‘The new regime of economic growth in Brazil. An analysis of its internal and external challenges.'

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Abstract

The first decade of the 21st century in Brazil was characterized by a major heterodox shift in macroeconomic policies, leading to a 'new regime of economic growth'. Brazil has been the sole top ten world economy that has managed to grow and at the same time to distribute wealth in the past ten years. It has surpassed Mexico as the principal destination of foreign capital in the region and retains today one of the biggest international reserves in the world. It is a world export leader in industries such as leather, ethanol, soybeans, coffee, sugarcane, meat and tobacco. It will be in the long term among the world's biggest oil producers after deep ocean drills indicated huge reserves on the east coast. Nevertheless, this path of growth has been recently challenged by both internal and external restrictions, putting the economy in a 'steady state': since 2013 production has mostly stagnated, even though unemployment remains at its lowest levels historically. Furthermore, this full employment condition increases the risk of accelerating inflation. In the first section of the paper we analyze the conditions that led to this new regime of economic growth in Brazil and its main drivers, namely the net reductions of poverty and the fiscal and monetary easing. Then we try to understand the reasons for the current slowing down of the economy, which, as we suggest, has to do internally with a crisis of confidence of private investment sectors, and externally with the world financial crisis and the old developing countries' financial dilemma of maintaining high interest rates which affect capital flows to the production sector, limiting the economy to a consumption-led growth. The foundations of this analysis reside in the political economy tradition, notably the French school of regulation. From a Regulationist approach of the subject, we follow the evolution of five major institutions leading to a steady path of growth: money, wage relations, state, international regime, and competition form. All of these institutions have passed through important changes and led to a new and regular path of growth of both product and revenue. However, strict monetary policy, focused exclusively on inflation and fiscal targets, could put an end to this regime of growth.

1. **The crisis of the conservative agenda**

Economic liberalism, a broad program of government which proposed the modernization of the productive structure through incentives to private initiative[1], failed to fulfill its main objectives in Brazil. The application, if less strict than in other Latin American countries, of the guidelines recommended by the Washington Consensus – trade liberalization, privatization, financial liberalization, flexible labor market and fiscal discipline in the management of public accounts – resulted in an unprecedented deregulation of the economy, producing strong macroeconomic instabilities that hit the country by the early years of the last decade. The legacy of that model, which succeeded in an extraordinary way in stabilizing inflation, was followed by controversial policies, increasing considerably the external vulnerability of our economy, unemployment and violence, and the denationalization of the industrial sector without the expected improvement in the competitiveness of Brazilian companies abroad.

The growing distrust in the economic efficiency of this conservative agenda fed the desire for a rupture, especially in the wake of the global crises that followed over the years 1990 and 2000. The last of these crises, the Great Recession which started in 2007-2008, reaching the heart of the system, the US, and its key sector, the financial one, ended up legitimizing the trial started in different countries with the adoption of heterodox economic policies. In Latin America, the challenge to neoliberalism and the pressure for a change reached its peak in the early 2000s, given the depth of the economic crisis then registered in the subcontinent, particularly in Venezuela, Ecuador and Argentina, where political instability accelerated the introduction of new economic policies[2]. In Brazil, the adoption of a hard "macroeconomic tripod" after the devaluation of the real beginning of 1999, lead the country to years of stagnation with high unemployment[3]. The answer to the dissatisfaction of civil society with the model's

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1 For a description of this program, see the evaluation by one of his main mentors. Gustavo H. B. Franco, *O Plano Real e Outros Ensaios*. F. Alves, Rio de Janeiro, 1995.

2 For a chronological overview of the process of political and economic transformations in Latin America in this period, see Bernardo García Guerrero, *La nueva izquierda. El poder de la utopía*, Aurora, Bogotá, 2010. For a critical review of the current process of comparative breakdown among the largest Latin American economies, see Pierre Salama, *Les économies émergentes latino-américaines: entre cigales et fourmis*, Armand Collin, Paris, 2012.

3 Luiz Carlos Bresser-Pereira, *Macroeconomia da estagnação. Crítica da ortodoxia convencional no Brasil pós-1994*, Editora 34, São Paulo, 2007.

inability to promote economic growth and social justice is embodied in the election of the leftist leader Luiz Inacio Lula da Silva in 2002[4].

After noting the failure of the conservative agenda, we propose here to describe the transition process currently in course for a new development model in Brazil. The research will take place in two dimensions. On the one hand, we will seek to locate in the recent debate of economic ideas the central features of the new model, described especially by those authors who identify themselves with the new-development project. On the other hand, we analyze the nature of the model, specifically in terms of the likely points of break with neoliberalism, relying on instruments of the French school of regulation, given its contribution to the understanding of the transition periods for new forms of capitalism.

After identifying these elements, we will try to compare them to contemporary Brazilian reality, in order to observe breaks from the standard financial-liberal led accumulation regime which has characterized the economy since the early 1990s at least. This will be done through a summary of the main authors linked to the 'new developmentalist' agenda, official statements and government documents containing the description of the recent economic policy, and macroeconomic and financial indicators of the country. This analytical strategy will illustrate the evolution of institutional forms that characterize the regimes of accumulation – monetary regime, wage relation, State, competitive regime and international regime – in order to pinpoint more precisely the moment that characterizes the change from a financial-liberal led accumulation regime for a national-developmental one.

2. A new regime of accumulation in Brazil?

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[4] While arguing here for the hypothesis of a change in the pattern of accumulation it does not mean that we will not point out the limits and contradictions of this "new" model. We shall however take distances from those who see the new developmental project just as a new guise of speech and liberal economic policy, not being able to promote effective change in the development paradigm. In this regard, see Rodrigo Castelo Branco, "O novo-desenvolvimentismo e a decadência ideológica do estruturalismo latino-americano", *Oikos*, v. 8, n. 1, 2009; Luiz Filgueras, Bruno Pinheiro, Celeste Philigret, Paulo Balanco, "Modelo Liberal-Periférico e bloco de poder: política econômica e dinâmica macroeconômica nos governos Lula", in: *Os anos Lula: contribuições para um balanço crítico, 2003-2010*. Garamond, Rio de Janeiro, 2010.

The French theory of regulation seeks to highlight the political, economic and institutional elements able to characterize the different forms of capitalism that can take place throughout its historical evolution, as well as their different growth and accumulation patterns. Essentially, it highlights five categories of analysis, called institutional forms that guide in understanding the nature of a regime of accumulation. These are: the monetary regime, the form of the state, the type of wage relation, the shape of the competition and the international insertion pattern[5]. Let's see more in detail each of these institutional forms and look at how they can guide us in the interpretation of the current Brazilian development path of paradigm shift, as summarized in Table 1 below.

From the view point of the regulation theory, the monetary regime has prominence in configuring a pattern of accumulation[6]. Money is the central institution in the regulation and includes a set of variables, among which stands out variables such as liquidity, credit and interest rates. Given that, until recently, the autonomy of the Brazilian government to change these variables was conditional on the currency stabilization objectives, regulationist authors tended to focus on the characterization of our model as a financial led accumulation regime[7]. More recently, the changes implemented in the interest rate policy – whose real base rate for scrolling purposes of public debt has been gradually reduced, and now brings benefits to borrowers in the private sector, especially nationals – have led some authors to point to a trend of revision in the monetary regime[8], while others remain skeptical of the reach of most recent changes in economic policies[9].

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5 Cf. Bruno Théret e José Carlos de Souza Braga, *Regulação econômica e globalização*, Unicamp, Campinas, 1998; and Robert Boyer, *Théorie de la régulation. Les fondamentaux*, La Découverte, Paris, 2004.

6 Cf. Michel Aglietta e André Orléan, *A violência da moeda*, Brasiliense, São Paulo , 1990 [1982].

7 Cf. Miguel Bruno, "Régulation et Croissance Économique au Brésil après la libéralisation", *Revue de la régulation*, n. 3/4, 2008; Alexis Saludjian, "Le Régime d'accumulation dans le Cône Sud-Americain depuis les années 1990. Crise de régulation ou crise d'accumulation ?", *Revue de la régulation*, n.1, 2007.

8 Jaime Marques-Pereira, "La monnaie, la politique et la possibilité d'un mode de développement à nouveau fondé sur le marché intérieur au Brésil et en Argentine", *Revue de la régulation*, n. 11, 2012.

9 Eliane Araújo, Miguel Bruno et Débora Pimentel, "Financialization against Industrialization: a regulationnist approach of the Brazilian Paradox", *Revue de la régulation*, n. 11, 2012.

Table 1. Comparing the most important manifestations of institutional forms in the liberal-rentier and national-development growth regimes in Brazil.

Institutional Form	Type of Accumulation Regime	
	Liberal-rentier	**National-developmental**
Monetary regime	• Restrictive monetary policy; • High interest rate regime subjected to inflation targeting ; • Market-driven, strict monetary supply submitted to independent Central Bank approval.	• Expansionary monetary policy; • Interest rate unrelated to the regime of inflation targets and linked to other macroeconomic goals ; • Monetary supply under government control, and performed by the Central Bank together with the Ministry of Finance.
Wage regime	• "Liberal, Post-Fordist " • Lack of wage policy ; • Concentration of income and wealth stimulated ; • Chronic informality ; • Flexible labor relations.	• "Interventionist, Post - Fordist " • Active wage policy , combined with universal mechanisms of social assistance; • Income concentration reduced, war on informality ; • Generalization of wage relations ; • Incentives for formal labor force and full employment.
State	• Government expenses submitted to fiscal rigor strategy; • Public employment in retreat; • State Investments in retreat; • Increased tax burden to finance spending cuts and rising public debt.	• Countercyclical spending policy to revive the economy ; • Redemption of public administration; • Resumption of state investments and major infrastructure projects ; • Increased tax collection system efficiency, with stable tax burden and indebtedness.
Competition regime	• Oligopolistic, with incentives for participation of foreign capital ; • Nonexistent regulatory apparatus .	• Oligopolistic, with incentives for participation of the national capital; • Strengthening the existing regulatory apparatus.
External insertion	• Submitted to the interests of foreign creditors ; • According to the existing comparative advantages ; • Free trade ; • Absence of stimulus to internationalization.	• Brazil becomes creditor of international funding agencies; • Comparative advantages reinforced by state support; • Protectionism for strategic sectors ; • Various stimuli for capital internationalization.

To some extent, therefore, it could be said that changes in the components of the monetary regime (currency, credit, interest rate) at the same time anticipate and shape the economic process, leading it into a new trajectory. In the case of the Brazilian economy, there is a clear sign of easing already at the end of the first term (2003-2006) of the Lula government, when he enhanced the long-term credit channels for the production system, now heavily subsidized relative to private interest rates through the BNDES (the national development bank). At the same time, the money supply expands to facilitate access to the final consumer credit through slight reductions in the prime rate and the pressure exerted by state banks to decrease spreads. Therefore, it is evident in this period, especially the loosening of inflation targeting, inserting, albeit in a veiled way in the first place, other macroeconomic objectives linked to the management of monetary policy[10].

It is known however that currency injections in the production system do not necessarily bring real impacts (which depend on the way it is constituted, and especially distributed) on the purchasing power of households. It is for this reason that the easing of monetary restrictions in a predominantly liberal regime only makes sense if we consider this process in relation to the evolution of the other institutional forms.

The second institutional form that we will discuss, the competition pattern of the accumulation regime, deals with the predominant pattern in the market structure, namely the degree of monopolization of the economy and the level of state intervention to correct any distortions. It seems clear that, in this regard, Brazil is currently undergoing a major transformation compared with the previous period, which was consecrated by the primacy of the free market and high dependence on foreign capitals. In contrast to this view, the Brazilian government has recently encouraged several mechanisms, the strengthening of national, private and state capital, forming an industrial policy has that resulted in an increased share of large domestic conglomerates in the most diverse segments of the Brazilian economy. There are also elements of this transformation in the competition form in the interruption of privatizations and in the resumption of state investment in diverse sectors of infrastructure through policies such

[10] As some authors point out under the new developmental model the regime of inflation targeting becomes subordinated to the economic growth and full employment strategies. See José Luís da Costa Oureiro, “Novo-desenvolvimentismo, crescimento econômico e regimes de política macroeconômica”, Estudos Avançados, v. 26, n. 75, 2012. Which is not to say that the current monetary management allows inflationary acceleration beyond the stipulated limits of fluctuation of the price index, as shown by the Central Bank's operations started in early 2013, when it began raising the benchmark interest rate after a long sequence fall in response to localized increases in consumer prices.

as the Growth Acceleration Program (*Programa de Aceleração do Crescimento*, PAC), to the extent that they stimulate the private sector participation in the economy.

Now let us look in more detail to the new credit policy championed by BNDES, as it has been a decisive factor in the new configuration of capitalist competition in the country. In the last ten years, the policy of credit concessions observed, in addition to an important change in volume (which quadrupled in the period, reaching R$ 155 billion in 2012), a regionalization trend (towards the marginalized North and Northeast areas) and a revision in the size of the beneficiary firms (for the benefit of micro and small enterprises). From the sectorial point of view, the highlight is the machinery and equipment chain, which has enjoyed special lines of funding since 2003, totaling more than R$ 50 billion in 2010[11].

Critics point out, however, that the new industrial policy has not resulted in the desired effect, in that the impacts on investments stand below what is needed to put the economy on a path of rapid growth. Indeed, gross fixed capital formation, a major aggregate investment indicator points to a cooling of the boom observed in the mid-2000s. This decline can be attributed to a wide range of factors, all determinants to the level of investment in an economy in transition to developmental accumulation regime, however, not entirely free from the shackles of the finance-led regime. On the one hand, one can cite the long duration of the external crisis, which affects the business expectations, in that it restricts the global demand and alters the relative prices of inputs for the national productive sector. On the other hand, although there was a significant reduction in basic interest rates, speculative allocation still remains attractive[12].

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[11] Another action aimed to stimulate the national productive sector consisted of a series of tax relief measures to the productive sector, initially as countercyclical strategy, but that would institutionalize after 2010, constituting the aforementioned *Plano Brasil Maior*, during the first Dilma Rousseff mandate.

[12] Various indications show the trend of speculative allocation of wealth especially in the financial form by large national private corporations as pointed out, among others, Yoshioki Nakano, "A grande recessão: oportunidade para o Brasil alcançar os países desenvolvidos", *Revista de Administração de Empresas*, v. 52, n. 2, 2012. Add to this the negative trend, according to Unesco, of the last years of the 2000s in the absorption of researchers by the private sector of the Brazilian economy, considered a central proxy for the innovation capacity and productivity of the national enterprises.

Nevertheless, here again the signs indicate a major transformation, with the configuration of a competition regime tailored to the needs of the new model: the balanced supply of an expanding domestic market and the ability to face increasingly competitive foreign rivals, given that throughout the period the country did not openly question liberalism in international trade relations and regulations established by the WTO. Note, therefore, as in a developmental type of accumulation regime central planning is a very important element of the model, whose configuration shall be reported below.

Although subject to monetary and commercial objectives likewise in any capitalist economy, the state category is a central institution in the debates on regimes of accumulation in regulationist tradition and it can take a variety of forms in different national models around the globe[13]. The composition of classes inside of it as well as its ability to intervene in the economy are some of the variables that emanate from this relationship and to which we turn now in our analysis. In Brazil, one can clearly state that we are facing a new social pact, in which the state becomes caterer to the demands of sectors previously excluded, such as trade unions, minorities, as well as some fractions of the national bourgeoisie. On the other hand, the minimum state of liberal conception seems definitely outdated today in Brazil, especially thanks to the financial recovery, by means of the flexibility of the primary surplus targets and the interruption of the privatization program[14].

The central variable on which focuses the analytical perspective of regulation concerning the state form is spending or tax policy. In this sense, there are both quantitative and qualitative changes in government revenue and expenditure. From a quantitative point of view, there is clearly an expansion in the volume of funds injected by the State in the Brazilian economy, especially in the form of infrastructure projects, as well as direct involvement through state-owned enterprises, re-capitalized over the last three governments. Here equally important was the interruption in the decline trajectory of civil service, thanks to the resumption of a more active role of the state in

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[13] Cf. Robert Boyer, *Une théorie du capitalisme est-elle possible?*, Paris, Odile Jacob, 2004.

[14] In this regard, it is worth clarifying that if in fact the complete alienation of State owned enterprises ceased to occur since the election of Lula, partial divestitures, public-private partnerships and long-term concessions to the private sector have been widely adopted. The State, however, remains present in any of these ways, even indirectly, unlike the liberal period, when the general approach was to dispose of state assets.

the recent period[15]. With respect to qualitative aspects, efficiency in state management and tax collection mechanisms, coupled with the relief in the public accounts caused by reducing the financial burden of public debt, amplified significantly the Union's budget in recent years.

Let us now turn to the evolution of distributive conflict between capital and labor that determines the institutional form of wage relation. The new dynamics of accumulation centered on the domestic market associated with the implementation of distributive mechanisms allowed a reversal in the trend of previous periods clearly unfavorable to workers. A good illustration of the wage relation can be obtained through the inequality indicators, in that they measure how the surplus is being divided among income groups within a country. In the tables below we clearly see two movements in the largest economies in Latin America. First (Table 2) we see worsening inequalities as a result of the proliferation of the conservative agenda of the 1990s in the subcontinent. These economies become then extremely vulnerable after a decade of combined debt crisis, in many cases, and hyperinflationary outbreaks. Rapid liberal shift in the management of economic policy resulted in a worsening of the distributive framework in these countries.

Table 2. Evolution of inequality between 1992 and 2002

Country	1992			2002			Var.
	Upper 20%	Bottom 20%	Inequality	Upper 20%	Bottom 20%	Inequality	
	(a)	(b)	(a)/(b)	(a)	(b)	(a)/(b)	
Colombia	56,7	3,7	15,3	64,1	1,9	33,7	18,4
Argentine	50,7	4,6	11,0	57,5	2,8	20,5	9,5
Venezuela	47,7	5,1	9,4	53,2	3,3	16,1	6,8
Brazil	57,6	2,5	23,0	63,4	2,3	27,6	4,5
Mexico	56,0	4,1	13,7	54,8	4,4	12,5	-1,2

Source: World Bank.

In a second phase (Table 3) we clearly observe that the largest reductions in inequality following the crisis of neoliberalism in the region is given exactly in countries that have implemented development strategies in response to the accumulation regime inability to promote distributive justice - Venezuela, Argentina and Brazil that had established the

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15 Specifically, between 1998 and 2002 there was a reduction of 8.7 % in total civilian federal active servants; meanwhile, in the period between 2003 and 2012 functionalism expanded 18.9%, according to official data.

most efficient mechanisms of income distribution. It seems clear that a fair allocation of resources does not occur without direct government interference to avoid concentration movements[16]. In the markedly more liberal period, when the surplus widened due to high commodity prices, it did not necessarily benefit equitably between the classes: it was directed primarily to the established economic elites. With the advent of the new developmental regime, wage-capital ratio changes, leading to distributive policies in a context of new correlation of forces, a more balanced distribution of the generated surplus was thus allowed. The decline of wages observed in sharp liberalized times – with a profusion of informal forms of subordination of labor to capital – has gone up to a redemption period of wage negotiations, including occupational categories historically marginalized, such as domestic servants in Brazil.

Table 3. Evolution of Gini coefficients at selected countries

País	Starting point*	End**	Var.
Venezuela	0,500	0,397	-0,103
Argentine	0,578	0,492	-0,086
Brazil	0,634	0,550	-0,084
Colombia	0,601	0,545	-0,056
Mexico	0,514	0,481	-0,033

* Starting point in 2002 for whole countries.

** End in 2011, except Mexico (2010).

Source: ECLAC.

Finally, in regulationist theory, the international insertion system is the institutional form that describes the country's position in the international division of labor, as well as the variables of foreign and trade policy mobilized to promote it. In Brazil, after the subordinate and limited insertion that lead to severe external vulnerability in the 1990s, a new international insertion strategy is now in place, with incentives for the internationalization of national capitals, recovery of agro-business and conformation of new blocks of economic integration, as an alternative to existing global and regional organizations, until recently under strong control of North America and Europe. In fact, the capital internationalization strategy is illustrative of the new compounds, the Schumpeterian path, moving the current dynamic accumulation in the country. The search for new markets abroad is perhaps the most emblematic element of the transition phase in which it is the Brazilian economy. The table below illustrates this process, in

16 Cf. Juan A. Montecino, "Decreasing inequality under Latin America's "social democratic" and "populista" governments: Is the difference real?", *Center for Economic and Policy Research*, Washington, 2011.

which we highlight the recent performance of developing economies, occupying the top rank of countries that have seen the most rapid increase in the number of its companies among the largest in the world.

Table 4: Number of listed companies among the 1,000 largest in the world, by country.			
Country	**2000**	**2012**	**Var. %**
India	7	27	285,7%
China	28	68	142,9%
Russia	10	23	130,0%
Hong Kong	16	26	62,5%
Switzerland	17	26	52,9%
Brazil	**10**	**15**	**50,0%**
South Korea	22	30	36,4%
Australia	18	20	11,1%
Mexico	9	10	11,1%
Canada	34	35	2,9%
France	42	43	2,4%
Sweden	16	16	0,0%
Netherlands	16	15	-6,3%
USA	354	292	-17,5%
Taiwan	17	14	-17,6%
Germany	40	31	-22,5%
Great Britain	65	50	-23,1%
Japan	139	99	-28,8%
Spain	20	14	-30,0%
Italy	25	10	-60,0%

Source: Forbes Magazine.

More recently, in the last act of this conversion on the external insertion strategy, the Brazilian government, in order to avoid the perverse effect of an exchange rate overvaluation of the so-called ‘monetary tsunami’ caused a mini-devaluation of the currency, which now fluctuates around R$3.00 per dollar[17]. The new level is close to the

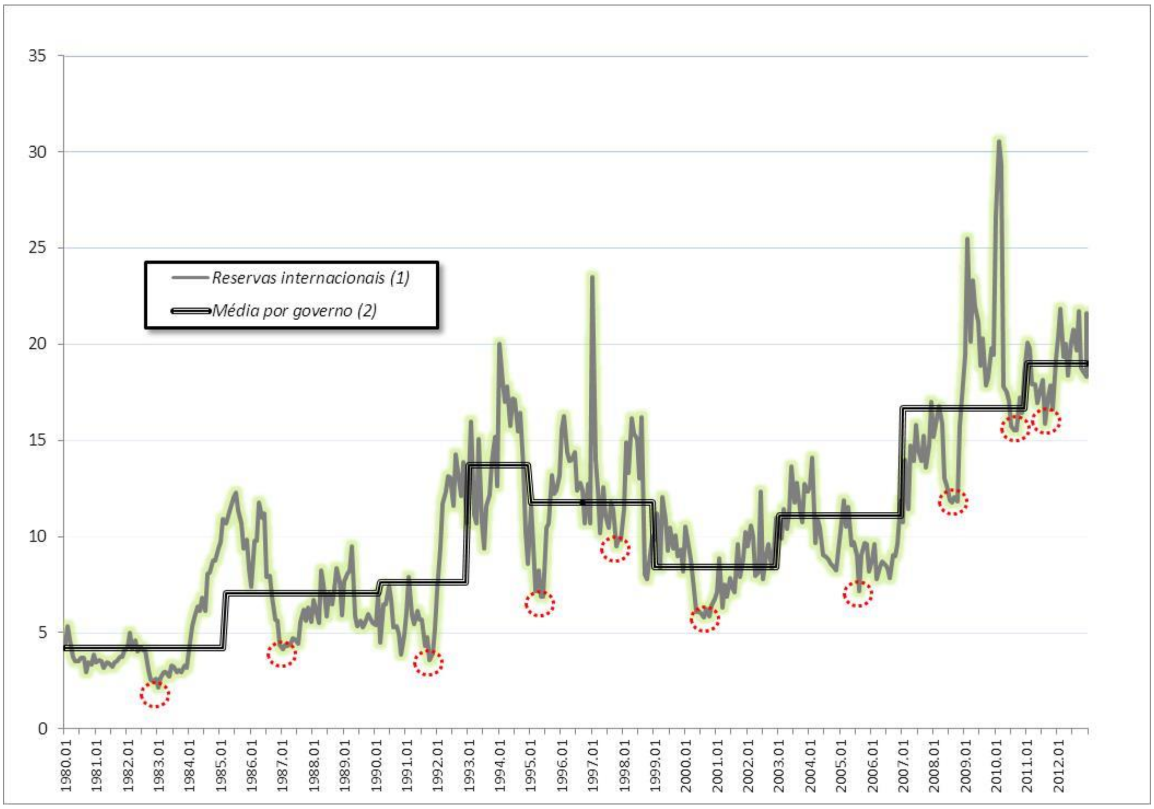
[17] This move had been anticipated by one of the chief architects of the current economic policy, Nelson Barbosa, in a 2010 paper in which the current Minister for Development together with other government analysts defend the need to situate the exchange rate slightly closer to the equilibrium level (representing the rate that would maximize, according to his model, economic growth) without the devaluation that would undermine the country's inflation targets. Cf. Nelson Barbosa et al., “Real exchange rate, capital accumulation and growth in Brazil”, *Fourth Annual Conference on Development and Change*, Johanesburgo, 2010.

claims of the industrial lobby supported by academic studies[18]. Maintaining a high purchasing power of the national currency allowed economic benefits that outweighed the costs of an unfavorable balance of services. And that is mainly given for three reasons: firstly it guaranteed access to essential capital goods imported for this new phase of accumulation; secondly it made available to the national bourgeoisie the purchase of assets that promoted the internationalization of Brazilian capital; thirdly, even with relatively overvalued exchange rate, the market control exercised by Brazil of exportable commodities (metals and food) generated high balance of trade, offsetting the imbalances.

From the point of view of the balance of payments, the trajectory of the international insertion of the Brazilian economy appears to be quite sustainable, despite some reservations about its quality, as we will outline in the final section of the paper. Some indicators support this observation. Not only the absolute level of international reserves is very high at present, which demonstrates the advantageous position of the country in the international scenario, both in the market for goods and services, as well as in the capital ones. But also in relative terms the reserves have kept pace with the expansion of foreign trade. A key indicator in this respect is given by the number of months of imports that fits the volume of reserves of a country. Note the chart below that in early 2013 this volume amounted to more than 20 months of imports. The black bars on the graph indicate that in the last three governments reserves have been growing to reach record highs. The importance of this analysis is explained by the alert triggered whenever you start a rapid decrease of movement in the indicator because it tends to coincide with phases of large external turbulence or speculative attack on the national currency, causing a drain of resources and a crisis in the balance of payments.

[18] An important group of economists defends a exchange rate of R $ 2.70 to the US dollar as a price closer to equilibrium. Cf. Eliane Araújo e Paulo Gala, "Regimes de crescimento econômico no Brasil: evidências empíricas e implicações de política", *Estudos Avançados*, v. 26, n. 75, 2012; and Luís Carlos Bresser-Pereira, "Baixo crescimento, ideologia e pensamento", Folha de São Paulo, 17/12/2012.

Chart 1: Brazilian international reserves, measured in months of imports.



(1) Net international reserves, in months of imports.

(2) Average by government mandate.

Source: IPEA.

3. From boom to 'steady state'

About two years ago, the favorable environment, both external and internal, which had allowed Brazil to remain in a cycle of growth with social inclusion, was reversed. Many have emphasized solely the material dimension of the current economic stagnation[19]. Among them is certainly the exhaustion of credit expansion and redistributive policies impacts- income, real and available, no longer increases at the necessary rhythm as to promote high growth rates. Externally, it is also a fact that the decline in commodity prices negatively affected the economic performance, because of accumulated trade deficits. However, it is also important to take into account the political dimension of this process. If these last years the Brazilian economy had been sustained mainly by household consumption and government spending it would not have been for a lack of

19 Technically, one can not talk of economic crisis for now, given the situation still close to full employment in the country.

incentives for private sector investment that originates the current downturn, as we saw earlier. The proximity of the 2014 electoral scenario, which inexorably led to another Workers Party term in power, caused complex reactions in the right, which makes up an important part of the national bourgeoisie.

On the one hand, industrialists demanded (and obtained) a devaluation of the currency to improve the competitiveness of products manufactured in the country. On the other hand, rentiers demanded (and also obtained!) a change in the loose monetary policy by alleging that loose fiscal surplus targets affect the confidence of private investors.[20]

Paradoxically, the scenario still resembles an investment paralysis, with frequent complaints from the business classes regarding the economic and social policy, always readily transmitted in the dominant media outlets[21]. It is still early to assess the economic consequences of this shift in economic policy of the 2nd term of Dilma Rousseff, but some of them are already being noted.

First, inflation. Due to the increasing economic dependence on imported components, the devaluation tended to endear manufactured products sold in the internal markets. Added to this is the review of government-controlled prices, to contribute to the fiscal effort. Finally, an unprecedented drought in south Brazil raised food prices. In 2015 a 9% inflation is expected, the highest level in many years.

Second, the precariousness of work. Despite recent advances, the current scenario is negative for the working class. The first half of 2015 represented a setback in both quantitative (increased unemployment) and qualitative terms (laws granting greater flexibility in labor relations might be approved in Congress by the end of the year).

4. Concluding remarks

The Brazilian economy is at a crossroads, for both material and political-ideological reasons. The outcome of the struggle between progressive and conservative forces that now divide the country is absolutely unpredictable, but it is what will set the tone of economic policy in the coming years.

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20 Interestingly, the confidence of foreign investors does not seem to have been affected. In 2014, Brazil was the world's fourth largest destination of foreign capital .

21 An impressive result of this effort to mobilize reactionary sectors (parties, associations and the dominant media) are the mass demonstrations organized by the right wing, requesting minimal state and seeking to overthrow the government.

Despite this adverse and complex scenario, the decade that opens the new millennium is clearly a period of transition towards a new phase of capitalism, of which Latin America in particular emerges as a laboratory of innovative policy experiences, socially and economically, in response to the legitimacy crisis of neoliberalism.

The theoretical perspective of the French regulation school allowed us to place the recent trajectory of Brazil in an advanced transition period toward a pattern of post-neoliberal type development, given the depth of the changes observed in the group of constituent institutional forms of accumulation regime in recent years.

We identified, however, reminiscences of the rentier-liberal model also strongly intertwined in institutional forms, a proof that the rupture is not yet present in its finished garment. The allocation of a portion of the surplus in the financial market, the consumption of luxury and land speculation, subtract large sums that could find a more productive application, such as the innovative processes, and public services in general, both aspects essential to productivity developments in the country.

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