

SEARCHING FOR A NEW FORMULA

Brazilian Political Economy in Reform

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- REFORMING BRAZIL*. Edited by Mauricio A. Font and Anthony Peter Spanakos, with the assistance of Cristina Bordin. (Lanham, MD: Lexington Books, 2004. Pp. 280. \$84.00 cloth, \$29.00 paper.)
- BRAZIL SINCE 1985: ECONOMY, POLITY AND SOCIETY*. Edited by Maria D'Alva Kinzo and James Dunkerley. (London: Institute of Latin American Studies, University of London, 2003. Pp. 346. \$19.95 paper.)
- RACE AND REGIONALISM IN THE POLITICS OF TAXATION IN BRAZIL AND SOUTH AFRICA*. By Evan S. Lieberman. (Cambridge: Cambridge University Press, 2003. Pp. 344. \$75.00 cloth, \$29.99 paper.)
- CARDOSO'S BRAZIL: A LAND FOR SALE*. By James Petras and Henry Veltmeyer. (Lanham, MD: Rowman and Littlefield, 2003. Pp. 160. \$60.00 cloth, \$19.95 paper.)
- OPÇÕES DE POLÍTICA ECONÔMICA PARA O BRASIL*. Edited by Dieter W. Benecke and Renata Nascimento. (Rio de Janeiro: Fundação Konrad Adenauer, 2003. Pp. 460.)
- BRAZIL: EQUITABLE, COMPETITIVE, SUSTAINABLE*. By The World Bank. (Washington, DC: The World Bank, 2003. Pp. 665. \$65.00 paper.)
- BRASIL NA ARQUITETURA COMERCIAL GLOBAL*. Edited by Dieter W. Benecke, Renata Nascimento, and Roberto Fendt. (Rio de Janeiro: Fundação Konrad Adenauer, 2003. Pp. 432.)
- RELAÇÕES BRASIL-ESTADOS UNIDOS: ASSIMETRIAS E CONVERGÊNCIAS*. Edited by Paulo Roberto de Almeida and Rubens Antonio Barbosa. (São Paulo: Editora Saraiva, 2006. Pp. 297.)

Brazil was among the last Latin American countries to adopt reforms of the so-called Washington Consensus. In the early and mid-1990s, it carried out changes in foreign trade policy and macroeconomic policy, and it privatized many state-owned industries. While many have pointed out that the reforms could have gone much further, there is a sense that Brazil has changed a great deal in the last decade and a half. A country that used

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to be known for its ability to “deal” with hyperinflation has found itself with low and very “normal” inflation rates. It has also elected—with no political trauma—a president who in the past caused fear among Brazil’s propertied classes. That president—Luis Inácio Lula da Silva—has been quite moderate, and Brazil’s general economic policy has not changed in recent years. In many ways, Brazil is now more stable—both politically and economically—than it has ever been.

Despite this relative stability, there is little agreement in the scholarly and policy-making communities about the overall consequences of recent changes, or the next directions that Brazil should take. That said, one can conclude that most analysts are still waiting for Brazil to pull off a new economic miracle, one that will help to solve the many problems that the country has faced. At the same time, many (not all, for sure) recognize that a great deal of progress was made during the government of Fernando Henrique Cardoso, even though much remains to be done.

In this essay, I discuss much of the recent literature on Brazilian political economy from several different angles by addressing eight books. The books can be broken down into three broad categories: books that assess the reforms of the Cardoso government, those that focus on the economic policy options facing Brazil, and finally, those that consider the place of Brazil in the world. Since many of the works considered here are edited volumes, it is difficult to conclude that there is any consensus about Brazilian political economy. However, a number of broad themes do emerge. In particular, there is a widespread sense that whatever one thinks of the changes that came along with reforms, the agenda of new reforms is a long one. In addition, there is also a widespread sense that Brazil has “matured” politically and economically since the mid-1990s. Interestingly, however, the kinds of debates that Brazilians continue to have about economic policy are reminiscent of past debates. There is still a strong current of developmentalism in many of the analyses offered here. It is not that anyone advocates going back to the bad old days of high inflation, but there are plenty who advocate much more activist state intervention in the economy.

The overall assessments of the Cardoso government are carried out in the Font and Spanakos volume, as well as the Kinzo and Dunkerley collection. James Petras and Henry Veltmeyer also take a stab (almost literally) at evaluating Cardoso and present a scathing critique of Cardoso’s government. In the Font and Spanakos book, it is clear that many of the authors want to like what Cardoso has done, even if they can’t quite find enough reasons to like the results of his reforms. The volume addresses reforms in a wide variety of areas, including macroeconomic stabilization, privatization, social policy, agrarian reform, and political reform. It also focuses on important actors in the reform process, including industrialists and workers, as well as the changes in the dynamics of Brazilian federalism

and regional integration. In approach, the book is similar in some ways to the Kingstone and Power volume *Democratic Brazil*, in that it evaluates various actors, institutions, and processes, and asks the authors to consider how reforms have affected these areas.¹ In this case, the authors are able to evaluate the entirety of the Cardoso period.

Reforming Brazil does not itself have an overarching message, other than that reforms have taken place in Brazil in the last fifteen years, and some have been more successful than others. Clearly, everyone agrees that it is a good thing that inflation was finally brought under control, though Eliana Cardoso makes note in her chapter of the continuing fragility of the Brazilian economy. As she (and many others) point out, the stabilization that Brazil achieved was brought about through tight monetary policy and an exchange rate anchor. Fiscal policy changes still need to take place, she argues, since to date the major fiscal changes have simply been tax increases, with little in the area of spending restraint. This leads to a situation in which, despite running a fairly significant primary surplus in the budget (the surplus of government receipts over spending, before taking into account interest and principal payments on the public debt), Brazil is still vulnerable to economic shocks. High interest rates (over 10 percent in real terms), make it difficult to reduce the government debt as well. Since Brazil already has a fairly high tax burden for a developing country, there is also a sense that the economy would be hurt by continuing tax increases.

One of the reasons that the Brazilian government was able to increase its revenues over the late 1990s resulted from the privatization of many state-owned firms in a wide variety of sectors. Maria Hermínia Tavares de Almeida, in her chapter in the Font and Spanakos volume, calls this “the most successful aspect of the ongoing process of state reform in Brazil” (53). She presents an interesting account of this process, making a rather compelling case that contrary to many theoretical and empirical arguments, Brazil’s privatization process did not require a high degree of executive autonomy. Rather, Brazil’s privatization took place gradually and through a process of negotiation with the multiple players who could reasonably threaten to veto privatization. For Almeida, the privatization process was managed quite well, politically, by the executive branch.

Other areas of reform are also seen as positive by some of the volume’s authors. Alfred Montero makes the argument that over the 1990s, Brazil saw a significant reassertion of central control over spending by individual states. During Brazil’s transition to democracy, local authorities in Brazil’s federal system increased their autonomy and ability to spend state resources. One of the major projects of reform—especially

1. See Peter Kingstone and Timothy Power, *Democratic Brazil: Actors, Institutions, and Processes* (Pittsburgh: University of Pittsburgh Press, 1999).

since it was tied to macroeconomic stabilization—involved the central government gaining greater control over what states and localities spent. Montero argues that the Cardoso government was also skilled politically—in multiple arenas at both the national level and in state and federal government relations—which allowed for greater central control over spending. It is in no small part due to this centralization that macroeconomic stabilization was able to stick in Brazil.

While these macroeconomic successes receive positive response by some of the authors in this volume, reforms to help Brazil's impoverished masses have received much more mixed reviews. Sonia Draibe notes that while there have been some small amounts of progress in social policy, by and large progress has been "modest." She does allow that contrary to some expectations, neoliberalism did *not* lead to a dismantling of social programs. In addition, there was a reduction in the poverty rate in Brazil after economic stabilization, as numerous authors point out; high levels of inflation are devastating to those with few assets or regular access to the formal financial system. But clearly, with resources limited by concerns about macroeconomic stabilization, there was not a big pot of money left over to address social policy reform. Similarly, Anthony Pereira argues that despite the Cardoso's government's boasting of its progress in agrarian reform, very little was accomplished, and what was accomplished "reveals policies that disproportionately benefit a small number of large politically powerful producers," and that "a series of opportunities to benefit the rural poor . . . were missed" (93). Cardoso himself is somewhat defensive about what his government did in the area of agrarian reform, and he certainly was frustrated in his attempts to win over public opinion on this issue.²

It was not just the poor who were dissatisfied with other reform efforts. In two articles about business—by Peter Kingstone, on the one hand, and Eduardo Rodrigues Gomes and Fabrícia C. Guimarães on the other—the authors make the case that entrepreneurs were not especially pleased with the course of reform. Kingstone argues that Brazilian industrialists have wanted, for some decades now, a broader discussion of development, industrial policy, and reform. And the government, by and large, has ignored such calls. Kingstone also argues against the common perception that industrialists were simply opposed to reform and wanted to continue to benefit from protected markets. Rather, he argues, during the 1990s they engaged in quite significant adjustment and modernization, and having done at least some of their part, they would like to see a government seriously engaged with a discussion about Brazil's development direction.

2. For more on Cardoso's view on his experience with agrarian reform, see his recently published memoir: Fernando Henrique Cardoso, *A arte da política: A história que vivi* (Rio de Janeiro: Civilização Brasileira, 2006), 529–41.

Gomes and Guimarães take a very different tack in their analysis—which looks at an alternative organization of entrepreneurs, the PNBE (Pensamento Nacional das Bases Empresarias), in great detail—and come to a similar conclusion: at least some in the business community in Brazil want a serious discussion of progressive reforms, and the government has largely turned a deaf ear to them.

The Kinzo and Dunkerly volume has a similar approach to the Font and Spanakos book, though its focus is somewhat more diffuse. Chapters focus on a wide variety of topics, including political parties, Congress, the judiciary, constraints on economic growth, the role of the state, class mobility, civil rights, race, education, and the media. The editors argue that they are trying to stress the complexity of Brazil in the collection, with “all the authors resist[ing] recycling simplistic accounts or received beliefs” (1). The volume does not have an overarching theme, other than evaluating what has happened in Brazil since 1985.

Within the volume a number of very interesting chapters can stand on their own in their interpretation of recent political developments. For example, the chapter by Argelina Cheibub Figueiredo and Fernando Limongi on the role of Congress in Brazil challenges conventional wisdom about how politics work in Brazil. They challenge two typical (and contradictory) interpretations of the role of Congress in Brazil: that it makes life too difficult for an executive to govern effectively, or that it is merely a rubber stamp for executive initiatives. Both of these interpretations don’t speak well for the quality of democracy in Brazil. Like Almeida’s chapter in the Font and Spanakos volume, Figueiredo and Limongi are trying to account for *success*, *governability*, and *progress*. They are trying to understand how Brazil has managed to go forward on reform projects in a variety of areas. Their major arguments revolve around the fact that the executive has significant law-making authority under the Brazilian constitution, and successful Brazilian presidents have been able to rely on the support of the parties in their coalition governments. In the end, the argument here is that Brazil is not that “exceptional” after all; its politics are quite normal.

That said, as Leslie Bethell points out in the same volume, Brazilian politics are far from satisfactory, and there is a widespread feeling in the electorate that democratic politicians cannot be trusted. Then again, that is “normal” in a democratic polity; politicians do not have the highest of reputations. This reputation has not been helped in recent years in Brazil, as more detail on corruption in the political classes has been chronicled in the press.

The essays on economic policy in this volume emphasize—as most analyses do—the constraints on Brazilian policy makers. As Cardoso did in the Font and Spanakos volume, the authors focusing on economic policy here note that despite recent economic progress Brazil is still quite vulnerable to domestic or international economic shocks. Even

though Brazilian economic policy makers have made an extraordinary effort to produce a primary surplus, they still do not have a payoff in terms of rapid economic growth. Celso Martone argues in the Kinzo and Dunkerly volume that the reforms that Brazil has undertaken have been good, but there that it must do much more. Mauricio Countinho, in the same volume, makes a similar case, and argues that significant changes need to be made in Brazil's tax policy if the country wants to improve its performance. Most taxes are regressive, and the tax system is complex enough to distort incentives in a variety of ways.

Tax policy might seem to be a rather tedious topic for extended treatment, but when it comes to understanding inequality in Brazil, it is of utmost importance. Evan Lieberman's book comparing taxation policies in Brazil and South Africa makes this clear.³ Brazil's overall problem with its tax policy is that many of the taxes it levies are in fact regressive, which makes it more difficult to use the tax system to alter income and wealth distribution in a country that is one of the most unequal in the world. Lieberman makes a provocative argument about the role of race and regionalism in the setting of tax policy in his comparison. He argues that South Africa's apartheid past, and the politics it generated, made it easier to tax the wealthy (whites) who might otherwise have resisted taxation. In Brazil, on the other hand, the dominant currency in the early formation of its political identity in the late nineteenth century revolved around regions and a consequent competition among regions for resources. As a result, Lieberman argues that the "salience of regional identities born out of Brazilian federalism created deep-seated divisions among people even with largely similar economic means" (19).

Lieberman points, specifically, to the stark difference between how Brazil and South Africa collect taxes: whereas the South Africans collect around 15 percent of their GDP in progressive income taxes, the Brazilians only collect 5 percent of GDP in this way. The Brazilians rely much more on indirect taxes, which fall much more heavily on the poorer sectors of society. This means that redistribution is particularly complicated, since taxes are taken more from those who should be on the receiving end of state-sponsored social programs. To put it differently, it has been much more difficult to establish some degree of social solidarity in Brazil that would make higher tax rates on the wealthy a legitimate possibility. Lieberman's argument is clear and thought provoking, and while its emphasis on historical arguments makes one somewhat pessimistic about the possibilities for change, it is a necessary read for those trying to understand why Brazilian inequality seems so intractable.

3. Others have made fruitful comparisons between the Brazilian and South African political economies; for example, see Gay Seidman, *Manufacturing Militance: Workers Movements in Brazil and South Africa, 1970–1985* (Berkeley: University of California Press, 1994).

When it comes to analyzing in specific terms the reforms of the Cardoso government or the details of tax policy, the books discussed above are concrete. James Petras and Henry Veltmeyer, on the other hand, take a sledgehammer to the Cardoso record. This critique is a book-length indictment of the Cardoso government, though it is not necessarily well documented. But it certainly has a point of view. And that point of view is that Cardoso was one of the worst presidents Brazil has ever had. The book is also notable for the degree to which it demonizes Cardoso himself, in effect accusing him of being a traitor for advocating the reforms he did.

One of the biggest problems with the book is that Petras and Veltmeyer offer little historical perspective when analyzing the changes brought about by the Cardoso government. At times they claim that the Brazilian development model of import-substitution industrialization (ISI) was good for the country, but then Cardoso turned it into a disaster. They argue that “nineteen ninety-four was a decisive year in Brazil’s economic history. It marked the effective end of sixty years of growth based on state and private capital. It also marked the massive breakthrough of foreign capital over the weakening barriers of state regulation and the nationalist and leftist political opposition” (8). Needless to say—and Petras and Veltmeyer themselves note this just a page before—all was not well with the Brazilian development model in the early 1990s, and in fact, at this point in time Brazil had been struggling for a decade and a half to find a new development model that would put its economy back on track.

The “massive breakthrough” of foreign capital claim is not convincing. There is no doubt that the neoliberal reforms that Brazil has followed (even though they aren’t as neoliberal as in many other Latin American countries) have allowed more foreign capital into Brazil. But it is also the case that other presidents and regimes in Brazilian history have done the same thing—Juscelino Kubitschek in the late 1950s⁴ was a prime example, and the military regime’s economic policies vis-à-vis transnational corporations were described in Peter Evans’ classic *Dependent Development*.⁵ There is nothing new, in other words, about multinational corporations in Brazil, and at different points in their book, Petras and Veltmeyer acknowledge this. And while the 1990s saw more foreign investment, it is a bit of a stretch to say that the relationship was fundamentally changed.

Finally, this book—published just after President Luis Inacio Lula da Silva was elected—did correctly foresee that the PT (Partido dos Trabalhadores) government that replaced Cardoso would continue to maintain the economic policies associated with his predecessor. It does

4. See, for example, Kathryn Sikkink’s description of developmentalism in Brazil and Argentina in the 1950s, in her book *Ideas and Institutions: Developmentalism in Brazil and Argentina* (Ithaca: Cornell University Press, 1991).

5. Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton: Princeton University Press, 1979).

not, however, fare as well when it comes to predicting the outcome of such continuity. The authors argue that “the postelectoral period will soon become a time of deepening polarization and economic collapse” (106). While one can fairly argue that many expectations of the Lula government have gone unmet, collapse has not yet occurred.

Two other books reviewed here wrestle quite specifically with what to do to encourage greater growth in the post-stabilization period. They respond to a question that many Brazilians have been asking since stabilization was accomplished in the mid-1990s: how can Brazil get on a path to higher and sustainable growth? This question emerges in part from an unfavorable comparison with China and India, the two other “emerging” countries that Brazil feels it should be compared to. While those countries have grown quite rapidly in the last decade, Brazil has been trapped with low growth rates, averaging only 2.4 percent from 1995 to 2005. This contrasts sharply with Brazil’s “glory days”: from 1948 to 1980, when Brazil’s growth rate averaged 7.5 percent.⁶ To put it differently, Brazil has followed the advice of the international financial community and multilateral institutions, so now, where’s the payoff? As both books were published just as the new Lula government was beginning, they are both attempts to provide policy advice to the new government.

The two books that address how Brazil can increase its growth rate directly—the Benecke and Nascimento collection (*Opções de Política Econômica para o Brasil*) and the World Bank volume—have two distinct approaches. The Benecke and Nascimento volume is a collection of sixteen essays from a variety of viewpoints, and nearly all of the authors lament Brazil’s slow growth. There are many calls for new strategies. Among the more explicit is Fernando Ferrarri Filho’s chapter, in which he lists seven specific things that the government should do to accelerate growth. These include using fiscal policy to increase demand, encouraging a social pact between business and labor, and the development of an industrial strategy (138). The other recommendations are similarly ambitious, and many of the authors in this volume adopt a similar approach: something has to change significantly in Brazil’s development model, or it will continue to have weak economic growth.

Many of the authors in this volume echo the analysis offered by Eliana Cardoso described above. For example, Maria Luiza Falcão Silva points to a vicious circle: high interest rates to attract foreign capital, which in turn increase the costs of investment for business and the government’s debt. And since the government’s debt is increasing, monetary policy makers are reluctant to reduce interest rates, since that might lead to an excessive increase in aggregate demand. It is, indeed, a conundrum,

6. Instituto de Pesquisa Econômica Aplicada, <http://www.ipeadata.gov.br/ipeaweb.dll/ipeadata?115960437> (accessed on March 17, 2006).

and it seems that those in charge of economic policy are hoping for an external and internal environment that stays positive for a long enough period to make it possible to *very* gradually reduce interest rates to a level where more growth might be possible. While the strategy may work, many Brazilians are clearly frustrated with the slow pace of change.

The volume also contains many criticisms of Brazil's economic policies that echo long-standing Brazilian complaints about their place and position in the world economic system. The chapter by Waldecy Rodrigues and Andréa Freire de Lucena makes a strong case for the oft-stated complaint that when it comes to international trade, the more developed countries support free trade less than their rhetoric would suggest, especially when it comes to products, like those in agriculture, that are of particular interest to developing countries. They place emphasis on the need for Brazil to significantly increase exports to improve its position in the international economy, and argue that in addition to promoting more state support for exports, Brazil "needs to create an exporting culture: business people need to understand the relevance of foreign trade" for the Brazilian economy (369). What is somewhat striking about this suggestion is that it is exactly the same suggestion that was made forty years ago when Brazil first started a push to promote nontraditional exports. Brazil has made progress, to be sure, but there remains an unease about how much further the nation needs to go to once again become a dynamic economy.

The World Bank, for its part, wants to encourage Brazilians to rein in their frustration, be patient, and give what it considers the sensible policies of the last decade a chance to work. The Bank is quite explicit in how it wants its thick volume to be received: "The objectives of making these Policy Notes available to a broader audience is two-fold. It could contribute to the discussion in Brazil and elsewhere about public policies to be formulated by the Brazilian governments for the period 2003–2006. It could also serve as a vehicle to exchange lessons of experience from Brazil to the rest of the world and vice versa" (ix). Lest it appear to be too heavy handed, the Bank makes it clear that it is not trying to tell Brazil what to do; rather, the book is "meant to constitute timely contributions for discussions" (ix). The language throughout the book is similarly gentle.

The recommendations, however, are quite clear. The World Bank wants Brazil to continue on a reform agenda, and the list of things that it thinks Brazil needs to do is quite long: improve primary and secondary education, reduce inequality through social transfer programs, reduce bureaucratic red tape, increase foreign trade, reform the social security system, and maintain fiscal balance, among many other things. As with the Benecke and Nascimento volume, there is no shortage of advice to give. The Bank does seem to recognize the political difficulties associated with its advice; it notes that it thinks Brazil should "channel social

spending to the poorest rather than the most vocal, to generate growth through private sector productivity rather than public sector spending, and to use natural resources in a sustainable way. All require government resolve, communication, and consultation" (20). At the same time, the Bank does not have a political strategy to make this happen; it seems that there just must be enough political will to accomplish these goals.

At times, when discussing social policy in particular, the Bank seems to be borrowing pages from Amartya Sen, who argues for a holistic approach to understanding development.⁷ This is, in many ways, the problem: it tries to touch on just about everything when giving advice to the Brazilian government on policy changes. It covers policy areas from police reform to macroeconomic policy to education reform to environmental protection to research and development. Clearly, the Bank has an impressive research capacity, and in this volume, it tries to bring all of this research capacity together. The volume is valuable in itself just because of the wide-ranging research it reports on here, and the way in which it synthesizes a large body of work.

The Bank does change its by now familiar approach here. While many of its publications have been encouraging a more Sen-like holistic approach to development in the last decade or more, it does not vary much when it comes down to the core policy recommendations about how to encourage faster growth. And when it comes to the Bank's own diagnosis of why Brazil has not grown more quickly, they profess ignorance: "More analysis is still necessary to account for the 6 percentage point decline in Brazilian economic growth in the 1990s from the 1970s: cross-country comparisons leave two-thirds of this variation in economic growth unaccounted for" (53). That said, the Bank concludes that increasing growth requires significant improvements in the investment climate (cutting red tape in particular) and improving the financial sector by improving access to it would go a long way toward improving things. This would probably help, but it is also unlikely that it would make an enormous difference in Brazil's growth rate.

What the Bank definitively does *not* do is recommend any of the "dangerous" approaches suggested by other authors considered in this review. It recognizes that there are those in Brazil who are calling for a real industrial policy for the first time in several decades, especially pushing greater state involvement in the promotion of exports, but it is nervous about such an approach (it refers to its concerns as "qualifications" on the advice given by non-Bank economists). The Bank argues that export promotion policies can be quite expensive, and that in the end, "exports, much like economic growth, are not an aggregate variable directly controlled by the government" (79). The Bank thinks that there are much

7. Amartya Sen, *Development as Freedom* (New York: Anchor Books, 2000).

more efficient ways to get to both faster economic growth and higher export levels: changing the environment in regulation and tax policy to make greater expansion possible. As Lieberman (and many others) would point out, however, changing these policies is hardly easy, and the legacies of tax policies adopted in the past live a long life.

In the end, the World Bank position could be summarized as one encouraging continued reform, along the lines proposed by the Cardoso government (and in many ways continued by the Lula government). Move forward with reform, and eventually things will get better. That such patience may run out is one of the World Bank's biggest concerns.

The final two books reviewed here consider Brazil's relationship with the international political economy. That relationship has long been of primary concern for scholars of Brazil, given the ways in which the international environment affects Brazil's economic and political prospects. Both of these books are also meant for a policy-making audience. The first—the Benecke, Nascimento, and Fendt volume—is in some ways the international companion to the Benecke and Nascimento volume reviewed above, and there is significant overlap. The second—edited by Paulo Roberto de Almeida and Rubens Antonio Barbosa—has a much sharper focus, since its main object of study is the relationship between Brazil and the United States. Whereas some of the other books reviewed here focused on what Brazil should do in terms of its economic policy post-Real Plan, these two books consider what should be done in Brazil post-economic opening.

In the Benecke, Nascimento, and Fendt volume, the focus is clearly Brazil-centric, and it contemplates how Brazil should strategically engage the rest of the world. There is no overarching argument here, but most of the authors are concerned about the vulnerabilities facing Brazil in the international political economy. Many of them are also concerned about Brazil relying too much on a relationship with the United States. For example, in his chapter, Alexis Toríbio Dantas argues that because of the significant restrictions that the United States places on Brazilian exports, it makes much more sense for Brazil to stick with its regional integration partners in Mercosul. Helio Jaguaribe makes a similar argument, and quite clearly opposes any Brazilian agreement to form a Free Trade Area of the Americas (FTAA). There have been a great many problems with the FTAA negotiations, and there is no immediate end in sight for them.

But if Brazil should avoid signing an FTAA (and few authors in this volume consider the FTAA to be a good idea), Brazil still has to consider how it will engage, economically, the rest of the world. There are, primarily, two other options: South American integration and free trade with the European Union. Many of the authors in the Benecke, Nascimento, and Fendt volume conclude that Mercosul is the best option. The problem here—and all the authors who make this suggestion are aware of

this—is that Mercosul itself has been in crisis since at least the Brazilian devaluation of early 1999.

Thus, there is a problem with Brazil's international economic relationships, just as there is a problem with its domestic economic relationships. In the latter, there is no obvious way to get beyond high interest rates, slow growth, and a need to maintain credibility with the international financial community. In the international sphere, there is no way to get beyond the fact that the FTAA is risky, that the Europeans are not likely to make any significant changes to their agricultural policy, and that Mercosul is hobbling.

Several of the authors in the Benecke, Nascimento, and Fendt volume try to establish a salvage plan for Mercosul. Felix Peña, a long-time Mercosul hand, emphasizes that Mercosul is a reality that business and government must deal with, despite crises that may happen from time to time. It is, as he points out, a "significant regional reality" (219), and as such, will not disappear anytime soon, even if it does encounter occasional (or regular) crises. Peña argues that the Mercosul countries need to engage in a new debate about what the nations in the grouping are trying to accomplish, and one has a sense that he would prefer a much more institutionalized Mercosul. Similarly, Mário Marconini argues that Latin American integration has made great strides and is an impressive accomplishment. He notes, however, that integration is only one part of a development strategy, and suggests that perhaps policy makers have placed expectations that are too high on the process (194). Economic integration may help push development forward, but it is only one part of a larger strategy.

Finally, the Almeida and Barbosa volume focuses in particular on the U.S.-Brazilian relationship. Since much of this relationship is economic, many of the chapters in it focus on the political economy of the bilateral relationship. The volume is set up to have both a Brazilian and a U.S. expert comment on a particular theme, such as the history of the relationship between the United States and Brazil or U.S.-Brazilian commercial relations. The volume begins with the premise that U.S.-Brazilian relations are among the most important in the western hemisphere, and that they have matured significantly in recent years, particularly during the Cardoso government.

The most interesting "exchange" in the volume occurs in the section on Brazilian-U.S. commercial relations, where there are chapters by former Brazilian ambassador to the United States Barbosa and Jeffrey Schott, a long-time participant in U.S. trade policy. The chapters should be read together, and should be assigned to any class analyzing free trade in the Americas. Barbosa is much more pessimistic about successfully concluding an FTAA, and he makes the point that there are very different views on what an FTAA should accomplish. Barbosa argues that from the U.S.

point of view, an FTAA should be an extension of NAFTA. From the Brazilian point of view, however, an FTAA should mean that Brazilians will have more access to markets in which it is competitive. Since it is doubtful that the United States will make significant concessions in these sensitive areas, Brazil is unlikely see much of a payoff from signing an FTAA. Consequently, a robust FTAA is not likely to emerge.

Schott, on the other hand, tries to make a case for the likelihood of an FTAA emerging from the ongoing discussions. He notes that in talks in the World Trade Organization (WTO), the United States and Brazil share many positions in common. He also points out that while the United States has many sacred cows when it comes to negotiating trade agreements, it would be able to make at least some concessions in international trade talks. This remains to be seen, if an agreement is ever reached.

In the end, no one can know what will work to get Brazilian growth up to a higher level. But the books reviewed here at least try to give an answer, from quite different points of view. Those who are concerned with the fate of the Brazilian political economy are intensely interested in how Brazil can get on the path to a long period of high and sustainable growth, and they have been extraordinarily frustrated about what has happened to date. It may well be that Brazil will once again "take off" with sustained higher growth in the not-too-distant future, but there is no way of telling when this might happen. There is also no way to predict when the next international financial crisis might appear. Such a crisis could set back Brazil's development prospects, to be sure, given its continued vulnerabilities. What is clear from the books reviewed here is that the Brazilian government will have no shortage of advice when it comes to encouraging growth or dealing with crises.