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Reflections on Patrimonialism and Crony Capitalism in the Brazilian State

Brezilya Devletinde Patrimonyalizm ve Yandaş Kapitalizmi Üzerine Değerlendirmeler

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ÖZ

Brezilya parti sistemi, çoğu politikacının mekanizmalar ürettiği ve çeşitli devlet yapılarını, kişisel kazanç için kullandığı Max Weber'in anlayışında patrimonyalizmin temsilinin ifadesidir. Bu durum, ülkedeki kalıcı eşitsizliğin nedenlerinin yanı sıra devletten yararlananların karşılıklı suç ortaklığını açıklamaktadır. Aslında, Brezilya sosyal bilimleri bu konuyu incelerken, bu tabloyu tamamlamak için hala bazı farklı açıklamalar ve motivasyonları araştırmalı ve keşfetmelidir. Bu nedenle, bu çalışmada ülkenin bu özelliklerini ve tarihsel keşiflerini ortaya çıkarmak gerektiği anlaşılmaktadır, ancak bu düşünce Brezilya akademik ortamının entelektüel ana akımına ait değildir. Bu anlamda, bu makale, talihsiz ve hala hayatta olan cumhuriyet öncesi kümülatif özellikleri, yani ister hükümet tarafından, ister devlet işletmecileri tarafından, isterse kayırmacılar tarafından, patrimonyalizm ve ekstraktivizm, rant arayışını yeniden üretmektedir.

ABSTRACT

The Brazilian party system is the expression of the representation of patrimonialism in Max Weber's conception, where most politicians create mechanisms and use the various state structures for personal gain. This situation explains the reasons for the persistent inequality in the country, as well as the reciprocal complicity of state beneficiaries. In fact, the Brazilian social sciences, while having studied this subject, still need to investigate and discover some different explanations and motivations to complete this picture. Thus, it is understood in this study that one must expose these particularities of the country and its historical excrecences, although this thought does not belong to the intellectual mainstream of the Brazilian academic environment. In this sense, this article reproduces the unfortunate and surviving cumulative pre-republican characteristics, namely, patrimonialism and extractivism, whether governmental, by state operators, or clientelistic, by rent-seeking.

1. Introduction

Self-preservation is a central feature of the Brazilian State and, strictly speaking, a universal trend. Its impulses need to be controlled permanently, so that the social contract (in the sense of contractualists) is preserved. The means to ensure it require that the organized part of society is always alert. For this reason of general order, it is essential that part of the interpretive effort of the social sciences is also turned to the

effort in understanding the State as one of the sources of national problems.

In this context, the article proposes the analytical and political debate of the bureaucratic mesh that feeds the structures of the patrimonial, centralizing and extractivist State. By extension, it seeks to identify the agents of the "bureaucratic stratum",¹ beyond the rational-legal conditions, and even the philosophical justifications that

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determine its guarantees, pecuniary advantages and its decision-making power.

The various justifications in terms of welfare state social benefits in Brazil, the poor use of the recent commodity price cycle of the first decade of the 2000s, and the efficiency of services provisions, considering the large size of the Brazilian state bureaucratic organization. Likewise, it points to the failure of the direction of Keynesian conceptions that had a great influence on macroeconomic policies and the various social programs throughout Brazilian political and economic history.

The article is organized into five sections, including this introduction. The second section mentions the theoretical references used to support the line of thought of the article, and deals with the Brazilian patrimonial structure, addressing the relationship between commodity cycles and social assistance policies. The third section discusses the formation of the welfare state in Brazil, the social inequalities and the emergence of the rent-seeking figure as effects of the patrimonial structure, besides an explanation of the 2015 economic crisis. The fourth section explained the exhaustion of the welfare capacity of the Brazilian welfare state, following the conclusions in the last section.

2. Patrimonial Structure of the Brazilian State

A country reflects its legal, economic, cultural and political institutions, which can be beneficial or malecon to society. The development model adopted in Brazil in the last three decades has failed to promote social inclusion and distribute income fairly.

The development depends not only on the structure of the economy, but also on the role of institutions, since the choice of economic and structural policies is a channel through which institutions influence the patrimonial structure of the State. Brazil has a peculiar form of capitalism marked by the strong weight of the state in the economy, high tendency to concentrate large business groups, presence of diversified multinational corporations, bureaucracy in making riddled with state-imposed transaction costs. So, it is a pro-entrepreneur and not pro-market capitalism (Svensson, 2005; Lazzarini, 2010; Limoeiro, 2020).

Originally, the Brazilian State carries strong patrimonial and extractive features. It is patrimonial in the sense that the occupation of the State in the three government branches, which is essentially linked to monarchic past. The performance of some who work in the public sphere suggest to society that the public patrimony is as if it were an extension of their private patrimony. Such forms of ownership happen in many ways, from systematic corruption to the more subtle and legal. The solid structure of positions, created by the Federal Constitution of 1988 on behalf of the social State, joins the numerous benefits for each interest group. In addition, Lopez and Guedes (2016) and Fernandes and Tomazelli (2018) point out that the nearly 12 million of public servers are strongly organized in

syndicates, as well as the lobby that represents them in Congress is the most powerful, formed by about 210 members in 2018.

The way of maintaining this patrimonial structure is through a strong mechanism for extracting resources from the productive society. The term extraction in its first meaning, that is the economical, deals with an economic organization based on natural resources extraction. In Brazil, it is undeniable the importance of this type of economy, including in the composition of gross domestic product (GDP). It is noteworthy that, in the Empire and the Republican periods, this type of extraction also followed this *modus operandi*, which has become sophisticated, acquired moral excuses by its social and legal garbs, notably acquired after the re-democratization and promulgation of the current Constitution in 1988. The more modernized economically and politically Brazil became, the more this perverse manner of organization evolved to a fiscal extractivism, until it reaches the current paternalistic extractivism. In this perspective, the contemporary forms of the State extractivism denote its harmful and antirepublican character.

Some data are important to illustrate that thought, such as the 39 ministries that the Brazilian Government counted in 2015,² according Bompan (2015), those which unfolded in thousands of ministerial units, plus 128 autarchies. Furthermore, the public administrative organization chart includes some hundreds of boards, commissions, departments, bureaus, among other divisions, as well as foundations, more than 34 foundations and 154 State-owned companies. Paradoxically, this remarkable structure of the Brazilian State is behind its own inefficiency. Overall, the physiological structures of the legislature and the judiciary are not even in this list, which consume as many resources. Given this, it is necessary to insist: the high political bureaucracy, as named by Bresser Pereira (2008), laid itself the groundwork for its expansion, guaranteed by the Federal Constitution. In this context, the Brazilian Constitution was formulated from juridical, moral and philosophical assumptions that inaugurated the new expansion of the State extractivism: the paternalistic character.

In the Brazilian State democratic phase, the main feature of political order has started counting on new social segments and a corresponding expansion of public expenses. With assisting-extractive government, the government standard composition hardened the State allotment and co-optation took place over negotiation. However, this large allotment cost, and the result of this ratio was something not intended. In the Brazilian welfare State Governments, the establishment of a huge network of social protection was promoted, hardened with the resurgence of a national social developmental project, especially in the period 2003 to 2015. It should be stressed that a sustainable welfare State is only possible when there is economic growth and healthy public accounts. But, in the case of Brazil, the willing to resurrect the developmentalism backfired: it hit production,

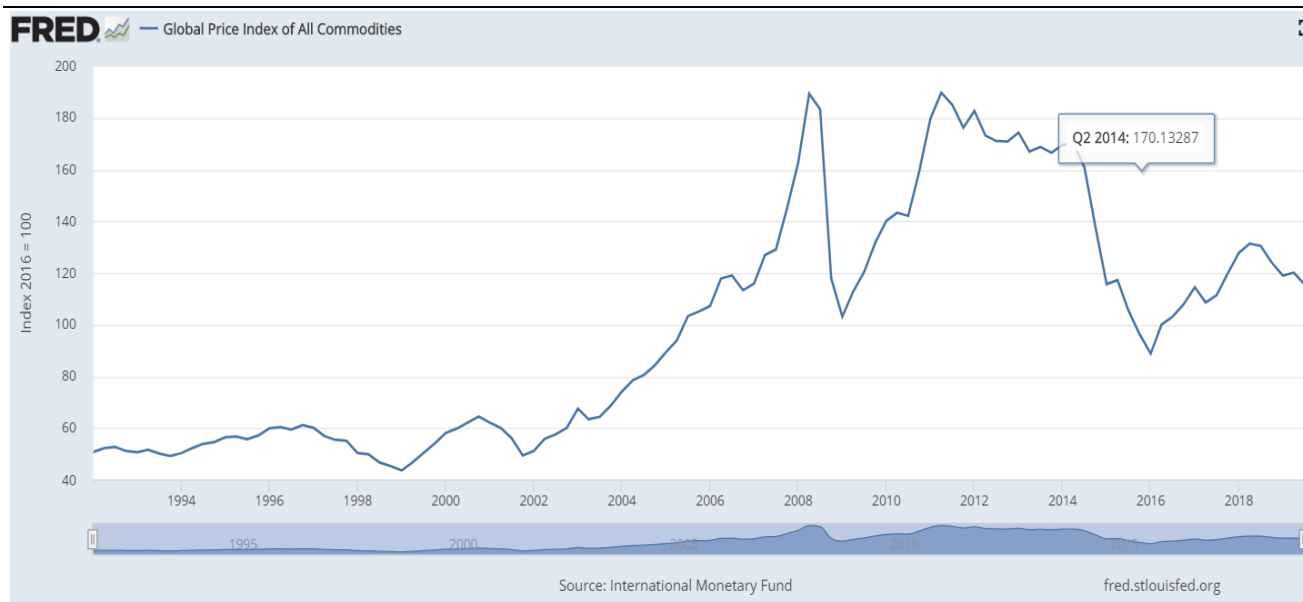
and contributed to a deindustrialization, hurting the “Golden Goose”.

In this sense the developmentalism meant the State intervention acting both on market balance and for social protection network, as well for the industrialization operated by the State itself (Resende, 2015). This strategy has worked, while it was possible to sustain economic growth with the valuation of commodities, given the global demand boosted by Chinese growth.

3. Commodity Cycles and Social Assistance Policies

Commodity production and export are fundamental to the growth of Brazil's Gross Domestic Product (GDP), which by extension supports a political platform based on a range of social and assistance programs. Moreover, the large and growing state machine with each government it assumes would not exist without economic extractivism. Faoro (2001) says that the original form of support of the patrimonialist state stems from the extractive economy.

Figure 1. Commodities Prices Global Index



Source: FRED (2019)

Note: The value represents the global market reference prices determined by the largest exporter of a given product. Prices are period averages in nominal US dollars.

This cycle, combined with internal factors like the adoption of expansive fiscal and monetary economic policies, fostered the economic growth. The Brazilian Central Bank (BACEN, 2015) data show that the exportations from the second half of 2002 until November 2008 reached the historical peak of US\$ 198.4 billion accumulated in 12 months. In 2009, due to the global financial crisis occurred in 2008, there was a reduction in the Brazilian trade, which recovery happened only from 2010 on. This increase in exports have allowed the country to raise significantly the

level of its imports, without deteriorating its external accounts. Related to this, the Brazilian Institute of Geography and Statistics (IBGE, 2017) data show that in 2017 the extractive industries activity grew 4.3 percent since 2016, influenced both by the advance of oil and natural gas extraction as of ferrous metals. On the other hand, agriculture had an increase of 13 percent in value added in 2017, pushed mainly by the production growth and productivity of corn (55.2 percent) and soy (19.4 percent) crops.

The Chinese commodity imports were significant for the increase of foreign currency in the country. According to Cheung and Mori (2007), the Chinese consumption was higher in minerals, since, between 2001 and 2005, the China required 88 percent of world zinc consumption, 63 percent of nickel, 62 percent of copper and 46 percent of aluminum. Thus, it is obvious that the recent cycle of high commodity prices of late 2000 shown in Figure 1 impacted positively the Brazilian terms of trade terms and other exporter countries of these goods, increasing significantly the international reserves.

level of its imports, without deteriorating its external accounts.

However, some predictable side effects mentioned in economic literature have been manifested. Thereby, in cycles of expansion of the global economy, commodity prices rise by stimulating exports and generating gains in trade terms, what, on the other hand, extends the currency offer and therefore tends to value the real exchange rate. This effect, along with the increase of internal income, tends to generate an increase in the demand for imported industrial goods. However, when an interruption of the world

economy growth occurs and the economic cycles reverse, commodity prices step back, and the exporting countries suffer various setbacks.

In this sense, Raúl Prebisch (1968) already warned about these setbacks in the 1950s, when he wrote about the deterioration of terms of trade. He explained this phenomenon by the fact of the commodity-exporting countries – named by him as peripherals – being importers of industrial goods. Income elasticity of these goods is high, contrasting with the low-income elasticity of commodities exported by the peripheral countries. This phenomenon would cause more and more agricultural goods to be exported in order to buy the same quantity of manufactured goods. This argument theoretically grounded the process of Brazil's industrialization by means of import substitution process, implemented by the Government of Getúlio Vargas in the 1930s, which leveraged developmentalism in the country, followed by an expressive raise of the Brazilian State infrastructure as well as the Brazilian state bureaucratic apparatus.

In relation to Brazil continue depending on the exploitation of its natural resources, it is worth reminding the seminal study “A Staple Theory of Economic Growth” of Melville Watkins (1963), about the “raw materials trap” in which the author referred to the incapacity of an economy based on natural resources to become a diversified and industrialized economy.³ According to Watkins, the supposed economic growth as a result of this production hides another side of the story that is not so promising for the country. This overspecialization in export-oriented commodities implies dependence on foreign direct investment, causing domestic production and economic diversification to stay undeveloped. In addition, governments that maintain natural resource extraction become accustomed to evil, impede sustainable development, and often dispense with long-term responsibility.

The fact is that the affluent years of high commodity prices in the international market are over and it has shown to Brazil the harsh reality of another short growth cycle. After the country took advantage of years of booming consumption financed by expansive monetary and fiscal policy, rising public spending and abundant consumer credit, the Brazilian fell into the “real-world vacuum”. The announcement of the discovery of pre-salt oil reserves in 2008 has raised renewed expectations, but the return on social welfare brought by this commodity is still uncertain, especially given that global society is constantly looking for alternative energy sources. The malaise that Brazil is experiencing in the second decade of the 21st century is the hangover of mismanagement of public finances and crony capitalism, notably carried out by the last four federal governments. The result is that the country did not properly harness the surpluses generated in this short commodity cycle to make strategic investments in infrastructure, science and education aimed at increasing the productivity and competitiveness of its domestic products.

4. The Brazilian Welfare State

The swelling of the Brazilian State in the decades after the democratization caused a unprecedented social pressure by the expansion of expenses, increasing the public deficit and expanding the tax burden in the country. As remembers Mendes (2014), at the end of the military regime in the late 1980s, the Brazilian social indexes, including education, were similar to the African countries. The power of the vote changed that. Poor and middle class have acquired power of expression, especially the organized sectors, pressing and approaching the State. The State operators, pressured by the vote, sought to serve all social groups.

Because of that, governmental structure for assistance had increased, as well as, the extraction of resources from society, although the return has continued questionable. A study by the Brazilian Institute of Tax Planning (IBPT) coordinated by Olenike, Amaral, G. and Amaral L. (2019), showed that Brazil offered the worst return to population at the federal, state and municipal levels in the year 2017, compared to the 30 countries with the highest tax burdens in the world. Even with significant collection equivalent to 34.25 percent of GDP in 2018, the three instances of Brazil Government proved to be inefficient to apply those resources, so that the population has a good return, regarding the quality of education, sanitation, public health service, security, among other services. This way, Brazil is behind of some South American countries such as Uruguay and Argentina, that have smaller or equivalent tax burden. But even more serious according Brazilian Institute of Planning and Taxation (IBPT, 2017) is the structure of the Brazilian tax system that relies on 63 taxes and 97 accessory obligations that overcharge significantly the business environment, in addition to contributing to fraud and tax evasion. Besides that, companies must necessarily follow around 3.790 regulations, that change frequently, to be compliant with their duties. Such bureaucracy, according to the World Bank (2018), places Brazil at the bottom of the ranking in terms of time spent each year paying taxes. Companies spend an average of 1.958 hours per year⁴ on tax compliance.

Sometime in the second decade of the 21st century, the boundaries of the government tax greed were exposed. The expansion of the tax burden to finance the costs seems to have reached the limit and generated the inability of investments in infrastructure, among others necessary for growth. To Lisboa (2016), the growth of these expenditures was slightly less than 6 percent per year over the past 25 years (1991 to 2015), which would represent twice the GDP growth in this period. Add to this the volume of public debt, apparently invaluable and transferred to the next generations. In the words of Resende, what we are left with is the ‘patrimonialist inheritance (...) of a State that creates Kafkaesque regulations, with absurd register office bureaucratic requirements, which result in high costs, reduced productivity and complication of all life fields’ (2015, p. 191). It becomes increasingly clear that the shaping

of this model needs to be changed in order to avoid the successive crises in the country, which, in the expression of Mendes (2014), ‘you realize, but you don’t change’. In Lula’s Government, reminds Mendes, there was still a ‘surprising stance of fiscal responsibility’, broken with the first corruption scandal called “monthly stipend”⁵, dubbed Mensalão (in Portuguese), of 30.000 reais (12.765 dollars). But, not escaping from tradition of extractive economies, the country was saved just by the high prices of their extractive resources, agribusiness commodities, iron ore and crude oil. These resources have made it possible to transfer income to the social assistance network, giving it governmental popularity. Although, not exclusively, those resources have also helped in the maintenance of the bureaucratic stratum, as well as coffee production sustained this structure during the old Republic. In this account, are inserted subsidies, exemptions, among other incentives and benefits distributed in sectors, besides poor investments, of which the developmentalist goal once again was not confirmed. The overall result is the waste, instead of productivity increase. What was left helped to support the wide benefits mesh, constitutionally guaranteed to the extractivism silent accomplices of the “owners of power” in the expression coined by Faoro (2001).

In fact, the same occurred in other Latin American countries. Governments said “progressive” took advantage of the rising prices of commodities and promoted unprecedented public expenditures (Gudynas, 2012). Concerning this, Rabello de Castro (2014) reminds that the same happens in Venezuela and Russia, examples of bad public spending, taking advantage of the international price of crude oil, with no worry about economic diversification. This way, Venezuela lost almost two thirds of its companies, between 2008 and 2018, and more than two thirds of your industrial park between 2000 and 2018 (“Crisis”, 2017).

Nevertheless, according to Transparencia Venezuela (2017), during Hugo Chávez and Nicolás Maduro governments, Venezuela created, expropriated or confiscated 74 percent of the companies that are now owned by the State, or, 390 of 526 existing federal State companies.⁶ What occurs with moves like this is that big business park operating under direct action of the National Executive, incurs in weak internal control and accounting mechanisms, production and productivity with lack of accountability, usual changes in manufacturing and quality processes that usually tends to impunity. It can be said that public companies incur in having compliance rules, however inverted, given that the directions and actions in these state-owned are taken according to the laws, and regulations are dictated by the executive branch, but these companies are usually headed by politicians who dispute the direction of these companies head-to-head. Thus, among other causes, examples like these, explain the failure of the countries as say Acemoglu and Robinson (2012).

Everything concerns about the ordinary use of extractivism resources for public funding. Governments increase the

structure and spent in bonanza times, with no sustainable counterpart. They take as permanent the favorable and temporary environment of commodity valuation and put into practice the belief of the State as an engine for development. Instead of recognizing the cyclical character of commodities, they prefer the self-deceit of that success is the result of government policies. It is about the always revived, however temporary, triumph of the State role in promoting the development aimed at social issues. As the economy grows, it hovers a feeling in society that it is, above all, the leadership of a Government without fear of intervening, able to take on the liberal myth of the “minimal State”.

In this perspective, suggests Resende, political speech treats the growth as a variable of governmental control, ignoring the maxim that ‘bad policies explain the crisis, but good do not explain the growth’ (2015, p. 40). The Government role is revealed as illusory as the trivial Keynesianism is anachronistic, according to which, the crisis should be tackled with more public spending. Artificially accelerated growth is beyond economic policies, says Resende, adding that this results in ‘crisis, recession and stagnation’ (p. 40). It is identical the warning of Frankel in Ross (2015, p. 241), that ‘troubled prosperity is followed very quickly by total collapse’. To escape underdevelopment, the strategy would be to contain the rush and the governmental leadership, betting and persisting in moderate growth. It would be necessary to contain the momentum and the superb, recognize and enjoy the luck of good winds that, when changes, should not lead Governments to destroy the good (economic) institutions, ‘(...) to squander public companies, creating all sorts of distortions, in search of extending the miracle that is not ours’ (Resende, 2015, p. 43).

In the speech to launch the law for Concessions of public services to the private sector in 1995, the former President of Brazil, Fernando Henrique Cardoso (FHC), affirmed that the time of the big and intervenor State would be gone, and its savings capacity ran out (“FHC”, 1995). It is natural to conclude that he was referring to the typical elements of the Brazilian State, as the protective propensity to society and the heavily corporatist feature. Both factors, would be the determinants of State delay and inefficiency, as to the lack of competitiveness of the national economy. It should be noted that, in his presidential inauguration speech, FHC had pointed out that. “The federal administration is very deteriorated after years of disobedience and financial crunch. The patronage, corporatism and corruption suck the taxpayer money before it reaches those who should be the legitimate beneficiaries of the Government’s actions, especially in the social area.” (“Leia”, 1995)

Over twenty years later, and regardless the will uttered by the former President, the traditional characteristics of the Brazilian State remain. They are constant traits, whether by force of the constitutional tissue, either by political system backed by the Constitution, or through the network of social protection created since redemocratization. On the whole, the privileges and benefits that he intended attacking, remain

unchanged between the more organized segments. In this sense, the coalition presidentialism⁷ in the country represents the resistance of historical state extractivism.

4.1. *Inequality and the Rent-seeking*

Although it has promoted inclusion, assuming constitutional assumptions since 1988, welfare extractivism does not hide its contradictions masked by the social protection system. In other words, the Brazilian State has not definitively fought the scenario of inequalities. Crony capitalism is directly associated with a big government and has in rent-seeking its key mechanism. Thus, the fewer resources available for private negotiation between politicians and interest groups, the less chance of there being rent-seeking (Holcombe, 2013).

Mendes (2014) demonstrates that the expansion of public spending in social assistance programs materialized some inclusive policies, such as the Bolsa Familia, which consumed less 0.5 percent of GDP. This cash transfer program serves more than 50 million people, representing nearly a quarter of the national population. However, national consensus on the efficient and permanent fight against inequality was not guaranteed.

Olson (1999) demonstrated on the basis of US institutions that sectoral business groups, corporations and their unions, including the numerous segments of civil servants of the three powers, professional categories, politicians and their nominees, among others, can secure segmented gains. These are legally justified benefits, the costs of which are included in the amount of public spending are diluted and are paid by a company that generally does not realize them. One by one, these privileges add up, secured in the budget by specific legislation, increasing the tax burden, ensuring unequal treatment to organized minorities over the disorganized majority.

Given the above, it is clear that, although not restricted to Brazil, the statistical statements make it clear that the problem is comparatively accentuated in the country. As to that, it follows the example of the resources distribution within the Brazilian educational system, which remarkably demonstrates the social inequality perpetrated in the name of democratic universalism that favors the most affluent. According to Mendes (2014) and the Organization for Economic Co-operation and Development (OECD, 2019), Brazil spends US\$ 14.3 thousand per year for each student at the university, ranking 16th out of a total of 39 countries, and spends more per student than Estonia, Spain, Portugal, Italy, Mexico and Ireland. Despite this reality, only 10 percent of Brazilians have a college degree. However, while the 10 percent richest study for free at public universities, the poorest pay tuition at private institutions. Regarding spending on basic education, Brazilian higher education has one sixth of the students and receives three times more contributions from the government.

This paradoxical environment of high inequality and egalitarian democracy would be conducive, according to Mendes (2014, p. 7) to an 'inefficient dispute over incomes between various groups', which complements the author, leads to a state-sponsored 'dissipative redistribution' framework which does not always benefit the poor. Regarding to this, the Brazilian State has been extracting resources from the productive society through a high tax burden expressed through taxes, fees and mandatory contributions. The tax burden increased from 24.1 percent in 1985 to 35.07 percent of GDP in 2018 (BNDES, 2001; Afonso and Castro, 2019).

It should be said that it is recognized that there was a fall in inequality during the three decades of democracy (post-military rule finished in 1985).⁸ However, the study by Mendes (2014) adds to the thinking of the authors, in the sense that, the fact that generates such a fall in social and economic inequality is not it was the result only of generous governmental actions. Nevertheless, the higher credit is due to the increase in commodity production and exports, which has led to the inclusion of millions of people through new jobs generated along the upstream and downstream production chain and has substantially strengthened the national treasure.

In this political configuration of the employer state, the rent-seeking organizations are organized, which are organized to ensure the extraction of state resources. In Brazil, given the high level of public spending, the tax burden and the tradition of tightly regulating the economy, organized groups make efforts, time and money, generating demands for an ever-growing public sector. The larger the public sector, the more resources the state needs to capture from the productive society, resulting in a neo-patrimonialist model. Furthermore, in these three decades of new Brazilian democracy, the state sphere, as in any democracy, has been affluent by countless other segments of society, from unions, corporations, associations and non-governmental organizations, which share power with business sectors and bureaucracy as well as the political parties and their quota of commissioned positions⁹ (Mendes, 2014). This has resulted in a country without adequate transport, energy and communications infrastructure, poor quality schools for the poor and low-skilled workers. Added to this are the barriers to international trade, rising public spending with no return, a jammed judiciary, high tax burden, high interest rate, congested ports, finally converging on missed opportunities.

4.2. *The 2015 Economic Crisis and the Public Deficit*

This panorama has changed significantly from 2015 when Brazil plunged into the biggest crisis of its economic history represented by the prolonged fall of GDP (Figure 2) and also by the fastest unemployment growth, reaching almost 14 million Brazilians.

Figure 2. Brazilian GDP growth – 2010-2018

Source: Trading Economics (2019)

The national economy debacle began after electoral race for 2014, when was re-elected government has bet in heterodoxy of “new economic matrix” marked by high public spending and forced reduction of the prime rate. In addition, in order to maintain control over the high prices of the economy, notably in the pre-election period, the federal Government has laid aside to readjust some managed prices, including the petroleum products and electricity, what has led some provider companies to have cash flow problems in providing these services and consequently contracting debts. When the federal executive released the managed prices, the IPCA (official inflation index) reached 10.67 percent at the end of 2015, reflecting a price increase in all groups of products and services¹⁰ that make up the cost of Brazilian life. Given this scenario, coupled with the fact that the country's public finances were chaotic, the threat of “fiscal dominance” was almost a consensus among economists, which made it ineffective the monetary policy action led by solid increases in the economic prime rate, what, on the other hand, increased the value of public debt affecting even more the growth of GDP. In this scenario, IBGE data (2016) show that the manufacturing and mining industries in 2016 cut 401 thousand jobs, and 2,085 companies in these sectors succumbed to the crisis and closed. That same year, the industry hired 5 percent less than the previous year. Net revenue from mining and quarrying companies was 1.1 percent lower than in 2015.

The economic literature is plenty when it is about mechanisms for promoting development. The transfer of income, which has as basic goal coping and the mitigation of poverty in society, is always on the agenda of all Governments, whether they have left or right ideological bias, however, it is not enough for the sustainable economic growth, which depends predominantly on structural solutions. In this sense, the paternalistic extractivism buries such expectations. The high tax burden inhibits the growth, by contracting investment and decreasing the profit rates of enterprises. The salary in Brasil is one of the most taxed,

what certainly hampers the generation of new jobs, inhibits new companies arising, and nevertheless, stimulates the already consolidated companies to remain small. Thus, not to be taxed due to the expansion of their productive capacity, allocated by the labor legislation called Consolidation of Labor Laws (CLT) of 1940, which is overly protective pro-employee, Brazilian companies are generally small (Mendes, 2014), being only 9 percent of them with more than ten employees.¹¹

An analysis performed to hire an employee in Brazil, in three annual salary ranges (30, 75 and 300, in thousands of dollars), done by the London collegiate of specialized audits UHY in Afonso (2014), Brazil came up with the same tax rate (57.6 percent of gross wage) and has always been in the lead of greatest relative cost, well above the global average rates of 23 percent, 20 percent and 14 percent, respectively. By the way, in other countries of the sample, the higher the income, the lower the wage burden related to the salary.

In addition, a study by consulting firm KPMG in Afonso (2014) shows that among emerging economies, Brazil and Colombia – not mentioning Ukraine – boast the highest rates of employer social security contributions (disregarding other employer charges) (30 percent), high above the rates imposed by other economies. It should be noted that after the release of this study, Colombia undertook a comprehensive tax reform and halved the employer burden. In this sense, it means that wages are low in private sector mainly on account of taxes that after transferred to the State, support among other possibilities, better wages in the public sector.¹² From this reflection, the high salaries of public servants, in addition to the high retirement and other pensions, are factors that contribute to the composition of national inequality index.

It is worth mentioning still in this inequality panorama, the concentration-oriented character of social welfare in Brazil. Thus, Almeida and Mendes (2017) using data from the World Bank showed that in Brazil, the Union, the States and

the municipalities together, spend 4 percent of GDP with the retirement of public servants. Meanwhile, in relation to GDP, Mexico spends 0.5 percent, Spain spends 0.8 percent, Korea 1 percent and Greece, where social security has broken, spends 3.5 percent.

5. Exhaustion of the Brazilian Welfare State

The Brazilian Social Welfare State has reached its service capacity. This was basically for two reasons. The first, due to this extractive state, which requires an increase in the government structure and, consequently, the volume of resources required. The second cause is due to the severe economic crisis in the country beginning in 2015 and still underway, which strongly impacted the country's industrial park and reduced the resources needed to meet social demands and development policies. Now it is urgent to undo the illusion created by the extractivist elites. The experience of the welfare state, although necessary and economically useful by the distributive effect, has shown its limits. Also, the anchoring of distribution and social protection policies in commodity resources is not sustainable. Another point to consider is that the tax burden on the productive society cannot be counted on.

If there is a positive aspect to the economic crisis, it is its pedagogical character. In clarifying the limits of state protagonism, the exhaustion of tax and collection capacity revealed more than the limits of interventionism by opening the hidden hemisphere as cited in Faoro (2001) where the network of patrimonial privileges and the extractive face of the owners of power hid. At the same time, during these years of "progressive" governments, a number of important and increasingly evident measures of necessity, such as political, social security, bureaucratic, state size reduction, federal pact and constitutional review were not only postponed, as well as purposely set aside as unpopular themes.

This may have a pedagogical effect and some important and interconnected things will be understood, such as: 1) there is no free lunch; 2) the Brazilian welfare state has reached its limit; 3) the national development does not depend on more but on less state; 4) the society needs to be stimulated to economic and mathematical reasoning; 5) the villains of this narrative are not the entrepreneurs; and 6) the revision of the 1988 Constitution is the turning point.

In this sense, the legal and moral protection of State extractivism is in the current Constitution, which inspired and justified the increase in the tax burden, creating the illusion of free government (Rabello de Castro, 2014). It is not a question of disqualifying it, but of recognizing in it the lack of economic reasoning, alerted and denounced by several economists through the years, regarding the lack of budgetary support for this vast set of attributions.

6. Conclusions

State extractivism is a feature of the formation of the Brazilian state. It has survived by interweaving the various phases of state conformation, which allows it to be understood as the means by which this state represents an end in itself. In this direction, the country went through modernization stages, became a large society, with a corresponding economy and a democratic nation. From the almost bicentennial trajectory of its independence to this day, Brazil has gone through oligarchic, nationalist and military governments until the present phase, which is predominantly social state in force over the past three decades. Making a digression, during which during the period of military rule in Brazil, the Brazilian left made great progress in the editorial environment with various writers and published works, as well as in the media especially writing with the presence of several columnists. Thus, right-wing political and economic ideas and platforms were periodically fought and relegated to marginalization leaving an empty space that was gradually occupied by left-wing politicians returning from exile. Thus, when the 1988 Constitution was promulgated, the ideological bias of the left was already hegemonic in various segments of organized civil society. In addition, the redemocratization of the country has inflamed the dispute over budgetary resources, given that rules were created for the public sector to benefit everyone at the same time, which resulted in a sharp increase in public spending.

Nevertheless, it is important to underline advances in some areas, such as the strengthening and independence of some institutions such as the Public Prosecution Service, the Federal Police and the Central Bank. However, despite this, Brazil has not yet reached a political maturity, judging by the profusion of existing political parties. In this context, the Brazilian party system is the expression of the representation of patrimonialism in Max Weber's conception, where most politicians create mechanisms and use the various state structures for personal gain.

The above explains the reasons for the persistent inequality in the country, as well as the reciprocal complicity of state beneficiaries. In fact, the Brazilian social sciences, while having studied this subject, still need to investigate and discover some different explanations and motivations to complete this picture. Thus, it is understood in this study that one must expose these particularities of the country and its historical excrescences, although this thought does not belong to the intellectual mainstream of the Brazilian academic environment. In this sense, this article reproduces the unfortunate and surviving cumulative pre-republican characteristics, namely, patrimonialism and extractivism, whether governmental, by state operators, or clientelistic, by rent-seeking.

Given this, given that the Brazilian party system is the product of the paternalism and patrimonialism that prevailed in the political history of Brazil, there is an ideology that is up to the federal government to solve all the problems of the

country. In this light, society is only a supporting role in the development process. That is, it is as if the capacity of the country and the government to generate wealth were infinite and did not depend on the reality of the productive system.

In this sense, there is no sustainable way out in the Brazilian case, if there are no limits on sustained public spending through the issuance of debt securities in the financial system. The country's economy needs to grow sustainably. To this end, however, economic growth depends on the political class making some necessary structural reforms. However, this class lacks credibility for this. Thus, it is believed that the way out is in the foreground to eliminate the main problem that arises that is the firm fight against corruption that plagues the country. In this way, national development will come not through more but from less state.

Notes

¹ Bureaucratic stratum comes from Raymundo Faoro's thesis "Os Donos do Poder" (The Owners of Power) meaning that ever since its colonial period Brazil has peculiar characteristics of the Portuguese state. The domination by the bureaucratic stratum was a perennial, immutable characteristic of Brazil, thus opened the way for the Brazilian political system to be studied and interpreted in terms of its own political and institutional variables and no longer merely in terms of class interests and conflicts (Schwartzman, 2003).

² In December 2018, during President Temer government, the country came to have 29 ministries, and in January 2019, by the beginning of Presidente Bolsonaro government, 22 ministries were established.

³ Reflections on this theory can be found in the Canadian Center for Policy Alternatives available at <https://www.policyalternatives.ca/publications/reports/staple-theory-50>.

⁴ In Argentina, the average time is 311.5 hours/year. In Mexico the number drops to 240.5 hours/year (Word Bank, 2018).

⁵ Scheme of buying votes of parliamentarians in the National Congress of Brazil, which took place between 2005 and 2006. The case was led by some members of the government of then President Luiz Inacio Lula da Silva.

⁶ This number represented, until 2016, four times the number of companies at the federal level that there are in Brazil (130), and ten times more than Argentina, with 52 companies.

⁷ Due to the fragmentation of legislative power between various parties (currently 33) the Executive makes an alliance that is sometimes ideologically conflicting.

⁸ The country was ruled by the military between April 1, 1964 to March 15, 1985.

⁹ Federally commissioned positions in some countries (x 1,000): Brazil, 20; United States, 7; England, 350; Germany and France 300; Netherlands, 780; Chile, 837 (OECD, 2019).

¹⁰ The biggest impact on the prices general index came from electrical energy, that increased around 51 percent, gasoline 20,10 percent and ethanol 29,63 percent (IGBE, 2015). Available at https://biblioteca.ibge.gov.br/visualizacao/periodicos/236/inpc_ip_ca_2015_dez.pdf.

¹¹ In Brazil – Germany Economic Meeting, that took place in September 20-22, 2015, in Joinville, SC, German businessmen that searched for partnership with midsized companies have observed that the amount of this companies is proportionally small.

¹² In a subchapter entitled "The political strength of public servants", Mendes (2014, p. 206) quotes the work of Ana Luiza de Holanda Barbosa and Fernando de Holanda Barbosa Filho, from IPEA (Text for discussion # 1713), which shows the differences in salaries between public and private sector, exposing the reasons and privileged conditions of public sector.

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