Decree 45445, 20 February 1959). Following establishment of the Superintendency for the Development of the Northeast (Law 3692, 15 December 1959), Furtado became its first head.

Kubitschek’s fourth initiative was the physical embodiment of nationalism. Drawing upon the sentiments favoring a new national capital, one first mentioned in 1789, reasserted at the time of independence from Portugal in 1822, later embodied in the republican constitution of 1891 and desired by Da Cunha, Kubitschek moved to create a wholly new capital city, Brasilia,

dedicated on 21 April 1960. Some six hundred miles from the Atlantic coast, the new capital united the entire nation through a system of highways radiating to Belém, Fortaleza, Belo Horizonte and São Paulo. The penetration of the Brazilian interior by its new national capital gave increased awareness to both the character and the development potential of the interior. While shunned by the governmental bureaucracy, which was forced to work in the new capital but preferred the life style of the coastal cities, Brasilia served to create the image of a new, integrated nationalism.

With three of Kubitschek's initiatives successful, developmentalism was triumphant. More narrowly, but as powerfully, Brazil came to see "industrialism was an ideology" (C: Bresser Pereira 1977, 76). As carefully as Vargas, Kubitschek had managed underlying political divisions to move the nation toward self-sustaining economic development. Bresser Pereira comments:

...it was during the Kubitschek government that the heavy industrial sector was definitively set up in Brazil, with the establishment of the automobile industry, the industrial equipment industry, and the naval industry at the same time that the basic industry gained new impetus through the installation of the petrochemical industry, the construction of new iron and steel mills, etc. In other words, this was a time not of industrial development's takeoff, but rather of its consolidation (Bresser Pereira 1977, 75).

Schneider extends the appraisal, "the Kubitschek years did, indeed, mark the consolidation of industrialization in Brazil and provide[d] the foundation for the post-1967 economic takeoff (Schneider 1991, 194)."

The Kubitschek presidency also marked the emergence of national planning as a rational-technical activity. The publication of Friedmann's *Introdução ao Planejamento Democrático* in 1959 stressed the making of rational decisions, "linked intimately to the life and values of the people". These were related to both the future and to the present economic use of resources, and achieved through the coordinated implementation by responsible agents (Freidmann 1959, 9). While Brazilian national planning was firmly rooted in the science of economics, larger value issues drew into question the nature and role of government and the role of planning within government. For all of Kubitschek's apparent economic success, unresolved political divisions erupted. Economic development came at the cost of democratic governance.

## **6. POPULISM, TOO LEFTIST A DEMOCRACY AND MILITARY COUP**

Popular participation in the national elections of 1960 launched Jânio de Silva Quadros (1917- ) to the Brazilian presidency and returned João Goulart as vice president. Rapid industrialization failed to secure employment, and inflation eroded salaries. Quadros suspended the implementation of the Program of Goals in 1961 (Correia de Andrade 1982, 172). Drawing upon the support of both the rural agricultural and urban industrial workers, Quadros sought a number of internal reforms, which alienated both the rural oligarchy and the urban middle class. Of greater consequence was the shift on Brazilian foreign policy favoring relations with Cuba, Communist China and the Soviet Union, which alienated the Brazilian military. After creating a National Planning Commission in July, President Quadros resigned

on 25 August 1961 (Daland 1967, 39-40). The inauguration of João Goulart postponed crisis briefly. When, however, the new president pushed on with reforms, the national congress installed a parliamentary system of government, reducing the powers of the president. Deputy Tancredo Neves, as prime minister, presented to Congress a Program of Government: Bases (1961), which was composed of a twenty-year projective plan, a five-year or short-term plan, and an emergency plan (Correia de Andrade 1982, 172). While this program was never implemented, it established a precedent for a longer planning horizon.

Goulart vehemently opposed the restraint on presidential powers. Brazil had two planning organs; the council established by Kubitschek and the commission created by Quadros. Both worked quietly beneath the growing political turmoil (Daland 1967, 41). Goulart seized the administrative initiative transferring the responsibilities of the National Planning Commission to the Extraordinary Ministry of Planning and Economic Coordination (Decree 1422, 27 September 1961). Goulart appointed Celso Furtado to head the new ministry and set a new direction for planning toward both economic and social development (Daland 1967, 42). The subsequent Three-year Plan for Economic and Social Development (1963-65), embodied the Goulart agenda. The plan had four general aspirations: 1) sustaining a high growth rate for national production, 2) gradual reduction of inflation, 3) “reduction of current social cost of development and a better distribution of its benefits” and 4) “lessening of regional economic disparities in levels of living” (Estados Unidos do Brasil 1962, 14).

This larger social orientation to national planning (Demo 1978, 17-8) severely tested its technical-rationality and placed it in the center of political debate. In turn, that debate redefined the responsibility of the planner for “gaining political acceptance and for implementing the plan” (Daland 1967, 151). When on 23 January 1963 a national plebiscite restored full presidential power to Goulart under the 1946 constitution, the shift toward social planning was made more direct. In an effort to gain control of foreign investment, Goulart required the registration of all foreign capital and restricted profit remittances to ten percent (2 September 1963). In response, foreign capital withdrew and inflation spiraled. Goulart tried to side with both the rural agricultural and urban industrial workers protesting unemployment, low salaries and escalating prices of consumer goods.

In February of 1964, Goulart presented a “package plan”, the basic reforms demanded by his government of Congress. They called for fundamental economic and political changes, which would benefit the lower classes. The elites and the middle class perceived them as restrictions, potential and actual, of their privileged positions. The plan sought the vote for illiterates, eligibility of noncommissioned officers and enlisted men to participate in politics, legalization of the Communist Party, tax reforms, periodic wage adjustments, state monopolies over coffee and ore exports, revision of all mining concessions, and immediate expropriation of all but small properties along highways, railways and water projects as a means of initiating agrarian reform (Burns 1980, 497).

While the owners of the rural plantations, the middle class and the commissioned military were unwavering in their desire for nationalism and developmentalism, they were wholly unwilling to participate in a populist nationalism and in a non-capitalist developmentalism.

Moreover, the bitterest opposition came from communist leaning labor, which saw Goulart as acquiescent to the economic interests of the United States and the International Monetary Fund. Political opposition to the plan grew from all sides. Despite its “objective, rational, scientific” base, the plan failed to secure identity with nationalism. When neither bankers and industrialists nor urban labor supported the plan, the presidency of Goulart and the ministry of Furtado neared collapse (Daland 1967, 166-70). With his political constituencies weak, and lacking organization, Goulart vacillated. National planning was moved into the Ministry of Finance, but coordination of plan implementation was retained with the Office of the President. Abandoned by many within his own bureaucracy, Goulart withdrew to exile in Uruguay on April 4, 1964. Once again, the military intervened in the political order of the nation.

## **7. NATIONAL PLANNING UNDER MILITARY HEGEMONY**

Within two weeks, the military installed the first of five generals to serve as president of Brazil and ushered in more than two decades of military hegemony.

### **7.1. Humberto de Alencar Castelo Branco (1964-1967)**

General Humberto de Alencar Castelo Branco (1900-1967), as President of the Republic, governed through a number of Institutional Acts and Complementary Acts, which superseded the 1946 national constitution (Institutional Act 1, 9 April 1964), drawing more power from both legislative and judicial branches to the federal administration (Institutional Act 2, 27 October 1965). By these means, the military and their technicians could restore financial stability while narrowing development objectives. The supporters of Castelo Branco sought a “stable, capitalist democracy”, but securing political order was the consuming passion (C: Skidmore 1988, 46). Institutional Act 3 (5 February 1966) ended the popular elections of all governors and mayors of all state capital cities. The future appointment of governors and mayors facilitated the creation of federally dependent regional development organizations and completely co-opted state and metropolitan planning activities. National planning processes wavered in scope. The pragmatic Program of Economic Action of the Government (1964-1966) retained a sectoral orientation and focused upon stabilizing internal economics and attracting foreign capital (Demo 1978, 18; Fiechter 1975, 51-61; Grau 1978, 140-1).

To accomplish these two objectives, three sequential actions were necessary. First, wage rate increases were to be kept less than the rate of inflation. Second, the rate of inflation would decline as government deficit spending declined. Public deficit spending could be reduced by a more effective system of tax collection, especially delinquent tax liabilities (Skidmore 1988, 29-35). With the internal economy “in order”, Brazil was hopeful of attracting foreign capital. As with the earlier effort of Goulart “groans turned into screams of anguish” against the plan (C: Schneider 1991, 244). Sensitive to the narrowness of the plan, Castelo Branco created both the National Housing Bank and the Federal Service for Housing and Urban Development (Law 4380, 21 August 1964). To balance these urban initiatives, the president also sought to stimulate agrarian and regional development (Fiechter 1975, 65-7) through the land reform statute (Law 4504, 30 November 1964) and the creation of the Superintendency for the Development of the Amazon (Law 5173, 26 October 1966). National planning was institutionalized once again under an Extraordinary Ministry for Planning and Economic

Coordination (Law 5000, 24 May 1966). However, opposition was not stilled. Wage suppression had angered the working classes, and the desired infusion of foreign capital endangered national autonomy. In a belated response, then Minister Roberto Campos constructed a much broader Ten Year Plan of Economic and Social Development (1967-1976); but this plan died with the end of the presidency of Castelo Branco (Skidmore 1988, 58).

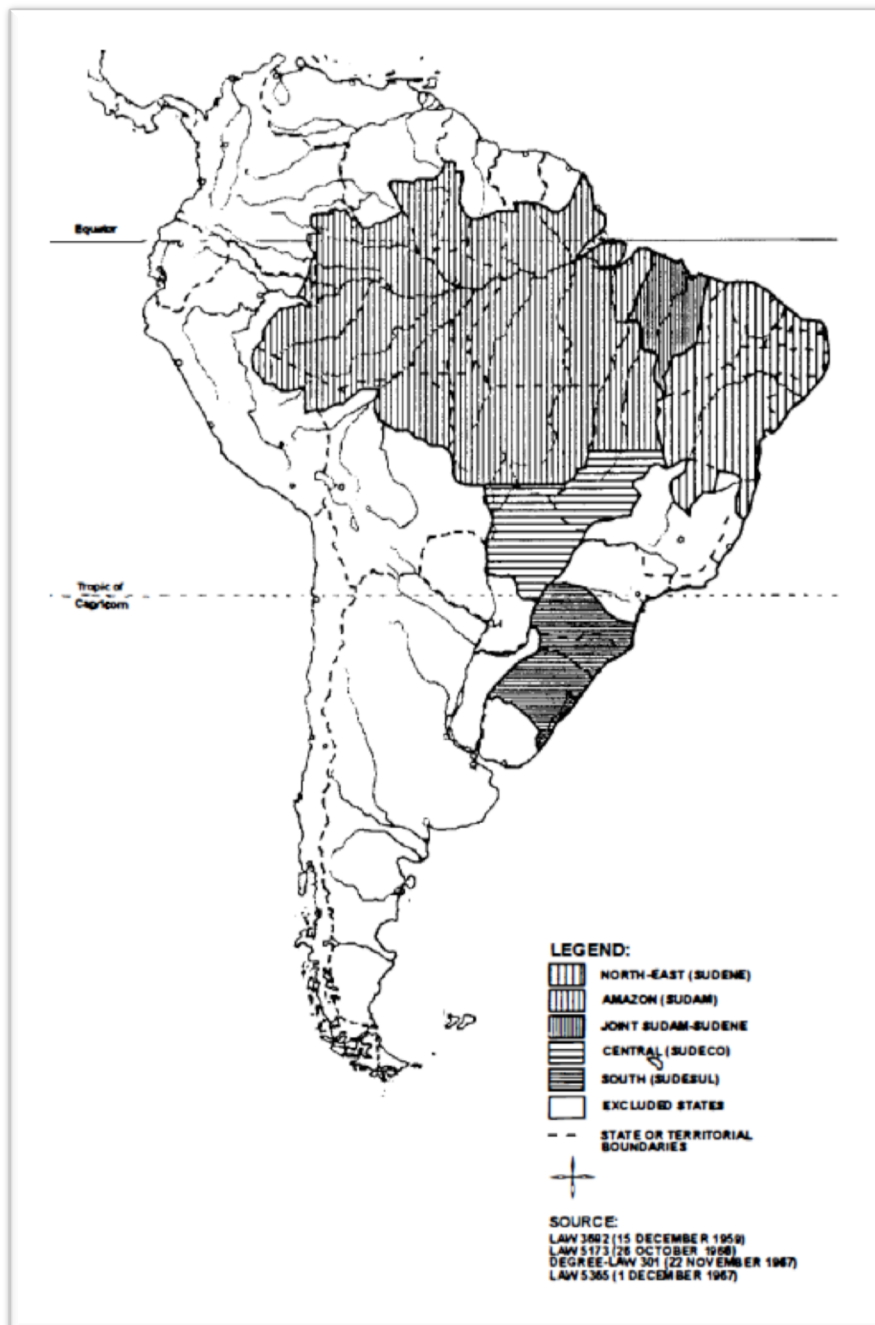
## **7.2. Artur da Costa e Silva (1967-1969)**

Artur da Costa e Silva (1902-1969) succeeded to the presidency. In order to assure the consolidation of power, various provisions of both the institutional acts and complementary acts were incorporated into the new constitution of the Federated Republic of Brazil (24 January 1967). It required that the national government take all necessary actions “to plan and promote development and national security” and made specific requirements for creating and executing national plans for transportation, health and education, as well as those for regional development (Art. 8 and Art. 43). Decree 200 (25 February 1967) created the federal Ministry of Planning and General Coordination. Late in the same year, Complementary Law 3 (7 November 1967) tied the promulgation of five-year national plans to parallel programs of public investment, creating a system of national planning.

In that same year, two additional regional development agencies were created: the Superintendency of the Development of the Central-West (Law 5365, 1 December 1967), comprising the states of Mato Grosso, Goiás (part) and the federal territory of Rondônia; and the Superintendency of the Development of the South (Decree-law 301, 22 November 1967), comprising the states of Santa Catarina, Rio Grande do Sul and Paraná. There were now four regional agencies. See Figure 1.

In fact, Brazil had backed its way into economic regionalization as it sought to bolster import-substitution industrialization while also making some effort to balance regional inequalities. Yet, Costa e Silva also replaced the Indian Protection Service created by Rondon in 1910 (Coutinho 1975; Ribeiro 1966) with the more passive National Foundation for the Indian (5 December 1967). Specifically excluded were the already heavily urbanized industrialized states of São Paulo, Rio de Janeiro, Santo Espírito and part of Minas Gerais.

Costa e Silva was a supporter of rapid economic growth, especially through industrialization. His Strategic Program [or Plan] of Development (1968-1970) sought to fortify private enterprise, stabilize prices, expand infrastructure and stimulate internal markets (Correia de Andrade 1982, 179) with less emphasis on correcting regional inequalities (Skidmore 1988, 89-90). Despite this, the program was generous in the “language of economic development in service to social progress” and held a preoccupation with the sectoral issues of education, public health and sanitation, and housing (Demo 1978, 18). Somewhat more sensitive to issues of health and sanitation, Costa e Silva created a National Sanitation Council (Law 5318, 26 September 1967). Nevertheless, decisions on economic development formed the parameters for subsequent health policy and programs.

**Figure 1: Macro-Regionalization of Brazil, 1959-1967**

**Sources: Law 3692 (15 December 1959), Law 5173 (25 October 1966), Decree-Law 301 (22 November 1967) and Law 5365 (1 December 1967)**

Although less obsessed with the suppression of communism, Costa e Silva tolerated no internal dissent. Resistance by both the Congress and by the Supreme Court led to decisive action. In what amounted to a coup d'état on December 13, 1968, Costa e Silva promulgated the Fifth Institutional Act, which conferred on the president dictatorial powers in “defense of the necessary interests of the nation”. The act disbanded Congress, closed down the state

legislatures, suspended the constitution, imposed censorship, cancelled the political right of many, (and] waived writs of habeas corpus (Burns 1980, 519).

While the National Congress was in suspension (1969-1971) (Stephan 1989, 6), Costa e Silva institutionalized national planning. Under provisions of Complementary Act 43 (29 January 1969), national and regional development plans were to be submitted by the president to the national Congress, which retained the right of disposition under the constitution (Article 43). The military government secured an administrative “law of the plan” over and above the constitutionally based “law on planning” (Silva 1981, 140). A compliant Congress granted legitimacy to national development plans and massive public expenditures for these purposes. The long effort of national development planning was finally successful. Growth rates of the Brazilian gross national product doubled between 1967 and 1969; it would nearly triple in 1971 (Bresser Pereira 1977, 139-40). As Brazil entered its “economic miracle”, it also suffered a recurrent political curse.

The death of Costa e Silva while in office required the temporary installation of a military triumvirate. Radicals resorted to terrorism; the military resorted to physical oppression.

### **7.3. Emílio Garrastazú Médici (1969-1974)**

On October 30, 1969, three significant events took place: first, the inauguration of General Emílio Garrastazú Médici (1905-1985) as president; second, the revival of the official pro-government political party, ARENA; and third, promulgation a new constitution. In fact, the “new” constitution was the Constitution of 1967, but by the provisions of the Constitutional Amendment 1 (17 October 1969), the practices of the military were incorporated into law. In the fifteen years to follow, that constitution was amended another twenty-four times. The grip of the military tightened, but Médici won “at least a partial de facto legitimacy from members of the middle and upper classes, because of the record of economic growth rates and the reign of ‘law and order’” (Stephan 1989, 6-7). In the manner of the Rostow model of development, Brazil appeared to be at the point of “economic takeoff” to sustained and self-sufficient economic development; yet evidence showed no “trickle-down” to the rural and urban lower classes (Burns 1980, 523).

The Médici program of Targets and Foundations for Government Action (1970-1972) re-invoked the policies of Kubitschek regarding the integration of the interior by a system of highways (Republica Federativa do Brasil 1970). Perhaps more for political than economic reasons, he sought the “gradual occupying of the empty spaces” (in Skidmore 1988, 145). The National Integration Program and the Land Distribution Program of 1970 intended to alleviate social problems of the urban areas by scattering the impoverished masses to the “backlands”. It was to be a new “conquest and colonization of the Amazon” by migrants from the northeast (Monteiro de Costa 1979, 234). Excess population could be transferred at no real cost to the government (Skidmore 1988, 144-49). These programs, administered by the Institute for Colonization and Agrarian Land Reform, had little obvious effect through 1985 (Maddison and Associates 1992, 66-67).

Médici's crowning achievement was the promulgation of Brazil's First National Development Plan (1972-1974) (Law 5727, 4 November 1971; published in full, 17 December 1971), which affirmed both military political order and the "Brazilian miracle" that had begun in 1967 (Merrick and Graham 1979, 340-5). To underscore emphasis on industrial expansion and integration, a new National Transportation Plan (Law 5917, 10 September 1973) proposed five interrelated systems: highways, railroads, maritime navigation, domestic navigation and airlines. Due to both relative ease of construction and lower initial capital investment, highways were more quickly extended into the interior. In the euphoria of economic development (Correia de Andrade 1982, 186), the voices of dissent were ignored if not suppressed.

Critics stressed extremely inequitable income distribution, the failure of this growth to result in any appreciable improvement in the standard of living for the uneducated urban and rural masses, "wasteful" expenditures on showy infrastructural projects such as the Trans Am highway, and neglect of pressing social problems - especially in the fields of health, housing and education (Schneider 1991, 265).

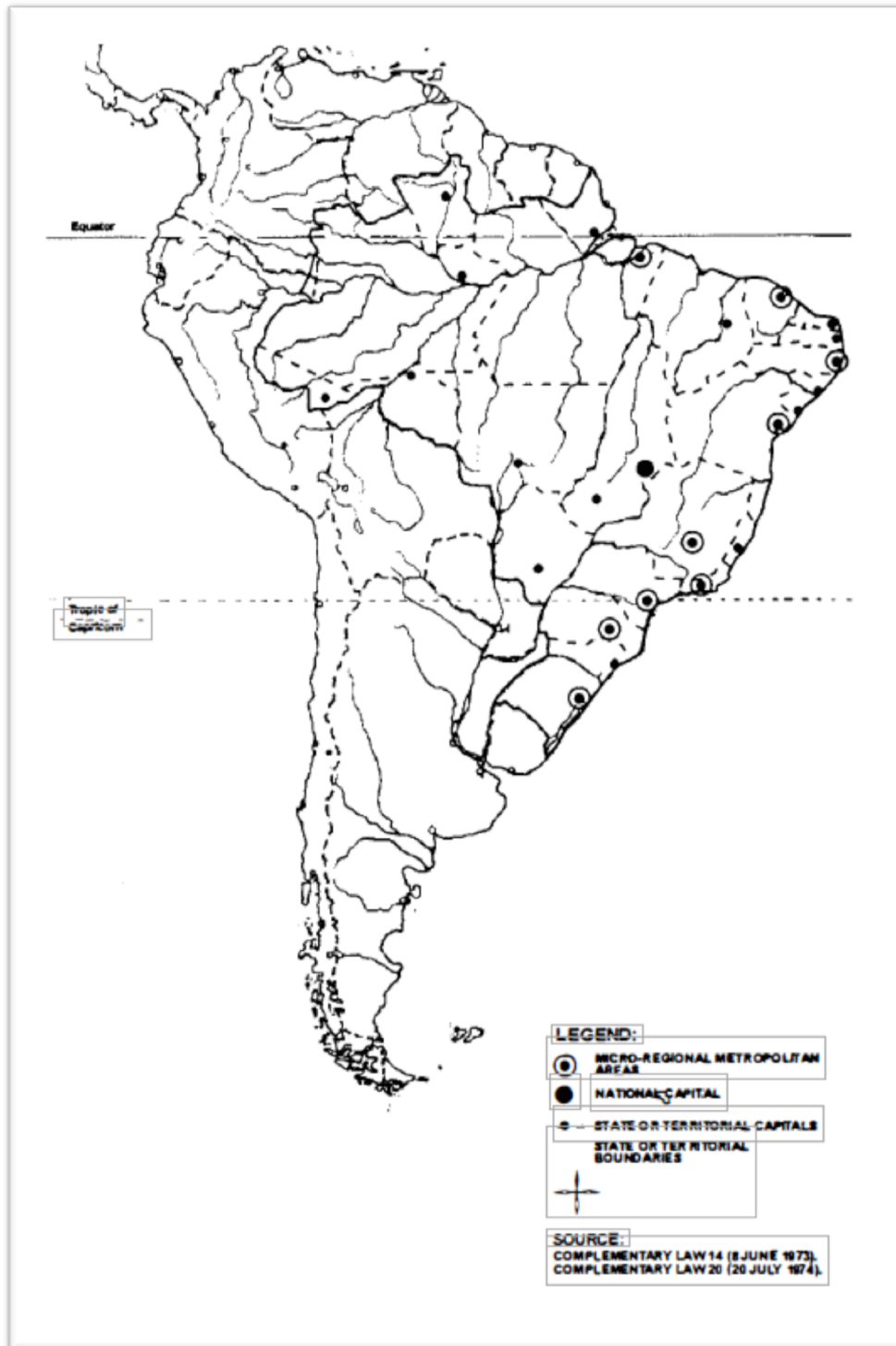
Bolstered by apparent public support, Decree 71353 (9 November 1972) established a federal system of planning from national through regional to state and municipal levels. That decree also transformed the former federal planning ministry into the Secretariat of Planning of the Presidency of the Republic. National development planning was institutionalized at the very core of the federal administration.

To assure control of development planning in the core industrial regions, "micro" or "metropolitan" regions were created surrounding the central cities of São Paulo, Belo Horizonte, Porto Alegre, Recife, Salvador, Curitiba, Belém and Fortaleza under Complementary Law 14 (8 June 1973) and of Rio de Janeiro under Complementary Law 20 (20 July 1974). For each of these micro regions, a planning organization was created in the character of an autonomous institute, but administratively assigned to the Secretariat of Planning in each of their respective states (Schmidt 1983, 50-57 and 167-73; Moreas de Albuquerque 1976). While the metropolitan planning organizations had more flexibility, national economic policy imposed severe parameters upon local initiative. See Figure 2.

As his term concluded, Médici created a Special Secretariat of the Environment within the Ministry of the Interior (Decree 73030, 30 October 1973), but with only an indirect linkage to national planning. The authoritarian Medici left office having completed the full institutionalization and integration of development planning at all levels.



**Figure 2: Micro-Regionalization of Brazil, 1973-1974**



**Sources: Complementary Law 14 (8 June 1973) and Complementary Law 20 (20 July 1974)**

#### 7.4. Ernesto Geisel (1974-1979)

The presidential succession of 1974 indicated change. General Ernesto Geisel (1907-1996) was a former president of PETROBRAS, a co-founder of the Superior War College and brother of the Minister of the Army, which gave him credentials among both military and non-military constituencies. He was the inheritor of the tradition of the more moderate Castelo Branco (Skidmore 1988, 160). While promising *distensão*, a decompression of political restraints, political opposition slowly spread to the industrialists and middle classes. The military-backed ARENA political party lost ground. The Brazilian Democratic Movement party won pluralities in a number of urbanized industrial states (São Paulo, Rio Grande do Sul, Paraná and Rio de Janeiro) (Stephan 1989, 10). Its attack was three pronged: 1) social justice, to be reflected in a more equitable distribution of income, 2) assurance of civil liberties and 3) opposition to the penetration of the Brazilian economy by foreign corporations. The alliance of the military and the middle classes weakened. Nevertheless, Geisel clung to the power of the Fifth Institutional Act, employing it to undermine the growing power of the Brazilian Democratic Movement.

Eager to continue the progress made under Médici, Geisel created two new consultative bodies. The National Commission on Metropolitan Regions and Urban Policy (Decree 74156, 6 June 1974) sought to complement industrial development with a more comprehensive approach to urban development. Through the second body, Geisel participated directly in national planning.

Geisel's strong personality and keen interest in economic matters led him to an almost day-to-day involvement in economic policymaking. He created and was the Chairman of the Conselho de Desenvolvimento Econômico [National Council of Economic Development] that included the planning minister (its executive secretary), the finance minister and the sectoral ministers. This council made the most important economic decisions (Maddison and Associates, 1992, 35).

Their efforts were reflected in the Second National Development Plan (1975-1979) (Law 6151, 4 December 1974), which had three objectives: 1) “the consolidation of a modern industrial society and a model of competitive economy”, 2) “national integration” and full “occupation of the Brazilian territory”, and 3) “integration with the world economy” (Grau, 1978, 175). The plan continued on the same model - heavy foreign borrowing to support development of industry, especially intermediate industrial production and capital goods, petrochemicals, mining and infrastructure (Correia de Andrade 1982, 187-8).

Three problems tempered developmentalist euphoria. First, the increasing cost of imported petroleum dampened economic growth, accelerated inflation and compounded national debt (Burns 1980, 525). Despite the nationalization of the Brazilian petroleum industry, the nation had made itself increasingly dependent upon a foreign energy source (Correia de Andrade 1982, 190). While industrial enterprises were being directed toward the use of hydroelectric energy, the transshipment of industrial goods came to rely more on highways than railroads (Skidmore 1988, 178). The effects were a less efficient economy and an endangered environment.

Second, and as a result, the indirect costs of environmental deterioration mounted. Through both Decree-law 1413 (14 August 1975) and the subsequent Decree 76389 (3 October 1975), timid directives were promulgated to “control industrial pollution”. Although the Second National Development Plan had dedicated itself to “urban development, pollution control, and preservation of the environment”, the verbal commitment held neither substance nor power. Continued exploitation was the “radically different reality” (Guimarães 1991, 182).

Third, despite the creation of both a national Fund for the Support of Urban Development (Law 6256, 22 October 1975) and a National System of Urban Transportation (Law 6261, 14 November 1975), the Second National Development Plan failed to provide the basic necessities by which low-income populations could hope to rise above the level of subsistence (Demo 1978, 33). While the plan promised sustained growth, stagflation (economic stagnation coupled to inflation) darkened the development horizon (Merrick and Graham, 1981, 345-9). Committed to the completion of grand development projects funded by foreign debt, the developmentalist policy of state directed planning came into conflict with the exigencies of a more conservative monetarist policy (Bresser Pereira 1977, 177).

Geisel's central concern was to forestall recession while seeking a slow return to a more democratic order (Maddison and Associates 1992, 35). Geisel replaced the feared Fifth Institutional Act by both a milder National Security Law (20 September 1978) and a Constitutional Amendment 11 (13 October 1978) and initiated legislation for amnesty for opponents of military hegemony. He created an Extraordinary Minister for Desburocratização (Decree 83740, 12 July 1979). Nevertheless, the militarily imposed order had increasing difficulty in creating and sustaining economic progress. Brazilian dependency upon imported petroleum, coupled with heavy debt financed industrialization, endangered future development.

On balance, the debt led growth strategy remained viable during the Geisel presidency. The Geisel policymakers had played for time and won. However, Brazil's long-term prospects were another matter (Skidmore 1989, 208)

Geisel's choice of successor indicated “the twilight of military government” (Skidmore 1988, 210).

### **7.5. João Bautista Figueiredo (1979-1985)**

Without consultation with other senior military officers, but relying on the allegiance of the ARENA party, Geisel secured the secession of General João Bautista Figueiredo (1918-1999) as President of the Republic. Figueiredo moved on three political fronts. First, he secured approval of the Law of Amnesty (Law 6683, 28 August 1979) for all persons exiled, imprisoned or denied political rights for political or electoral crimes between 2 September 1964 and 15 August 1979. Fifteen years of overt political oppression by the military had ended. Second, in the autumn of 1979, Congress enacted legislation permitting the creation of other political parties. Third, on 13 November 1980, provisions of institutional acts were rescinded to permit the direct elections of governors of states in 1982. After some political maneuvering to best position the ARENA party, limited franchise was returned to Brazilians.

In 1982, they directly elected not only one third of the national Senate, the entire national Chamber of Deputies, but also all state governors, mayors and municipal councils. The military was slowly withdrawing from direct governance. What was called the abertura, or opening, to re-democratization and de-bureaucratization was gaining momentum (Bresser Pereira 1984, 187-204; Skidmore 1988, 210-30; Schneider 1991, 284-291). More in image than in fact, Figueiredo extended the program of de-bureaucratization begun by Geisel (2 April 1982).

Figueiredo had to face a deepening economic crisis, however. First, regional development languished. While the development of the interior warranted the elevation of Rondônia to statehood (17 December 1981), the scattering of a marginally trained population, made dependent upon subsistence agriculture in the ecologically vulnerable hinterlands, denigrated the regional environment without benefit to the national economy. Moreover, the harvesting of natural resources as basic inputs to heavy industry or for export failed to yield sufficient economic returns, even though such harvesting further devastated the Brazilian rainforest. The promulgation of a National Environmental Policy (Law 6938, 2 September 1981) recognized, but did not result in any response to increasing ecological devastation.

Second, stagflation had aggravated the industrial labor unions, particularly those in the heavily compacted industrial ABC suburbs (Santo Andre, São Bernardo, and São Caetano do Sul) near São Paulo. Strikes soon spread to other regions, types of workers, even into the middle class. Two groups of Brazilians moved toward political conciliation, the lower urban class, which had never shared in the economic miracle of the previous decade, and the urban middle class, which feared loss of economic ascendancy. Nevertheless, both groups still believed in a bright economic future. However, if civil order could not be maintained, the military would be unwilling to surrender control of the nation.

Third, the continued adverse balance of payments aggravated inflation, sapping economic growth while promoting further labor unrest. Figueirdo wavered in his choice for leadership of national planning.

Brazil had maintained high economic growth since the 1973 oil shock only by rapidly increasing its borrowing abroad. Planning Minister Mario Simonsen, Figueiredo's chief economic policy maker, argued that now the increasing balance of payments pressure gave Brazil no choice but to throttle down its economy....Simonsen began to spell out his diagnosis as the new government drafted its five-year economic plan. Forced to explain the need for a slowdown, Simonsen suddenly became the target of wrath from every quarter.... Political strategists within the new government were no more favorably disposed. They had not entered office only to discover that the "miracle" was over.... The business community was upset for more immediate reasons. Only a buoyant economy could keep their factories and businesses operating at a high rate of capacity and thus earn them profits. Any significant recession would wipe out the many Brazilian firms that operated with perilously little working capital.... Nor was the Brazilian public ready for Simonsen's message. Brazilians had lived through 11 years of uninterrupted economic growth. Few, especially among the elite, were prepared to believe it couldn't continue (Skidmore, 1988, 215).

Simonsen resigned, and Figueiredo appointed Antônio Delfim Netto, as “Superminister” for Economic Development (Maddison and Associates 1992, 37). Delfim Netto was politically more astute, having served as Minister of Finance from 1968 to 1974. During the latter half of 1979, Delfim Netto produced the Third National Plan for Economic and Social Development (1980-1985) (13 February 1980). Congress adopted it in May of 1980. Ambitious economic development programs were to continue under a unified finance policy (Hewlett 1981, 60). However, the plan contained no numerical targets; it was a qualitative document, which reflected that irrational optimism that “continued growth can be consistent with continuing inflation and controlling external disequilibrium” (in C: Skidmore, 1988, 216). The plan paid little attention to industrialization. It rediscovered the long neglected agricultural sector; mentioned the need to expand non-petroleum derivative sources of energy, and enumerated such social needs as housing, education and health. The re-recognition of social needs altered funding patterns but not economic development policy.

Investment in these latter areas would accompany “a progressive change in the income distribution profile to the benefit of the poor” (Skidmore 1988, 216-7).

In response to chaotic urban settlement patterns, Law 6766 (19 December 1979) sought to reconcile urban land subdivision and environmental constraints. In turn, Law 6803 (2 June 1980) sought to reconcile industrial development location with both urban development and environmental constraints; but with so much of the urban landscape already developed as favelas and with little control of the emissions from existing industries, neither the urban resident nor the urban environment could be protected.

The promises of the Third National Development Plan were entirely overwhelmed by mid-1982; the impending default of international debt payments required that all growth of GNP and all industrial production profits needed to be rechanneled for debt interest payment. Conversely, salary increases and welfare payments had to be curtailed to reduce debt, even though such action would plunge Brazil into full economic recession. Any hope of a smooth escape from the threat vanished with the moratorium of Mexico in August of 1982 and the radical devaluation of the Venezuelan bolivar in 1983. The International Monetary Fund had to be accommodated; Brazil's future credit worthiness was at stake. Unfortunately, those both inside and outside of government resented IMF coercion. Delfim Netto retained the higher bureaucratic vision. Celso Furtado, the former planning minister and outspoken critic of economic policy since the coup of 1964, argued that first:

... we must break away from the guardianship of the IMF, and, second as a sovereign country, decide to what extent Brazil will honor its foreign financial commitments in the context of the international crisis (in Skidmore, 1988, 237).

The hard won but well enjoyed economic progress under military rule vanished in a spiral of inflation, capital flight and mounting interest on international debt. The military hegemony had lost both control over the economy and confidence of the society. The military was willing to withdraw from active political control, but remain the fourth power.

## **8. THE RETURN TO CIVILIAN GOVERNANCE**

Perhaps surprisingly, several smaller political parties and factions began to seek coalitions to secure a true civilian government. Perhaps more surprisingly, Brazil's efforts to stimulate exports were successful. With the barring of imports, import-substitution industries were strengthened, and the balance of payments turned favorable (C: Skidmore 1988, 275). There were signs that the return of civilian political order might come with economic progress.

### **8.1. Tancredo Neves and José Sarney (1985-1990)**

An increasingly number of partisans, clustered about the newly formed Democratic Alliance (AD) of Tancredo Neves (1910-1985) and José Sarney (1930- ). Neves had a long history as a consummate politician, having held posts in the Ministry of Justice under Vargas (1953-54) and in the Bank of Brazil under Kubitschek (1956-58); Prime Minister during the parliamentary interlude (1962) during the Goulart presidency; then Senator (1978-1982) and Governor of Minas Gerais (1982-1985). Moreover, Neves had good working relationships with the military. José Sarney was a more traditional and more conservative politician from the poverty stricken northeast, serving as Senator from Maranhão (1958-1965); then Governor of the same state (1965-1970), and returning as its Senator, (1970-1985). On 15 January 1985, the Electoral College overwhelmingly elected Neves and Sarney. The Democratic Alliance coalition not only held great hopes for civilian political order, but also for improved economic prospects, under what was called the Nova República. However, on the very eve of his inauguration, Tancredo Neves died of an abdominal illness. On 15 March 1985, a somber José Sarney succeeded to the Brazilian presidency as the first civilian in twenty-one years. To close the history of the previous two decades, Constitutional Amendment 25 (16 May 1985) returned the election of the president and vice-president to direct, secret and universal franchise.

The Sarney presidency began with a tense exuberance and ended with a tense fear. Sarney was initially popular with the military, but as movement grew for a constitutional constituent assembly, the military reasserted its "old professionalism" to assure "the national security" in any future constitution (Skidmore, 1988, 271). The notion of a new constitution permitted a readdressing of other issues, issues long suppressed during Brazil's dual push for industrial-urbanization and regional development. The nature of the civil society; the rights of citizens, especially those of women, abandoned children, Negroes and Indigenous peoples; the role of social development, particularly education and housing; the neglected agricultural sector; the urgent needs of public health, and protection of the environment all entered the debate (Figueiredo 1986; Maksoud 1987; Teixeira 1986). The Brazilian Constitution of 1988 contained three significant titles. Title V: Defense of the State and Democratic Institutions attempted to reconcile questions of power. Title VII: Economic Order and Finance served to reposition economic policy. Title VIII: Social Order attempted to grapple with the changes in the composition and structure of Brazilian society (Coelho and Nantes de Oliveira 1989). The constitutional debates drew two other related processes to heightened attention. First was an attempt to recast planning - at least regional development planning as "participatory planning" (Machado Arcanjo 1986, 85-6). Article 165 required the preparation, funding and implementation of national and regional plans. Second, an expansion and of the

desburocratização of government with a view to converting “regulated citizenship” under the military to “organized citizenship” within democratic institutions (Sales dos Santos 1986, 96-101).

In the economic sector, Sarney took a bold move to stem spiraling inflation through currency revaluation, replacing 1000 cruzeiros with one cruzado by presidential decree (28 February 1986). The initial success of the cruzado plan permitted Brazil to evade the debt crisis inherited from the Figueiredo administration (Carneiro 1986, 27-31; Dinsmoor 1990, 7-10). However, the long experience with inflation induced Brazilians to immediate consumer spending, thereby placing such pressure on demand that price stability could not hold. Inducements for saving to dampen demand and promote investment failed (Schneider 1991, 327). The fear of inflation fed the fact of renewed inflation. President Sarney's hope for a return to the “miracle” turned to nightmare.

In February 1987, President Sarney announced Brazil's suspension of interest payments on \$68 billion of its foreign debt - the medium- and long-term debt with North American, Western European and Japanese commercial banks. Payments on short-term commercial bank loans and on government and international agency loans (i.e., World Bank, Inter-American Development Bank, etc.) were to continue (Skidmore 1988, 305). The remainder of the Sarney administration would be plagued by renegotiation of international debt refinancing.

The civilian presidency clearly wished to alter the structure of central public administration. Three presidential decree-laws, issued on the day of inauguration, created the Ministry of Culture (Decree-law 2273), the Ministry of Urban Development and the Environment (Decree-law 2274) and the Ministry of Science and Technology (Decree-law 2275). The Administrative Department of Public Service was reassigned to the Extraordinary Ministry of State for Administrative Affairs (Decree 91147, 15 March 1985). Moreover, a Special Secretariat for Community Action, first created by Decree 91500 (30 July 1985), was later placed under the Secretariat of Planning and Coordination of the Presidency of the Republic (Decree 94159, 1 April 1987). The efforts of a study commission created on 6 May 1985 led to the establishment of a National Council on Women's Rights (Law 7353, 1 August 1985). In order to implement the national and regional plans of the Secretariat, the National Bank of Economic and Social Development was to allocate funds through the Fund for Social Investment (Decree 91236, 8 May 1985). Sarney also pushed for the redistribution of land and stimulation of agriculture in the North and Northeast (Decree 91237, 8 May, 1985) and soon thereafter had to allocate additional funds to assist in recuperation from flooding in the Northeast (Decree 91265, 24 May 1985). Sarney also subsumed the Superintendency for the Development of the Amazon and its associated financing agencies into a Special Secretariat for Amazonian Regional Affairs within the Office of the President (31 May 1985). The National Commission for Urban Development was reconstructed to include broadened federal ministerial, regional and urban institutional representation (Decree 91248, 16 May 1985). The National Development Fund was brought under the direct control of the president (Decree-law 2288 (24 July 1986). Finally, a Ministry of Social Action both regrouped and expanded special development programs (Decree 93872, 23 October 1986). All these actions sought to

create the image of a central civilian government more disposed to reconciling economic development to social needs.

The reorientation of the national bureaucracy adversely affected the position and power of national planning processes. Decree 94159 (1 April 1987) separated the Secretariat of Planning and Coordination of the Presidency of the Republic from the Office of the President and subordinated it to and within the Ministry of Finance. Whereas planning had previously led finance, the converse relation was now in effect. Skidmore saw the “downgrading” of planning as leaving the central government “perilously short of policy ideas” (Skidmore 1988, 305). Brazil could no longer afford the luxury of a central planning agency if its planning processes no longer assured the nation of continued luxury.

Despite the clear expansion and reorientation of the central bureaucracy, Sarney extended the National Program of De-bureaucratization (Decree 91228, 7 May 1985). Yet, as economic crisis continued, the central government found it necessary to both tighten administrative control over bidding and contracts (Decree 3200, 21 November 1986) and initiate the longer process of liquidation of federal autonomous institutes, public enterprises and other public-private enterprises (Decree-law 2421, 29 March 1988).

Sarney left office with disappointment. While the nation had a new constitution, and had experienced a full term of civilian governance, the new political order had not secured economic progress.

## **8.2. Collor de Mello (1990-1992)**

Fernando Alfonso Collor de Mello (1949- ) entered the presidency of Brazil on March 15, 1990 under his own banner, Brazil Novo, under which his Plano Collor moved to reorient the economy, restructure national plans and reorganize the central government (Faro 1990). First, Collor de Mello sought to control inflation by modification of the policies of Sarney. During his campaign and prior to his inauguration, he attempted, largely by force of his personality and popularity, to control prices in the consumer market. Accession to the presidency required action that was more concrete. New money, the cruzado novo (Law 8024, 13 April 1990), carried strict controls on conversion to reduce excessive liquidity, one of the principal causes of inflation (Queiroz 1990, 4). Responding to business interests, he effected *desestatização*, the privatization or liquidation of antiquated enterprises of the state (Law 8029, 4 April 1990). Concomitantly, he authorized the sale of the official governmental residences (Law 8011, 4 April 1990 and Law 8025, 12 April 1990).

Second, operating under Article 165 of the new national constitution, Collor de Mello promulgated the required Five Year National Plan (1991-1995) (Law 8173, 30 January 1991), but later reduced the period of the plan to 1993-1995 (Law 8446, 22 July 1992). The budget authorization of the plan listed four priorities: 1) education, culture, health and technology; 2) agrarian reform and the increase of agricultural production; 3) recuperation and conservation of the urban and rural environment, and 4) the opening and modernization of the economy (Law 8447, 22 July 1992). The more social direction of the Collor de Mello administration sought to pacify Brazilians experiencing economic crisis. A Fund for Social Development



supported the provision of educational facilities, sanitation, basic urban infrastructure and response for environmental disasters (Decree 103, 15 April 1991). The president was also more sensitive to the concerns of indigenous peoples, moving the National Foundation for the Indian under the Federal Ministry of Justice and seeking the demarcation of indigenous areas (Decree 22, 4 February 1991). Nevertheless, the actions of the central government were also inconsistent. The emphasis given to technological innovation with the economy could not secure new employment for the already displaced and under skilled labor force. Expansion of agriculture and the opening of the Brazilian economy to natural resource harvesting and exportation was contradictory to the conservation of the rural environment and indigenous areas.

Third, in the spirit of austerity, Collor de Mello reduced the number of federal ministries to twelve (Law 8028, 12 April 1990), which collapsed three crucial ministries into the federal Ministry of Economy, Finance and Planning. Economic policy was directly related to both future planning and anticipated revenues, but in a ministry outside of the Office of the President. Conversely, the Secretariats of Culture, Science and Technology, Environment, and Regional Development were all brought under the direct and immediate control of the Office of the President (Law 8028, 13 April 1990). Each of these efforts sought to create both the image and the fact of a responsible civilian government seeking to bring a democratic state into being (Queiroz 1990, 3). However, the creation of a civil state was of itself not sufficient, “given the growing pressures for social change and modernization, both of which require (d) a reactivation of the development process” (Stephan 1989, 139).

Whatever the hopes and dreams of Collor de Mello, they were soon swept aside by charges of political and fiscal corruption. On 29 September 1992, Congress initiated impeachment proceedings against the President, and on 29 December 1992, Collor de Mello resigned the presidency. The dream of economic progress under a civilian, popularly elected president vanished as charges of political corruption endangered the civil order.

## **9. THE SURVIVAL OF NATIONAL PLANNING**

### **9.1. Itamar Franco (1992-1994)**

On 29 October 1992, the Vice President, Itamar Franco (1930-2011), acting as President, inverted the structure of the federal public administration created by Collor de Mello. National planning was re-incorporated into the Office of the President in the Secretariat of Planning, Budgeting and Coordination, with full responsibility for the formulation and budgeting for both regional and national plans (Law 8490, 19 November 1992). Finance, Culture, Environment, Science and Technology, Regional Integration, and Social Well-being were created as separate federal ministries. National planning in Brazil had survived, but its narrow dedication to nationalistic economic development had to surrender to three cross pressures. These were the internationalization of economic trade (Rattner 1988, 38-56; Baer 1989, 376-9), the demands for social equity and social development (Tavares in Carneiro 1986, III) as reflected in a new “social pact” (Jugaribe et al. 1986), and recognition of the parameters of global ecology (Guimmarães 1991, 9-17). In the one hundred years since the

founding of positivist republic in 1891, its bright promise of political order and economic progress had become tempered by fundamental concerns of culture and environment.

## 9.2 Fernando Henrique Cardoso (1995-2002)

Fernando Henrique Cardoso (1931- ) had transformed the Brazilian economy even before he was elected as President. In 1969, Cardoso co-authored a seminal book on dependency theory and the causes of underdevelopment in Latin America (C: Packenham 1982). After serving for nine years in the Brazilian Senate, the distinguished academic with a PhD in sociology was named Brazil's Minister of Foreign Affairs in 1992. Less than a year later, he took over as the Minister of Finance. In this position, Cardoso designed and brought to life the Real Plan, creating a new monetary currency in order to rein in rampant inflation (The Economist 2014). By the time Cardoso became Minister of Finance in 1993, annual inflation in Brazil exceeded 2,000% (Filho 2010, 11) due to "papering over gaping deficits with printed money" (The Economist 2014). With prices of consumer goods changing from the morning to the afternoon, nearly every aspect of life in Brazil was affected by inflation (The Economist 2014). By phasing in a new currency through a sequence of establishing "units of real value" and indexing the new real to those units at roughly the value of the US dollar, Cardoso was able to level out the Brazilian currency and bring a new sense of stability to the economy (The Economist 2014). The Real Plan was largely the basis for Cardoso's election to the Presidency in 1994 (The Economist 2014).

As the only Brazilian President to date to have won the majority of the popular vote without a runoff election, Cardoso entered office with a mandate to continue his economic reforms. He did just that, opening up Brazil to both imports and private investments. With a stronger currency, the wave of privatization that had begun under Cardoso's predecessors accelerated (Filho 2010, 16). Yet under private control without protectionist policies, Brazilian manufacturing struggled to compete domestically with imported goods. On top of this, the new real allowed for increased imports. Consumption of imported goods in Brazil more than doubled in a period of two years, while the manufacturing sector shed more than one million jobs (Filho 2010, 17). Although inflation was in check, unemployment and wage stagnation created a new set of challenges, especially for a highly urbanized nation.

Addressing Brazil's balance of payments was a central focus of Cardoso's two-term administration. Cardoso doubled down on trade liberalization, integrating Brazil into global free trade agreements in order to find a market for Brazilian goods outside of the domestic economy (Farret 2001, p.10). By the time he left office in 2003, the Brazilian Federal Government's spreadsheet was in the black (Giambiagi and Ronci 2004, 4). However, the economic turnaround had come at the cost of regional imbalances. Most of Brazil's GDP growth was focused in the southeastern axis of the country between São Paulo and Rio de Janeiro, leaving the rest of the country to fend for itself. Weak state and municipal planning agencies presented a significant challenge in addressing these regional imbalances (Farret 2001, 10).

In the year 2000, 81.2% of Brazil's 169.5 million-person population was classified as urban (Farret 2001, 8). At this time, the urban population shared between Brazil's two largest cities,

São Paulo and Rio de Janeiro, totaled roughly 40 million people (IBGE 2000). With little public assistance given to rural regions and with land ownership remaining in the hands of the elite throughout the previous decades, the vast majority of the Brazilian population had moved into cities in search of job opportunities. Yet many people encountered harsh conditions of poverty in cities throughout the nation. Estimates from the 2000 census suggest that 50 million people in Brazil were living on less than one dollar a day, with the majority in urban areas (Farret 2001, 8). Large urban populations had settled in areas with tenuous land ownership structures and unsound environmental footing subject to floods and landslides (da Gama Torres and Marques 2001, 55). Local governments were not equipped to deal with the needs of their growing populations. Lacking local revenue collection as well as management experience, municipalities were reliant on the federal government for planning support (Farret 2001, 12).

Beginning in the mid-1990s, the Cardoso Administration championed several programs to address urban poverty and to develop capacity among municipalities. The first of those programs was *Brasil em Ação*, or *Brazil in Action*, launched in 1996, in which the federal government forged partnerships between private investment projects and strategic state and municipal governments (Farret 2001, 11). The second program, *Habitar Brasil*, oversaw the transfer of federal funds to local governments in order for the “rehabilitation” of squatter areas (Farret 2001, 12). The program benchmarked criteria for municipalities in order to be eligible for such funds, such as establishing frameworks to control urban growth (Farret 2001, 12). The third program, *Modernização da Administração Tributária*, or *Modernization of the Municipal Fiscal Management*, sought to computerize municipal revenue collection services and planning authorities in order to make them more efficient and technically proficient (Farret 2001, 12). For each of these programs, municipalities competed for federal funding based on performance standards. In some cases, applying free market principles to developing regional governmental capacity undermined cohesion in the national planning process in terms of strategy, while also strengthening the already stronger municipalities at the expense of the struggling ones (Dantas 1997, 186). To unite competing programs under one vision, the Cardoso Administration launched the *Planos Plurianuais de Desenvolvimento* program, or *Pluri-annual Development Plans*, a series of medium term plans beginning in 1996 that laid out four-year visions for the nation, regional axes (e.g., the southeastern corridor of São Paulo and Rio de Janeiro), states and municipalities (Farret 2001, 10).

In tandem with these competing programs, Cardoso moved to strengthen land reform as a “sponge” to absorb the urban poor returning to rural regions after struggling in cities (Rossi 2017, 267). In 1996, the National Institute for Colonization and Agrarian Reform, or INCRA, which was established nearly thirty years before, was moved under the newly created Extraordinary Ministry of Land Policy, later to become the Ministry of Agrarian Development. This ministerial restructuring was in part an acknowledgement of the complaint from the Landless Peasants Movement, or MST, that the Ministry of Agriculture, under which INCRA had previously been housed, was largely controlled by latifundio landholders (Rossi 2017, 267). The Cardoso administration also established a streamlined process for land expropriation and an increased tax on non-productive land in order to encourage land transfers and increased agricultural production (Rossi 2017, 267).

Building on the rural reforms taking shape through the mid-to-late 1990s and the laboratory of urban planning facilitated by municipal competition, 2000 and 2001 saw monumental action for the “urban question” (Fernandes 2010, 55). A constitutional amendment established housing as a social right. This was followed by the adoption of the Estatuto da Cidade, or the City Statute (Fernades 2010, 60). Under these legal frameworks, municipalities gained new powers to adopt and implement master plans in order to address the informal land ownership structures that had taken shape with mass urbanization across the country (Fernades 2010, 62). These new powers included a “toolbox” of alternative taxation and methods for public participation in the urban planning process (Fernades 2010, 62). Under the City Statutes, all municipalities with over 20,000 residents were required to adopt a master plan within five years of the passing of the law (Fernades 2010, 62). Such plans would include processes for residents of informal settlements on public land who met a tenure requirement to register the land as areas of special urban housing. This “Concession of Special Use for Housing Purposes on Public Land” was originally vetoed by Cardoso, but later signed into law after significant pressure from the broad-based National Forum for Urban Reform (Fernades 2010, 64).

These efforts to acknowledge and address systemic inequity in land ownership and representation both in and out of the city were part of a growing movement ultimately supported by Cardoso to recognize the plight of Afro-Brazilians and other historically marginalized groups. For instance, in 1995, São Paulo ended the prohibition on black servants using the main elevators in the city’s apartment and condominium buildings (Caldeira 2001, 412). Prior to such a law, even black residents of São Paulo apartment buildings felt segregated and discriminated against in their own homes (Schemo 1995), not to mention the feelings of black servants and other service personal. This civil rights and land reform agenda was matched with social programs offering direct financial transfers to over 5.3 million families across the country by 2003 (de Janvry et al. 2005, 1). Foremost among those social program were the Bolsa Escola, or School Allowance, a program that provided direct financial assistance to families contingent on their children attending school. This program would grow under Cardoso’s successor to be a cornerstone of President Luiz Ignácio Lula da Silva’s political agenda.

### **9.3. Luiz Ignácio Lula da Silva (2003-2010)**

Luiz Ignácio Lula da Silva (1945- ), or simply Lula, as he is widely known, was a different kind of politician from his predecessor. While Cardoso was an academic, Lula gave up his formal education during elementary school in order to earn money for his family (Crocitti and Vallance 2012, 605). He came to power through the populist appeal of the Workers’ Party, which he had helped found through his union activities in 1980. Union involvement for Lula began after he lost a finger in an industrial accident (Crocitti and Vallance 2012, 605). Despite being described as “a strident union organizer known for his bushy beard and Che Guevara T-shirts” (Forero 2010), Lula largely stuck to the privatization policies implemented under his predecessor. Instead of challenging ownership structures within the Brazilian economy, Lula expanded the social welfare programs begun by Cardoso. Together with financial transfers, urban rehabilitation, infrastructure projects and food subsidies would be

the driving force of Lula's two-term presidency and would shape planning policy under his administration.

Lula quickly expanded the Bolsa Escola conditional cash transfer program previously initiated nationwide by the Cardoso administration (Lindert et al. 2007, 6). The program was renamed Bolsa Familia, but it still required school attendance and child nutrition and health checks for eligibility. Utilizing a magnetic strip electronic benefits card system of financial distribution, Bolsa Familia made monthly payments averaging US\$30 to 11.1 million families, or around 46 million people, within three years of Lula taking office. (Lindert et al. 2007, 6 and 16). A World Bank analysis of the program states that in 2006 Bolsa Familia covered 100% of Brazil's poor (Lindert et al. 2007, 6). In 2004, the World Bank supported the US\$6.2 billion program with a US\$574 million loan (World Bank 2018). Social programs such as Bolsa Familia accounted for 21% of the federal budget in 2005, a significant change from less than two decades before, when, in 1987, the Brazilian federal government spent only three percent of its budget on social programs (Haddad 2009, 187). With a national reach, the federally funded and orchestrated program is administered on the local level through offices run by Brazil's 5,564 municipalities (Lindert et al. 2007, 25). State governments train municipal employees on how to determine a family's eligibility and level of need (Lindert et al. 2007, 25). A digital database known as the Cadastro Único, first created under President Cardoso, tracks family eligibility and registration throughout the country and facilitates coordination between municipal and federal authorities. (Lindert et al. 2007, 35). While school attendance across Brazil was nearly 100% by the time of Lula's second term, student performance on standardized testing had shown little improvement and "Brazil remained ranked among the lowest performing countries in Europe, Asia and Latin America," presenting a challenge beyond the scope of conditional cash transfers alone (Arends-Kuenning 2009, p.206). Nevertheless, the Bolsa Familia program continues to provide a safety net and stability for families across Brazil as a foundation from which to undertake other programs of Lula's administration and subsequent administrations.

Bolsa Familia is one pillar of Fome Zero, or the Zero Hunger program, which Lula's administration launched upon entering office in 2003. Among other things, the broad program provides food distribution through food banks and food subsidies, as well as small loans and purchasing programs for family farmers in order to increase agricultural production and the available food supply (Takagi 2011, 72). Due to a severe drought when Lula entered office, the construction of water cisterns became a national priority under the Fome Zero program as well. In 2003, the newly created Extraordinary Ministry for Food Security, or MESA, contracted with a not-for-profit organization to construct a series of 10,000 water cisterns across 11 states (Takagi 2011, 65). Other examples of initiatives under the Fome Zero program include a nation-wide phone hotline with 900 call-center operators to coordinate food donations (Takagi 2011, 83), federal-to-municipal training programs to strengthen municipal capacity for local food distribution programs, and subsidized restaurants (Belik, 2011. 130). In 2004, all of the branches of the Zero Hunger initiatives, including MESA, were brought together in the newly formed Ministry of Social Development and Combat Against Hunger, a cabinet level ministry that received feedback from a Consea, or advisory committee with representatives from other cabinet level ministries as well as municipalities (FAO 2011,

147). Similar advisory committees were instituted on the state and municipal level. In 2010, access to food was established as a constitutional right in Brazil. With these initiatives geared specifically toward addressing hunger, the Lula administration also launched a program to address the built environment in urban areas.

The Programa de Aceleração do Crescimento, or the Growth Acceleration Program commonly known as PAC, was a major infrastructure initiative spawned by the Lula Administration in 2007 that would become a focal point of his successor's administration as well. With over US \$270 billion, the PAC program made investments in logistics, energy and urban development (Rossbach 2009). The federal program used US \$24.6 billion to build and upgrade highways, railways, waterways, ports and airports. US\$115.9 billion was allocated to expand electrical power generation and transmission capacity with both renewable and nonrenewable resources. US\$72 billion were directed to urban and social projects; including housing construction, slum upgrading and water and sanitation services.

Slum upgrading projects aimed not only to reduce the urban housing deficit cited at 7.2 million units in 2007, with a future demand of 27 million additional units by 2023 (Rossbach 2009), but also to improve living conditions and mobility within cities by connecting 22.5 million households to water, sewer and electrical utilities (Ribeiro and Zimmermann 2007) and to public transportation services. For instance, one federally funded project in Rio de Janeiro employed a roughly US \$300 million budget to construct over 3000 new housing units, 20 new community facilities and a cable car with seven stops throughout the new construction area and the surrounding area of existing residencies (Rossbach 2009). Site selection and design for such projects was achieved in partnership between federal, state and municipal governments.

Federal ministries and a consortium of technical experts from across ministries working on the federal level oversaw the coordination of projects and the allocation of funds, while state and municipal governments were responsible for managing the construction (Rossbach 2009). By 2009, 1,112 urban rehabilitation projects had taken shape in 554 "slums" across Brazil's 26 states (Rossbach 2009). Nevertheless, many projects struggled with completion, primarily due to the complex coordination between the different levels of federal, state and municipal governments. While 61% of project funding for the PAC was directed to projects at the state and local level, 71% of projects completed were managed solely by the federal government (World Bank 2018, 39).

At the helm of the urban rehabilitation work across all levels of government was the Ministry of Cities, formed when Lula took office in 2003. In tandem with investments in the physical infrastructure of urban environments, the Ministry of Cities sought to stabilize land tenure for slum residence. In 2009, the Ministry of Cities introduced the Minha Casa, Minha Vida program, or My House, My Life, which facilitated home ownership by providing low-interest loans to lower income families (Banco do Brasil 2018). The Ministry of Cities trained municipalities in the development of comprehensive plans. These in turn formed the basis of many of the projects selected for the PAC (Maricato 2006, 6). The Ministry was also host to the National Conference of Cities. This brought over 2,300 civil society and municipal leaders

together to discuss the future of urban development in Brazil (Maricato 2006, 6). The first National Conference of Cities in 2003 gave rise to the creation of the National Policy for Urban Development, which would provide the framework for many of the policy decisions made throughout the PAC process. The Ministry of Cities and the National Housing Secretariat within it would continue to play an integral role in the implementation of PAC II under Lula's successor.

#### **9.4. Dilma Rousseff (2011-2016)**

Dilma Rousseff (1947- ) ran for President as Lula's "handpicked successor" (Forero 2010). Assuming office in January of 2011, Rousseff became Brazil's first female President. Her political activity began as a Marxist guerrilla fighting against the military regime in the late 1960s. At age twenty-two, she was captured and tortured (Arias 2010). After her release in 1972, she studied economics, pursuing, but not completing, a master's degree and PhD. She worked as an adviser and campaigner for Porto Alegre municipal officials. Rising through the ranks of appointed positions, she became Minister of Energy under President Lula in 2003. As Minister of Energy, she was instrumental in expanding Fernando Henrique Cardoso's rural electrification program into the Luz para Todos program, or Light for All, which formed part of the broader Fome Zero campaign and connected millions of rural households to the electrical grid at federally subsidized prices (Ferreira 2003). She also held the position as Chair of the Board of the oil company PETROBRAS, partly owned by the Brazilian federal government. In 2005, after a vote buying scandal led to the resignation of Jose Dirceu, Lula's then Chief of Staff, Rousseff was promoted to that position. Having played a central role in Lula's regime, her Presidency was described by a political scientist at Rio de Janeiro State University as "Lula's Government without Lula" (Forero 2010).

Foremost among the programs developed under Lula's administration and continued by Rousseff were social welfare programs and infrastructure investment initiatives. In addition to Bolsa Familia and elements of the Fome Zero program, such as loans to family farmers, Rousseff helmed the Programa de Aceleração do Crescimento (Growth Acceleration Program) infrastructure investments for an additional four years, from 2011 through 2014, in a program known as PAC II. The series of PAC initiatives also had plans for an additional funding cycle into 2018 (Ministério do Planejamento 2017). Housed under the federal Ministry of Planning and entailing nearly every aspect of the Federal Government and many municipal and state partnerships, PAC II allocated US\$526 billion in federal funds for an array of projects building on the work and administrative capacity developed under phase one of PAC (Loudiyi 2010). In fact, some of the projects for PAC II were direct continuations of incomplete phase one initiatives originally announced by Lula (International Rivers 2010). Similar to phase one, PAC II was built around six major initiatives: urban infrastructure; safety and social inclusion; housing, sanitation and access to electricity; renewable energy and oil and natural gas; and transportation (Loudiyi 2010).

A number of PAC II projects and other government initiatives during Rousseff's administration were related to preparations for Brazil's hosting of the 2014 Soccer World Cup and the 2016 Summer Olympics. In total, the renovation and construction of soccer stadiums for the World Cup cost the Brazilian federal government nearly US\$3 billion (Wade 2015). In

2007 when Brazil was chosen as the host of the World Cup, then President Lula “promised all stadiums would be privately financed” (Wade 2015). This promised was not fulfilled. Attempting to strike a balance between public and private investments, Rousseff financed the multibillion-dollar airport expansion necessary to accommodate the anticipated air traffic of both the World Cup and the Olympics by auctioning off two of Brazil’s busiest airports to private investors for a total of US\$9 billion (Goy and Vilas Boas 2013). Outside of the PAC II, Rousseff’s administration attempted to facilitate other public and private partnerships through the Brasil Maior Plan, or the Greater Brazil Plan, a federal program that sought to streamline private investment mechanisms on the local level (Brazil-U.S. Business Council 2015). Nevertheless, with construction delays and the fact that “four of the 12 stadiums used for the World Cup are almost certain to become white elephants” (Wade 2015), the public investments made to support the sporting events were met with significant controversy (Duarte 2012; de Araújo 2014).

Other controversies revolved around the largest sector of PAC II, energy. With total funding for energy initiatives in PAC II greater than the entire budget of the first PAC, Rousseff oversaw an array of renewable energy, oil and natural gas development projects (Loudiyi 2010). One of the projects was the Belo Monte Hydroelectric Dam. The US\$14.8 billion, 11,200 megawatt project (World Bank 2012) was controversial both domestically and internationally. One of the largest hydroelectric dams in the world, the Belo Monte project would displace more than 20,000 people (Rapoza 2011). The State of Pará, where the project is located, successfully sought injunctions against the project, claiming that local residents and officials were not consulted sufficiently throughout the planning process (Rapoza 2011). Citing the destruction of indigenous cultures due to the flooding of at least 500 sq. km of land, the Inter-American Human Rights Court, part of the Organization of American States, denounced the project and ordered its cessation (Jagger 2018; Movimento Xingu Vivo para Sempre 2011). In retaliation, Rousseff withheld Brazil’s financial contribution to the Court, ordered the Brazilian Ambassador to OAS remain in Brasilia, and not return to Washington, DC (Merco Press 2011). Rousseff deployed federal troops to quell protests surrounding Belo Monte and other hydroelectric projects, leading to further unrest (Jagger 2018).

Although Rousseff won reelection in 2014, turbulence surrounding the hydroelectric projects did not help her fend off allegations of corruption and budgetary manipulation that arose shortly after she began her second term in office. In addition to her predecessor and close political ally Lula facing charges related to money laundering and graft that occurred through the corporate mechanism of PETROBRAS while Rousseff was its board chair, Brazil had slipped into its “worst recession in at least 25 years” (Flynn and Soto 2016) during Rousseff’s presidency. Despite government spending in preparation for the World Cup, the Brazilian real currency had lost nearly 100% of its value against the US dollar between 2011 and 2016 (Trading Economics 2018). Brazil’s credit rating was downgraded from investment status to junk (Brandimarte 2015). Millions of people took to the streets to call for Rousseff’s removal from office (Flynn and Soto 2016).

Impeachment proceedings began in December of 2015. In May of 2016, Dilma Rousseff was suspended from the Presidency pending investigation into allegations that she had “pedaled”



roughly US\$10 billion (Phillips 2015). She was accused of delaying payments on loans from federally run banks used to pay for social programs such as Bolsa Familia in order to cover up the extent of Brazil's fiscal deficit, which in turn benefited her 2014 re-election campaign by making it appear the Brazilian Federal Government had more money than it did (Phillips 2015). Her actions prior to her second term in office were deemed irrelevant to the impeachment proceedings for her second term. Yet the investigation revealed additional pedaling of US\$4 billion in 2015 during Rousseff's second term that had been used to pay low interest rate loans for family farmers (Phillips 2015). With the investigation concluding in August that this later act of pedaling was an impeachable offence, she was permanently removed from office and replaced by a vice-president facing a political battle of his own.

### **9.5. Michel Temer (2016-2018)**

Michel Temer (1940- ) was vice-president under Dilma Rousseff as part of a coalition government between President Rousseff's Workers' Party and Temer's Brazilian Democratic Movement Party. Prior to the vice-presidency, Temer held the position of President of the Chamber of Deputies, the lower house in Brazil's National Congress. He began his career as a lecturer on constitutional law at the Pontifical Catholic University of São Paulo. Despite being implicated in a series of bribery allegations, as well as impeachment proceedings separate from those of President Rousseff (Calgaro 2016), Temer took over as Acting President in May of 2016 and later as President in August of 2016.

Although Temer initially was serving only in an acting capacity, he quickly assembled a new cabinet, combined several government ministries and proposed budget cuts for an array of programs (Watts 2016). Four thousand federal employees lost their jobs due to this restructuring (Boadle and Marcello 2016). Within three weeks of taking office, both Temer's new Minister of Transparency and his new Minister of Planning had resigned under pressure from allegations of corruption, graft and cover-ups of abuse of power (Romero 2016). Even mired in scandal, Temer proposed changes that would undermine the work that his predecessors, Presidents Rousseff and Lula da Silva, had championed.

Among the most significant departures from Rousseff's administration are cuts to social programs. Temer's Ministry of Cities "scrapped a plan to build 11,250 new houses" (Watts 2016). Significant Cuts to Bolsa Familia have been a key element of political debate. The official 2018 budget proposals included the largest reduction in spending for the program since its inception (Valor 2017) and, crucially, Temer has proposed the removal of 10.5 million families from the program (Brito 2016). The budget cuts are part of Temer's bid to shrink the federal deficit, which was 7.8% of GDP in 2017, down from over 10% in 2015 (Trevisani, 2018; Boadle and Marcello, 2016).

In addition to social programs, Temer's administration cut the Ministry of the Environment's budget by 40% (Arsenault 2017). Funding for the National Indian Foundation, which is a government agency addressing indigenous affairs, was also cut by 40% (Arsenault 2017). Despite deforestation in the Amazon rainforest increasing by 29% during his first year in office, Temer removed conservation protections on over a million hectares of land (Arsenault

2017). With a lighter regulatory framework, Temer declared, “Brazil is back in business” during a speech at the 2018 World Economic Forum in Davos (Leinwand Leger 2018).

Public resistance to Temer’s agenda was given more fuel when criminal charges were brought against him for accepting a multi-million dollar bribe and when a leaked audio file disclosed Temer allegedly discussing bribing other public officials. (Shinohara and Gamarski 2017; Brooks and Brito 2017; The Economist 2017). Although the National Congress voted multiple times that Temer could not stand trial in court while President (Schipani 2017), after less than two years in office, his approval rating was cited at an astounding 3% (Cowie 2017). Widespread disapproval aside, Temer is no longer eligible to run for office after he was found guilty of violating campaign finance laws (Greenwald 2016). Yet, while Temer’s time in office may be brief, the impact of his decisions on Brazil could last for generations.

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