

# The Economy of Brazil: since colonial times to the present

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# An Overview of the Brazilian Economy

- 9<sup>th</sup> largest economy in the world
  - In 2010, it was 6<sup>th</sup> largest economy in the world
- Largest economy in Latin America
- GDP amounts to US\$2,14 trillion
- GDP per capita amounts to US\$9,390 (65<sup>th</sup> in the world)
- Largest producer of coffee, orange and sugar in the world
- Main exports are iron ore, soya beans, oil, beef, poultry and aircraft



- **1500-1530 – Brazil wood (dyestuff & wood)**
  - Indigenous labor
  - Coastal region
  - Ended with near extinction of the tree
- **1530-1640 – Sugar cane**
  - African slave labor
  - Northeast
  - Export plantation
- **1697-1785 – Gold**
  - Minas Gerais
  - National economic integration
  - 20% colonial tax and independence movement

- **1760-1872 – Cotton**

- African slave labor
- Demand from British textile industry after US independence
- North & Northeast
- Export plantation

- **1727-1950 – Coffee**

- Slave and immigrant labor
- Rio de Janeiro & São Paulo
- Provided resources for industrialization

- **1879-1912 – Rubber**

- Demand from industrial revolution
- North, Amazon
- Ended with Dutch rubber tree breeding competition



Caraibas

água

Costa Rica

Caracas

Venezuela

Bogotá

Calic

Colômbia

Guiana

Guiana Francesa

Suriname

RORAIMA

AMAPÁ

Quito

Ecuador

AMAZONAS

PARÁ

MARANHÃO

Fortaleza

CEARÁ

ACRE

Brasil

PIAUÍ

PARAÍBA

Peru

Lima

RONDÔNIA

MATO GROSSO

TOCANTINS

ALAGOAS

BAHIA SERGIPE

Salvador

Bolívia

GOIÁS

MINAS GERAIS

MATO GROSSO DO SUL

ESPÍRITO SANTO

Chile

Paraguai

SÃO PAULO

RIO DE JANEIRO

PARANÁ

SANTA CATARINA

RIO GRANDE DO SUL

Córdova

Uruguai

Santiago

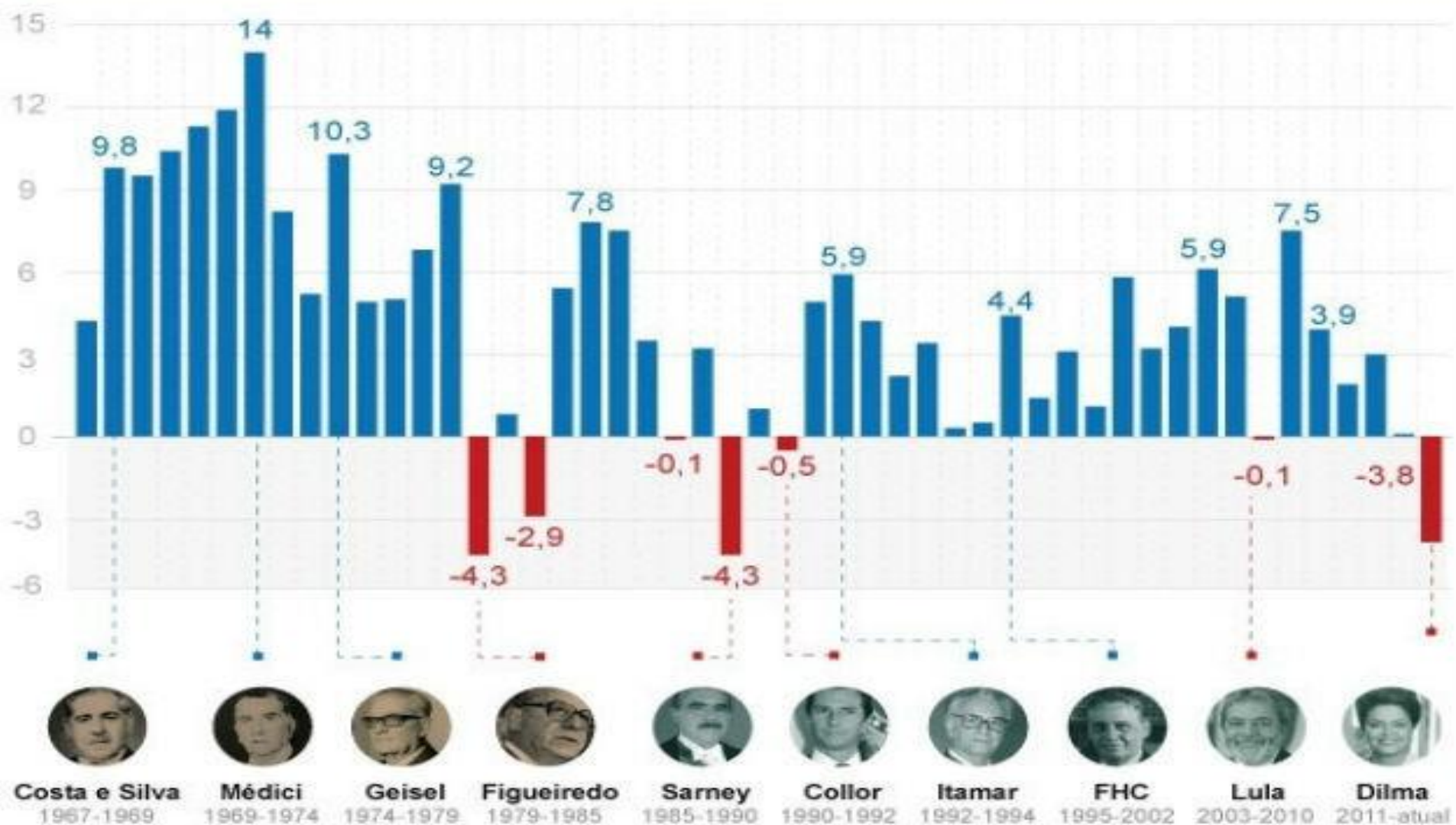
Argentina

Montevidéu

- Industries proscribed by Portugal as a colonial power
- Late industrialization begins in late XIX century with shoes & textiles
- Getúlio Vargas government (1930-1945) develops steel & petrochemical industries
- Industrialization leads to urbanization and is concentrated in Southeast
- World War II and post-war devastation in Europe favors Brazilian industry
- In 1953 Petrobrás is created
- Juscelino Kubitschek government (1956-1961) develops energy, automobile, food and basic industries, and opens Brazilian economy to multinationals
  - New capital Brasília is built in 1960
- Economic theories of the Economic Commission for Latin America (ECLAC) call for import substitution and justifies industrialization efforts
  - Self-sufficiency of domestic Market
  - Less dependence on and vulnerability to world market prices
- “Economic miracle” takes place during military dictatorship (1968-1974)
  - Brazil experiences GDP growth rates averaging 12% yearly
  - Large infrastructure projects are carried out (Itaipú Hydroelectric Dam; Transamazonian Road, Rio-Niterói Bridge)

- Oil shocks lead to development of ethanol as a biofuel and greater indebtedness
- Rise in international interest rates and great spending from the government of Ernesto Geisel (1974-1979) lead to hyperinflation
- Economic plans to curb inflation fail
  - Plano Cruzado (1986), José Sarney government, freezes prices
  - Plano Collor (1990), Fernando Collor government, confiscates savings
- Finally, Fernando Henrique Cardoso implements the Real Plan (1994) and achieves inflation control
- Cardoso's government stabilizes the economy, despite modest growth rates
  - Enacts Fiscal Responsibility Law
  - Abolishes State Banks
  - Promotes universal schooling

# Crescimento da economia do Brasil de 1967 a 2015 (PIB anual, em %)

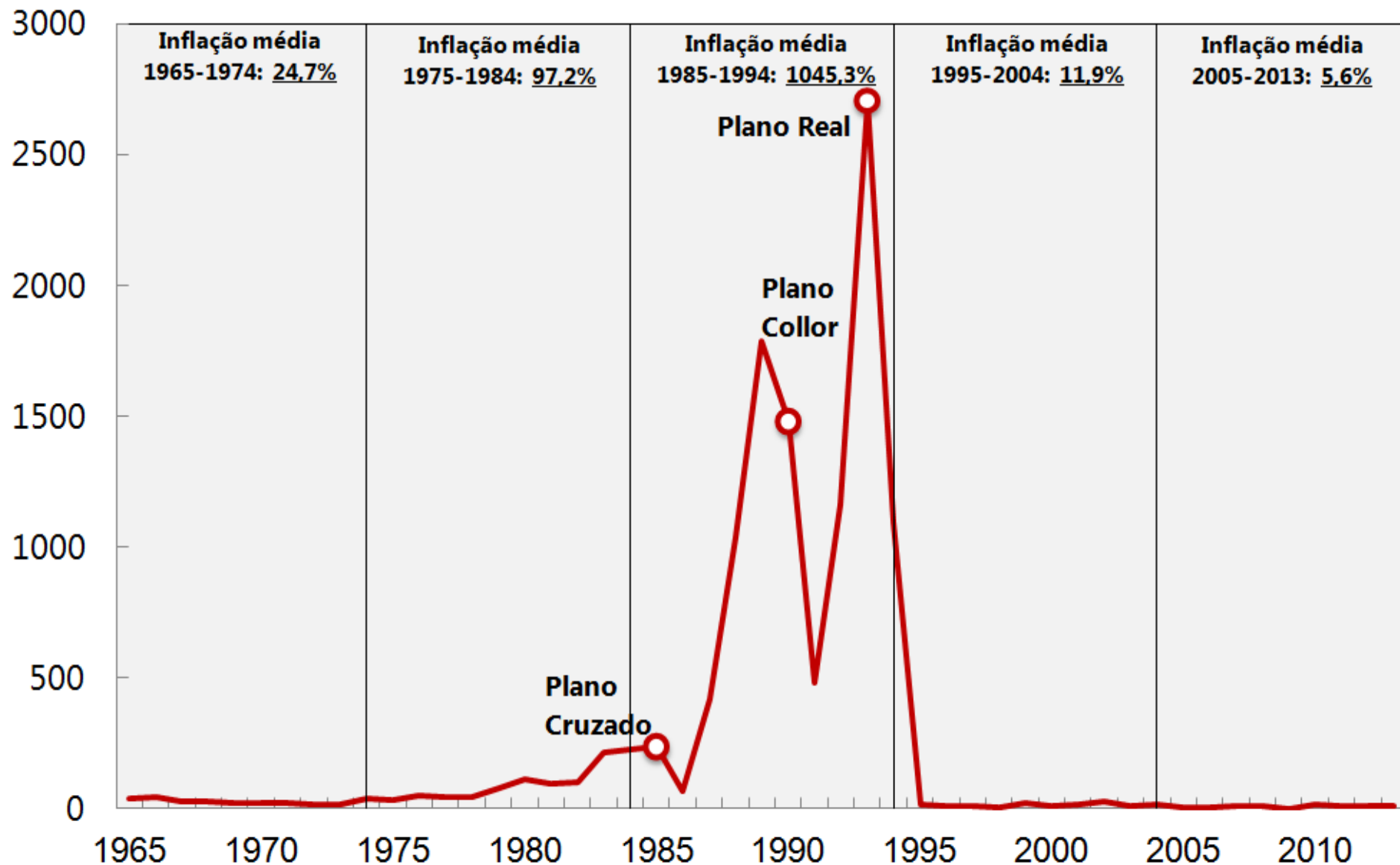


# Brasil: Inflação (IGP-DI)

(variação anual, em por cento)



www.mercadopopular.org



Fonte: FGV.

# Lula and the Labor Party Governments

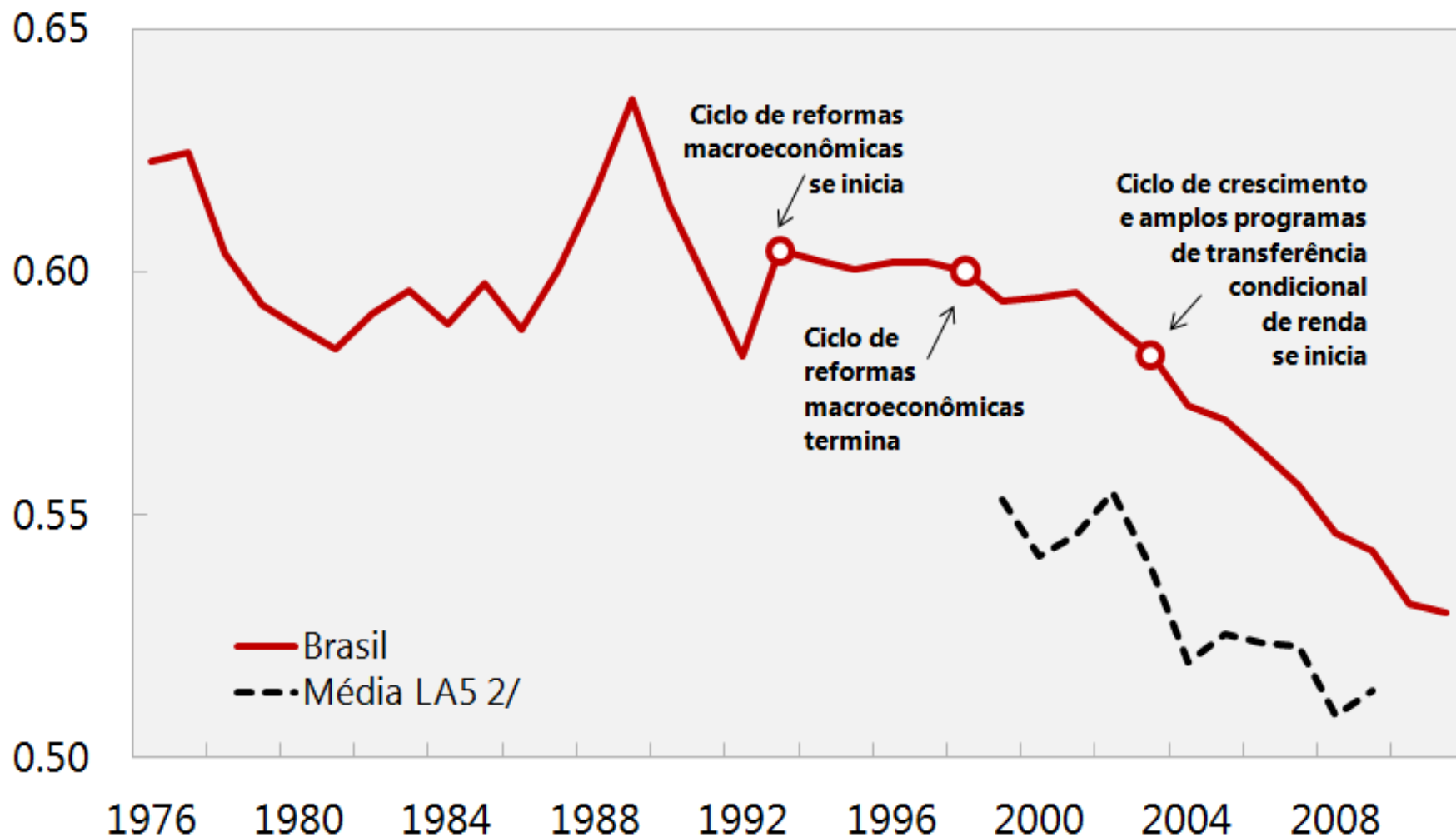
- The government of Luiz Inácio Lula da Silva (2003-2010) innovates in social policies and significantly reduces inequalities
  - Rising minimum wage
  - Bolsa Família cash transfer program
  - Cheap credit
- The Brazilian economy grows at relatively higher rates
  - Commodity boom caused by Chinese imports
  - Domestic consumption rises, mostly by poor families
  - Endures well 2008 financial crisis by state bank countercyclical lending

# Brasil: desigualdade social

(Índice de Gini, 0 = igualdade perfeita) 1/



www.mercadopopular.org



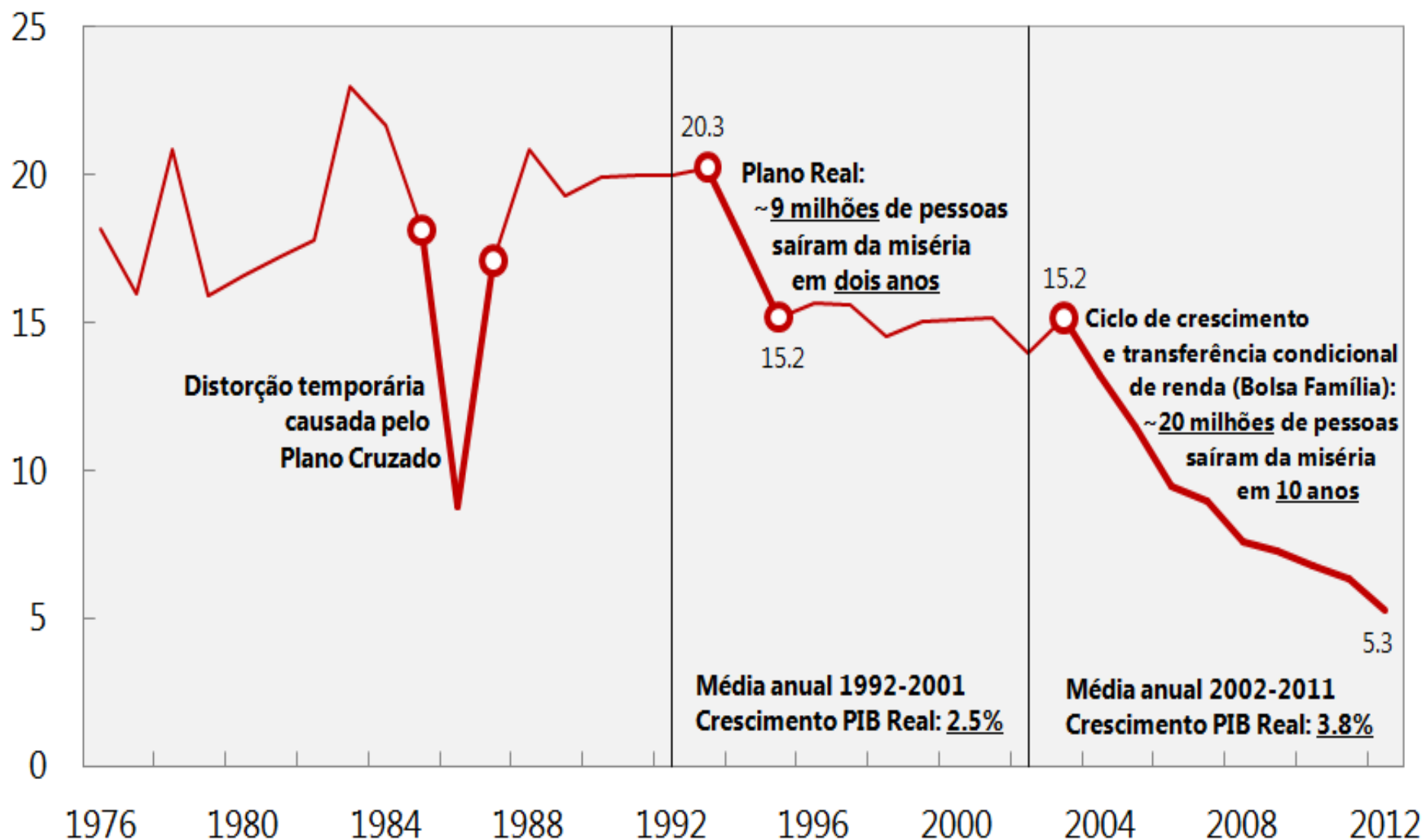
Fonte: IPEA e cálculos do Mercado Popular com base em dados do Banco Mundial.

1/ Índice de Gini calculado com base na PNAD - renda bruta após transferências.

2/ LA5 inclui Brasil, Colômbia, Chile, México e Peru. Brasil não faz parte do cálculo da média.

# Brasil: população vivendo na extrema pobreza

(em porcento da população total)



# Lula and the Labor Party Governments

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  - Endures well 2008 financial crisis by state bank countercyclical lending
- The government of Lula's Labor Party successor, Dilma Rousseff, isn't as successful
  - Commodity boom ends
  - Higher government spending increases inflation, primary deficit and public debt
  - One of the worst recession in Brazilian history follows
  - Social progress made during Lula's government begins to be reversed
  - Premature deindustrialization?

## Indústria de Transformação Brasileira (% do PIB) – 1955 a 2029



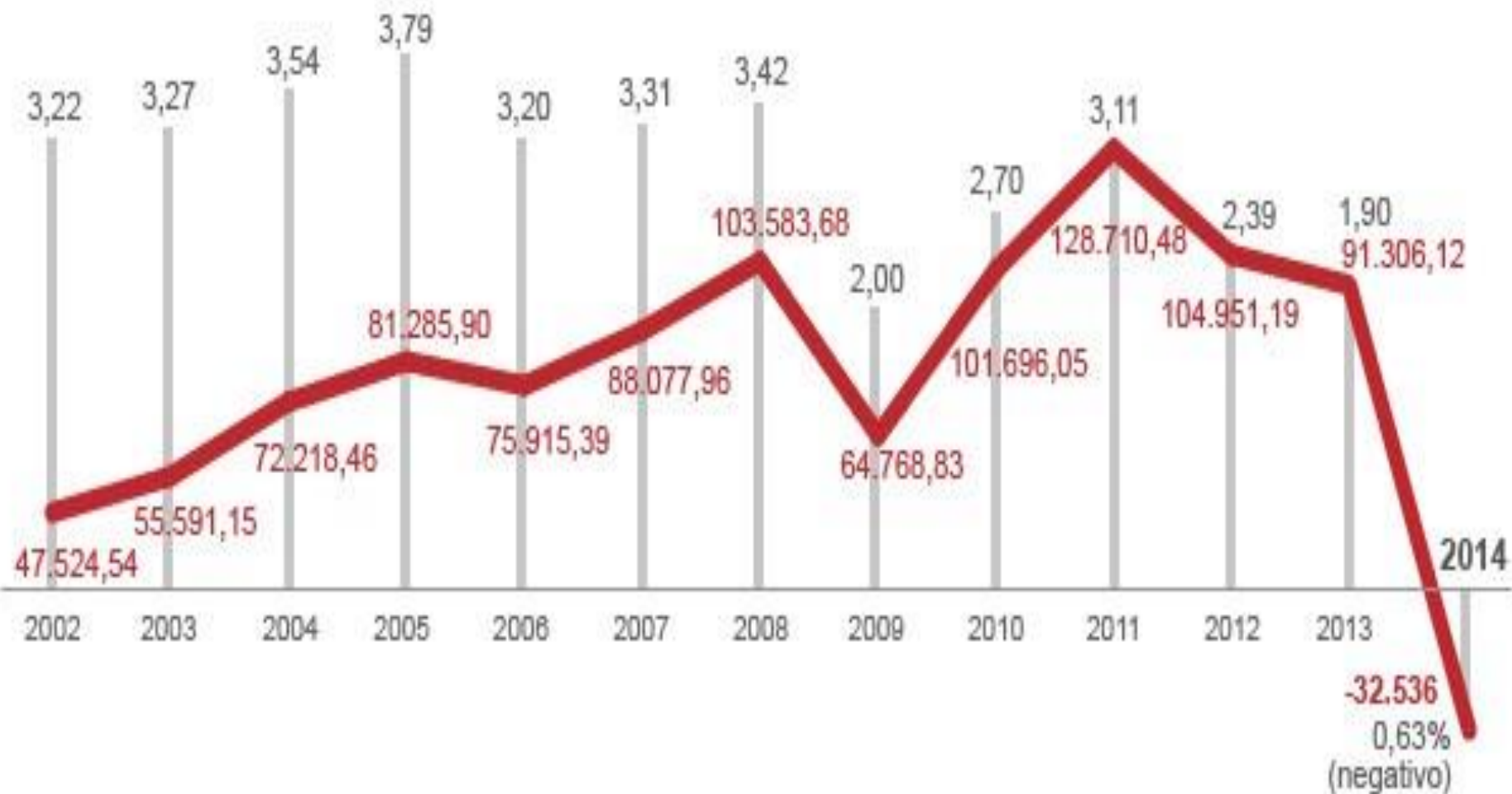
Nota: Série 1955-1994 com ajuste Depecon/FIESP devido à alteração no Sistema de Contas Nacionais.

Fonte: SCN/IBGE. Depecon/FIESP. (p) Projeção FEA/USP, Ribeirão Preto.

# Evolução das contas públicas

Veja o resultado do superávit primário do Brasil ano a ano e sua proporção em relação ao PIB

— Valores correntes (em milhares de R\$) — % em relação ao PIB



# A Reformist Agenda for Recovering the Brazilian Economy

- Since tax rates are already too high (37% of GDP), balancing government accounts should concentrate on reducing government spending
  - Pension reform
  - Subsidies and tax waivers cancellation
  - Reduction of spending with civil servants
- Economic growth needs to be based mostly on investments (currently 19% of GDP), not consumption
  - Privatization and private concessions of infrastructure projects
- In the longer term, productivity growth requires investments in education, innovation and research
- Reforms should protect the poor
  - Tax income, not consumption!

Thank you!

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