Exploring the neo-structuralism in Brazil in the 1990s

Lingxi Hu *

EBS Business School, Hessian, Germany

* Corresponding Author Email: lingxihuworking@gmail.com

Abstract. Economic development theory is a reflection of different periods' economic, political, and social situations. At the same time, economic theory's emergence and development have an impact on economic, political, and social processes. After the debt crisis in Latin America, structuralism and neon-structuralism had a significant impact on the import substitution industrialization strategy and the deployment of non-traditional adjustment plans during the economic development and reform process. This essay examines the essential significance of structuralism in Brazil's economic progress and reforms following the debt crisis from the perspective of the country's shifting position. This research could deepen the understanding of neo-structuralism and its influence for scholars. Searching from Google Scholar, this paper did a systematic review of existing studies and found that New structuralism could serve as a major guide for emerging economies.

Keywords: Structuralism, Neo-structuralism, Brazil, State economic role.

1. Introduction

In the early post-World War II Brazil nationalism was soaring, and Latin American structuralist economic thought came into being. The Economic Commission for Latin America, represented by Raul Prebisch, employs structural functionalism as a theoretical framework, emphasizing the famous "center-periphery" proposition, emphasizing that industrialization is the peripheral country's means of changing unsustainable economic structures and overcoming underdevelopment (Orlandi, E. P. 2007). The major characteristics of peripheral nations' industrialization include the essential path out of their dependent status, import substitution, and changing the import structure.

With the onset of the debt crisis in the early 1980s, Latin American countries faced major economic challenges, and structuralist theory "lost the allure of the past in the eyes of people." From prosperity to fall, Latin America's history of import substitution industrialization has always been accompanied by violent intellectual battles (Felix,1990).

Neo-structuralism is an economic theory that emerged in the mid-1970s and 1980s as a reaction to neoliberalism and as a renewal of structuralist views. It criticizes structuralism's overestimation of the importance of government, proposes a new model of government intervention, and emphasizes the rationality and effectiveness of government action.(French-Davis, R., & Torres, M, 2021).

While many studies have attempted theoretical generalizations and elemental analyses of neo-structuralism, this paper chooses to analyze how initiatives based on neo-structuralist theory can help to transform brazil from the perspective of the contemporary context. This essay will begin with a discussion of the country's changing position, and then examine the crucial significance of neo-structuralism in Brazil's economic progress and reforms following the debt crisis.

2. The Role of State Economy in Structuralism Theory

There are three parts to structuralism's basic concept.

Firstly, since ancient times, the market has focused technological progress and successes in industrialized countries. Backward countries cannot expect foreign capital and domestic private capital to bring about industrialization through the unfettered operations of market forces. As a result, the state should take over the role of the market mechanism in redistributing resources and achieving industrialization.

Second, the state has advantages over the market in terms of mobilizing capital, taking risks, and delivering economic knowledge. As a result, the government should intervene effectively in the economy. At the same time, the government should increase national economic planning in order to ensure that monies are used for industry investment.

In addition to indirect economic intervention, the government should also engage actively in the economy by establishing state-owned firms.

The role of the state in economic life is characterized by structuralist scholars as fostering development through planning, and its functions can be summarized in the following six components. (1) New industries will be protected in international competition by encouraging the import substitution development model, allowing for faster capital accumulation. (2) Build economic and social infrastructure to alleviate the bottleneck problem in the development of industries. (3) Appropriately allocate resources through agricultural and tax changes. (4) Allocate financial resources to real-world projects. (5) Incentivize and promote private investment. "Although the state has sufficient reasons to intervene in economic development, structuralism believes that private enterprise economic conduct and powerful state functions should be merged since the state can offer sufficient labor for the enterprise's own development." (6) Contribute significantly to the advancement of technology.

Structuralists are well aware of the negative consequences and risks of excessive government intervention. Although Latin American countries began steps to encourage industrial product exports in the 1960s, they were unable to overcome structural issues such as limited domestic markets, international payment imbalances, and industrial product lack of international competitiveness. Furthermore, unhealthful phenomena such as resource waste and bureaucracy have arisen as a result of the vast and general economic programs.

3. The Practice of Structuralism in Brazil

Brazil has pursued an import substitution industrialization strategy for the past 50 years, from the 1930s through the 1980s. The inward-oriented import substitution development plan and the outward-oriented import substitution development strategy, however, are both unsatisfactory. Despite the fact that the export-oriented import substitution strategy is a modification and abandonment of the inward-oriented import substitution strategy, its implementation results show that it cannot solve the key issues of social justice nor provide a good foundation for the national economy's independent and sustainable development. Brazil's import substitution policy aims to meet domestic market demands. Brazil has erected significant trade barriers to effectively safeguard the local market in order to assist the "growing national industry."Brazil's actual protection rate for non-durable consumer items was as high as 50% to 60% in the mid-1960s. Market protection policies come at a heavy price. Brazil paid a protection cost of 9.5 percent of GNP before the 1960s, according to statistics. Because the local market has been protected for so long, it lacks competition, enterprise excitement cannot be roused, and its products have a tough time entering the foreign market.

Brazil's economic expansion halted in the mid-1970s as a result of the global economic crisis and the oil crisis. After Mexico, Brazil suffered a financial crisis in the early 1980s, and has since been mired in the biggest economic crisis of the twentieth century, with high inflation, massive foreign debt (total foreign debt reached 91.3 billion dollars in 1980), quickly rising imports, and unstoppable growth. Deficit in trade, etc. Brazil's GDP expanded at an annual pace of 2.4 percent on average during the crisis' ten years (equivalent to 0.3 percent per capita). It fell to -1.3 percent between 1981 and 1983. In 1981, the total debt was equal to the GDP. The inflation rate is as high as 100%, and the foreign trade deficit has been in successive years.

The "Color Plan" and "Summer Plan," both enacted in 1989 and 1990, failed to improve the problem. Inflation rates reached 1431 percent and 2950 percent in those two years, respectively, before falling to 952 percent in 1992. percent, but then surged to 1928 percent in 1993. As a result, the main difficulty Brazil faces is overcoming the problems and reviving the economy.

4. Adjustments under New Structuralism

If the Great Depression of the 1930s created a foundation for structuralism to urge state involvement, the debt crisis that Latin American countries faced in the 1980s presented a once-in-a-lifetime opportunity to reject the Economic Commission for Latin America's structuralism. The well-known structuralist economists in Latin America (Fultado in Brazil, Anbal Pinto and Osvaldo Sonker in Chile, etc.) and the Economic Commission for Latin America have transformed the traditional structuralist theory and put forward the new structuralist theory on the basis of constant summarization and introspection.

The theory absorbs the policy propositions of neoliberal theory that are beneficial to the development of the national economy, supports structural reforms, advocates economic openness, actively participates in international competition, agrees to privatize state-owned loss-making enterprises, and grants market, private enterprises and foreign direct investment more Important position. The neo-structuralist perspective challenges both structuralism's over-belief in the role of government intervention and neo-excessive liberalism's denial of government action. It advocates "a selective, strategic, and new model of state intervention that complements the market.", to reduce state intervention that is not conducive to the development of a market economy.

Regarding the relationship between the state and society, neo-structuralism emphasizes the role of the state in social transformation, pays close attention to the problem of vulnerable groups excluded in the transition process, and opposes the extreme weakening of the role of the state by neoliberalism and placing the market at the center of the extreme practice. Regarding the relationship between the state and private industries, it is believed that the role of the state must be "external". Only in this way can the negative impact on the market caused by excessive trust in the government be avoided. The prescription for solving the problem is to find the state and the complementarity between enterprises overcomes the "dilemma" between the two, so as to play an active and complementary role in the formulation of development strategies.

4.1. Change of marcoecononmic policy

The Brazilian government altered its macroeconomic policies accordingly in the 1990s, influenced by modern structuralism. On the one hand, the government's economic development functions were altered, and private money was transferred to enterprises that had previously been monopolized by the government. 99 state-owned firms in Brazil were privatized in 1994, with a total sales turnover of $8.627 billion dollars. These businesses catered to the country's most important economic sectors (See Table 1).

Table 1. Effects achieved by the privatization plan of Brazilian state-owned enterprises (1991-1999) (Unit: US$ million)

Industry Total	Number of Companies	Sale Price	Converted Debt	Total
Steel	8	5562	2625	8187
Petrochemical	27	2698	1003	3701
Energy	3	3907	1670	5577
Railway	6	1697	-	1697
Mining	2	3305	3559	6864
Telecommunications	21	26970	2125	29095
Other	14	2442	344	2786

Federal Government	81	46581	11326	57907
State government scope	26	23724	5311	29035
Total	107	70305	16637	86942

Resource from: https://www.bndes.gov.br/wps/portal/site/home/financiamento/produto/bndes-finem-pmat

Reduced government intervention in the economy, on the other hand, makes commodity prices really a signal of market movements. The "Koror Plan" suggested an economic opening to the outside world in March 1990, which marked a shift in the development strategy of import substitution under state involvement for more than half a century. In addition, pay attention to the function of the market in allocating social resources, and stimulate imports by speeding up the development of the capital, labor, and commodities markets. Simultaneously, continue to support the process of economic opening to the outside world, and give economic methods a high priority and use them to govern the national economy.

4.2. Government econonmy monitor

However, Brazil's economic policy was not totally liberalized throughout this time. In economic life, the country must play a commensurate role in regulation, counseling, and monitoring. This trait is exemplified by the adoption of the "Real Plan," which was implemented from June 1993 to July 1994 to combat inflation.

The "Real Plan" was put into action in three stages. The first phase lasted from late 1993 until early 1994. In 1994, the primary goal was to correct state finances and create a balanced budget. To that end, the government established a "emergency social fund," which allows the government to invest 20% of its revenue in special areas without restriction, improved tax collection and management, imposed financial transaction taxes, rescheduled state debts to the federal government, and tightened government expenditures, among other things. A number of measures have met their objectives.From March to June 1994, the second phase took place. The most important step was to align the price creation mechanism and adopt the "real price unit" (URV), which was pegged to the US dollar. This not only helped to coordinate the link between prices and wages, but it also helped to keep inflation in check. The third phase began on July 1, 1994, with the formal introduction of the new currency real. Brazil's high inflation has been reduced because to the Real Plan, which reduced it from 2000 percent in 1993 to 13 percent in 1995 and only 2% in 1998.

Brazil's monetary policy is a key weapon and mechanism for maintaining price stability in the Real Plan's execution. On the one hand, the central bank makes extensive use of its authority to act in the money market, such as through the issuing of bonds and the modification of interest rates, to ensure that domestic solvency is carefully controlled and supervised. The central bank, on the other hand, has intervened in the financial system's re-adjustment, assisting commercial banks in overcoming the negative impact of big reductions in inflation revenues on their companies and allowing them to operate regularly when inflation is low. The Brazilian Central Bank was required to engage in the structural adjustment of 43 of 271 financial institutions between 1994 and 1997. PROER (program to encourage structural adjustment and strengthening of the state-owned financial system) for private banks and PROES (program to encourage the decrease of private capital banking activities) for state-owned banks have been created specifically for this purpose by the central bank. All interest-free loan securities are taken up by the central bank.

Table 2. Main Indicators of Brazil's Economy from 1991 to 1998 (Unit: USD million)

	1991	1992	1993	1994	1995	1996	1997	1998
GDP (%)	1.0	-0.3	4.5	6.2	4.2	2.9	3.0	0.2
Investment rate (% of GDP)	19.6	19.4	20.9	22.2	22.3	20.7	20.7	-
Unemployment rate (%)	4.8	5.8	5.4	5.1	4.6	5.4	5.7	7.8
Consumer Price Index (%)	475.0	1149.0	2489.0	929.0	22.0	9.1	4.3	2.6
Trade balance	10579	15239	13307	10466	-3466	-5554	-8364	-6429
Demand deposit balance	-1407	6144	-592	-1689	-17972	-23137	-33437	-34936
International reserve	9406	23754	32211	38806	51840	60110	52173	44600

Resource: https://www.ceicdata.com/zh-hans/indicator/brazil/equity-market-index

5. Conclusion

According to the analysis, structuralism overestimates the importance of state intervention, whereas neoliberalism overestimates the significance of state intervention. New structuralism recognizes that the state's directing mechanism must be integrated with the market, and that the state plays an indispensable guiding role in the economic development process. The essential purpose of the state, according to modern structuralism, is not only to be a "corporate state," but to plan the overall development strategy, design production and redistribution policies, and offer assistance to businesses.

The structural difficulties of economic development, according to New structuralism, cannot be solved through market methods. We must rely on medium and long-term overall national control to tackle the situation. Furthermore, the fragility of the economic system is intimately tied to economic policy, not to the market itself. As a result, only the state's, the market's, and numerous social forces' engagement and coordination may lead to a solution.

New structuralism is, strictly speaking, a description of a set of economic policy suggestions rather than a new theoretical theory. However, in terms of the state's economic role, it presents a more rational and scientific perspective than structuralism. It will serve as a major guide for reforms in many countries, particularly in emerging ones. Scholars should pay more attention to the influence of new structuralism in future studies.

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