THE INTERACTION OF ECONOMICS AND POLITICS IN BRAZIL
DURING THE MILITARY DICTATORSHIP

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THE INTERACTION OF ECONOMICS AND POLITICS IN BRAZIL
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Introduction

Most of the works that discuss Brazil begin with a brief description of the territorial wealth and diversity of the country - the abundance of natural resources and of the population (now more than 160 million) which shares, despite the differences, a strong feeling of nation, “…common ideals, common tastes, common problems, common heroes, a common past, and a common sense of humor.” (Baer, 1995, p.8) Such analyses, when exploring areas like politics, economics, or social aspects, try to demonstrate, or explain, why a country that had everything necessary to do well just has not succeeded - yet. I believe that it is still a relevant, and complex, issue to be discussed. How can chaos exist in paradise? – so many problems in such a beautiful and rich land. Therefore, as a Brazilian, it is my goal to explore, at least for a determined period, political and economic aspects of the “sleeping giant,” as some people like to call Brazil. This research approaches the period from 1964 to 1985, when Brazil experienced a dictatorial regime and also its greatest economic growth rates, which did not last as long as the dictatorship.

Despite the support given by the majority of the Brazilian population, the military regime faced some determined opponents (mostly members of student organizations) who, although rather small in number, were visible in demonstrations on the streets and in audacious terrorist acts, such as the kidnapping of the U.S. ambassador Charles
Elbrick, in 1967, and, in 1970, of the German ambassador von Holleben together with the ambassador of Switzerland Enrico Bucher, and the Japanese consul in São Paulo Nobuo Oguchi. These members of the Brazilian guerrilla movements were struggling for the reestablishment of the democratic regime, and against the arbitrary arrests and aggressions that were taking place in the country.

I have lived and talked with you, and I see that you can be extremists, but not criminals. You employ violent methods in trouble situation, whose responsibility cannot be credited to you, as I see. This press is very partial, it should show the other side of the things too. (The German ambassador about his kidnappers in Sirkis, 1994, p.218)

While this period will always be remembered as a time of violence and fear for these opponents of the military regime, most of the population was experiencing a completely different Brazilian “reality.” What can be understood as a period of disturbance in the history of the country can, on the other hand, be seen as a period of prosperity maintained by a strong government and supported by powerful countries, primarily by the United States of America (which in those years of Cold War, after the Cuban Revolution, was taking severe measures to avoid the spread of Communism throughout the globe).

In those years, more precisely from 1968 to 1974, Brazil experienced an “economic boom” that seemed in the eyes of the Brazilian citizens to demonstrate that the country had definitely become a powerful nation, a nice place to live. It was the so called milagre econômico (“economic miracle”).
Brazil’s stagnation lasted until 1967; it was followed by a remarkable economic boom that lasted from 1968 to 1974. (Baer, 1995, p.75)

This analysis is an attempt to better understand the economic and political scenario of Brazil under authoritarian rule, at this period a country of apparent economic prosperity and political stability maintained by permanent control of the military forces. In this study, I will address the most relevant economic and political characteristics of the period of military rule in Brazil, and will establish the historical context which shapes them, emphasizing that political power in Brazil during the military years was legitimized by the commonly-held belief that Brazil’s economic growth could only exist under a dictatorial regime. It is of significance to note, however, that the economic growth reached by the military regime never extended to the lower classes of the population.

By employing information such as GDP, income distribution, inflation, import and export rates, external debt, deficit, savings, wages, economic sector participation in the GDP, and historical data, I will examine the interaction between economic and political factors in Brazil: the economic situation of Brazil under the authoritarian regime linking, for instance, the political opening (abertura) with the economic crisis of the country.

I perceive as a fundamental task of this work to raise questions such as these: Why did the military take power in Brazil? What were the main changes in politics and economics with the coming of the military rule? Did the United States actually play a role
in this process? What was the role played by the United States in this process? How did Brazil achieve its miraculous economic development? Did miracle represent development for the entire population? What was the political policy adopted to realize this miracle? What were the major events of the seventies that slowed down the Brazilian economic growth and simultaneously re-introduced more effectively the political democratization of the country? How did the military government handle the Brazilian crisis when the maintenance of the same rates of growth of the previous military years was not possible anymore? Looking at the economic policy adopted before the crisis, what were the factors responsible for its failure? How was the transition from military to civil government carried out? How was the economy by this time?

My final consideration is that the maintenance of a political government in Brazil (or its legitimization) is strongly dependent on the performance of this government in the economic sector. Additionally, a last question to be answered considers whether the economic performance of Brazil relies on the political forces ruling the country.
I. Introduction to the Military Regime

A. Brazil and the U.S.

In 1960, the final year of the Juscelino Kubitschek’s administration, Brazil celebrated the inauguration of its new and totally planned capital, Brasília, the main feature of Kubitschek’s presidency. It appeared that Brazil was enjoying a period of great economic prosperity. However, the promise of the government of Jânio Quadros, who assumed the presidency in 1961, was extremely short-lived; after only a few minor acts President Quadros resigned. The vice-president, who should have then taken power was João Goulart, but he was held in disfavor both by the Brazilian elite and by the military. Jango (as João Goulart was known) was a sympathizer of communist governments, and at the time of President Quadros’ sudden resignation, he was in a trip in China. A series of political “arrangements” brought a parliamentary system to Brazil with Jango recognized as president of the country. This too, however, would be short-lived. The military, supported by the elite of the country, took power in 1964, bringing what seemed to be a period of extraordinary economic growth. Today, the question being asked is whether Brazil’s economic boom (economic “miracle”) also represented actual development.
In the early sixties Latin America was perceived from abroad as a region of strong economies and a good place to invest in. Brazil, an industrial power of the Third World, was one of the best, and the United States became its main foreign investor. This period was the Cold War, a period when the world was polarized between the United States and the Soviet Union. With the increasing popularity of the left, and the emerging of social reforms which differed from those dictated by the U.S., Brazil, led by João Goulart, became one of the main targets of the Yankee intervention, taking place in almost all Latin American countries.

Everything that is good for the United States is good for Brazil. (Juraci Magalhães, 1964 to the Washington press, in Chiavenato, 1994, p.72)

In *O Governo Goulart e o Golpe de 64* Caio Navarro de Toledo argues that the military “Revolution” had intense participation from the United States. According to Toledo, Lincoln Gordon, the American ambassador to Brazil in 1964, was a familiar presence in the presidential palace, influencing ministerial appointments, censuring left-wing (communist) choices of the government, and strongly criticizing presidential acts. In addition, Toledo states that U.S. military forces were even ready to invade the country in a “civil” war to overthrow Jango, should such action be necessary. And this assertion reflects the emerging U.S. military strategy of that Cold War period.

In its on-going battle against communism, the U.S. had reestablished a secret army and launched “a new kind of war, employing twenty-five thousand well-trained combatants and billions of dollars.” (Chiavenato, 1994, p.69) These secret forces were
responsible for counter-revolutions in fifty countries where the U.S. hoped that such involvement would present the recurrence of yet “another Vietnam.”

After the overthrow of Goulart, the last democratically-elected president (before the military coup), General Golbery do Couto e Silva, the “right hand” of nearly every subsequent military president in Brazil, declared then a total war against all left-wing activities, permanent, global and apocalyptic – a “dark” menace for which all nations should be prepared.

According to military reports found in Os Anos de Chumbo (a book that gathers personal ideas from the military about repression actions during the military regime), at that time, the North Americans were giving great importance to the policies and practices being implemented by the military administrations; they became interested in what was, happening in Brazil, and in the potential impact of extending such measures through out all of South America. “They [the U.S.] were our friends and wanted us as a support point in this issue.” (General Leônidas Pires Gonçalves in D’araujo, Soares, Castro, 1994b, p.133)

B. Dictatorship in Brazil – historical background

General João Paulo M. Burnier states in Os Anos de Chumbo that much of the negative views toward the overthrow of the civil president in 1964 comes from young people who do not know what really happened, a situation aggravated by a biased media
that denigrated everything that happened during the military period. According to Burnier, the situation was very serious; Brazil had taken a great risk, and the military “Revolution” was the only satisfactory way to avoid socialist domination of the country, the Bolshevik infiltration: “we cannot understand how is it possible for people to believe in such false [communist] theories (...). (General João Paulo M. Burnier in D’araujo, Soares, Castro, 1994b, p.185)

The Brazilian is an unprepared kind of person in general terms; we all know that. This is a country of miserable, slum inhabitants, ignorant, illiterates, and its is evident that those elements create difficulties. (Otávio Gonzaga Jr., Secretary of Security of São Paulo, 1979 in report to Folha de São Paulo in Chiavenato, 1994 p.71)

The military take-over in 1964, often referred to, by the military, as the “Revolution,” can be explained in different ways. Most reports recognize that the military forces were like islands, decentralized anticommunist forces, that, although without any social or economic project, intended to halt the demagogic populism of João Goulart. One explanation therefore holds that it was a consequence of the Cold War, without the pretension to assume national control.

Interestingly, there are also reports that affirm that Jango and Leonel Brizola (governor of the state of Rio Grande do Sul at that time, and brother-in-law of Jango ) never represented a true worry for the military. The real problem seemed to be then the corruption and anarchy that, they believed, were spreading throughout the country. The resignation of Jânio Quadros is yet another explanation of the military, asserting that their intention was exclusively the preservation of the democratic regime: “the preoccupation
of General Castello Branco was the fear that we could fall into a dictatorship.” (General Carlos Fontoura in D’araujo, Soares, Castro, 1994a, p.225)

Regardless of what might be the most accurate explanation, Brazil fell into a dictatorship and many atrocities were committed. The 1964 “Revolution” brought about a period of cruel and violent elimination of Brazilian citizens’ rights and freedom, both of which were said to be excessive. A single choice was imposed. Anyone who decided to join the opposition of the military government became an enemy of the state and was fought without limit. The “criminals” were usually classified in two ways: terrorists and useful innocents seduced by them.

Indeed, not all Brazilians supported the military regime, and those who opposed it had to resort to guerrilla activities to express their opposition. The support of guerrilla movements by young middle-class Brazilians, many still teenagers, was attributed by the military to the spirit of adventure offered by a clandestine life. According to them, these young people included individual without ideological conviction, innocents sacrificed by living daily with crime, rich people tired of having nothing to do, and some dangerous people with strong ideologies who gave speeches in universities to attract new followers. Military reports also state that credit must be given equally to the Brazilian Communist Party since, although a minor structure, it was able to “dominate” many people through what the military call “the charisma of socialism:” preaching the salvation of humanity, an equal society, and the end of poverty and social injustice.
In spite of the devotion of guerrilla activists, the military prevailed; their success was a conquest that must be shared with the civil society. The military accuse today’s media of depicting them as torturers and murderers, when the reality is that without civil support nothing could have ever been done.

If not for civil support, we might claim that the revolution of 1964 was a military coup. But, nobody can say it was a military coup, because there were many huge civil manifestations to overthrow the administration of João Goulart in São Paulo and here in Rio. (General Carlos Mattos in D’araujo, Soares, Castro, 1994a, p.108)

According to an article by Marion Brephol de Magalhães, professor of History at the University of Paraná there is documentation which provides the names of ordinary people who played a decisive role in the conflict, the “insiders” of the repression. They formed a network of information, involving a considerable part of the society. They collaborated with repressive institutions and voluntarily gave information. These were regular people, apparently not interested in politics, who were playing the role of spies by communicating their suspicions to the police. It was a “job” done much more out of fear than out of true acceptance of the regime. People were tolerating torture in the name of order and national security.

The truth is that terrorism existed on both sides, military and guerrilla movement. Nevertheless, the military violence was justified as necessary for the maintenance of “order,” a natural defense - and the censorship of the press was a guarantee for such
C. Violence in the Authoritarian Regime

By the end of the 1960’s violence was on the increase in Brazil. This reality was not at all in harmony with the official pronouncements of General Costa e Silva, president at that time. Once the Institutional Act-5 (IA-5) was issued, President Costa e Silva was obligated to accept the involvement of some “bad” men within Brazil’s security forces, men who were performing illegal activities, including torture. The submission of the President to such practices put Brazil under the watchful eye of Amnesty International.

The United States of America, a great supporter of the military coup, and of the stabilization policies and reforms implemented by Castello Branco, disapproved the violent methods that were being practiced in Brazil since the enactment of the IA-5 (the authoritarian turn over). The U.S. started then to accept some use of violence by students against the military government, once this was the opposition’s only way of participation within a repressed society, as was the Brazilian at that time. Yet not much was made by the United States attempting to change the situation. Brazil was becoming less and less a constitutional regime.

1. Explanations for the Violence
There is unanimity among various military concerning the supposed excess of violence in the arrests during the period of dictatorship: it never happened. The military considers the accusations that they suffered for such practices to be extremely unfair. They say that more than eighty percent of the complaints of torture under military rule were strategically-created by revolutionary organizations or lawyers prior to any official declaration in court; the other twenty percent were exceptions, situations beyond official control, which occurred before the prisoners arrival at the I Exército in Rio de Janeiro. According to the military, charges of torture were used by the Communists in their campaign against the military regime and thereby transformed criminals into heroes. The military defended themselves by declaring that torture was not practiced in excess, but rather, was a way to combat excess. (D’araujo, Soares, Castro, 1994a, p.202)

However, the fact of the matter is that human beings were disappearing without a trace. Parents knew their sons and daughters were receiving electric shocks. Sons and daughters knew their parents were suffering sessions of sophisticated methods of torture. Friends knew, many people knew already that many others were vanishing under cruel violence. Finally, some people decided to act. With torture practically institutionalized and with the suppression of human rights, a few people felt that something needed to be done.

2. The Ones Who Fought

Among the most remarkable revolutionary groups that stood against the military regime in Brazil were Aliança Libertadora Nacional (ALN), founded by Carlos
Marighela, an older member of the Brazilian Communist Party; the VPR, founded by the ex-capitan Carlos Lamarca; and the Revolutionary Movement of October 8th (MR-8) – the date of Che Guevara’s death. The ideas of Marighela depicted the will of the armed left in general: to fight (not always supported by theoretical fundamentals), overthrow the military regime, redistribute the land, take the power and form a revolutionary government. What was known as terrorism and guerrilla organization was, actually, the only alternative that the dictatorship left for the opposition to express their ideas.

The goals of the guerrilla were to attract the sympathy of the poor urban population and show that standing against the military was an alternative to that situation. The violence practiced after IA-5 convinced many people that the dictatorship could only be eliminated by the use of guns - violence was then the only solution.

Although the military has denied torturing practices, there exists documentation to the contrary. Ruy Castro’s *O Anjo Pornográfico*, a biographical work about Nelson Rodrigues, one of Brazil’s most famous writers, includes an interesting passage that narrates episodes of Rodrigues’ life during the dictatorship. In this passage Castro talks about Rodrigues’ son, Nelson Rodrigues Filho, a member of the MR-8, where he was known as “Prancha.” Castro states that Nelson Rodrigues never held any objection against the military regime, nor did he believe that torture actually existed. One day while watching a soccer game with President Emiliano Médici, Rodrigues asked him if any kind of torture was being committed against the revolutionaries. Médici replied “no,”
which calmed Rodrigues. Prancha, like for most of the Brazilian youth at that time, feeling excluded from political life and strongly opposed to the military regime, became an active member of the MR-8. Rodrigues’ son was soon arrested. In spite of his fame and popularity in Brazil, it was extremely hard for Rodrigues to find where his son had been sent. After many desperate attempts, Rodrigues found his son and saw with his own eyes that President Médici had lied to him; his son’s ankles were bleeding, the bones literally visible. (Castro, 1992, p.388-404)

In the first months after the military coup about fifty thousand people were arrested; every Brazilian citizen was under suspicion. Streets, houses, books, documents, everything was being investigated. Once detained, prisoners could usually expect interrogation accompanied by torture - the degree of brutality depended on how dangerous the victim was. The torture was covered up, and deaths resulting from torture were said to be of natural causes. Many bodies were buried as unidentified bodies, or just left in some abandoned land. The Brazilian government considered torture an efficient practice for obtaining information that would lead to the end of the guerrilla movements.
II. Before the Military Governments

A. President Kubitschek

Juscelino Kubitschek de Oliveira (“JK”), became president of Brazil on January 31\textsuperscript{st}, 1956, occupying the main office of the country until January 31\textsuperscript{st}, 1961. Willing to give a more dynamic rhythm to the country, JK based his actions on the development of Brazil - at any cost. The fundamental points of his plan could be expressed in three words: roads, energy and transportation. Moreover, he was working on the construction of the new capital of the country, Brasília. President Kubitschek offered great opportunities to foreign companies willing to establish automotive industries in the country. As already mentioned, he was expanding roads, and industrial sectors such as steel and maritime construction. The plan developed by Kubitschek, called \textit{Plano de Metas}, can be considered the first global economic plan for the development of Brazil.

Kubitschek ruled the country with the slogan “fifty years in five.” Besides the construction of the new capital, right in the center of the country, his administration was marked by infrastructure expansion and the creation of industry (besides the automotive), in an effort to strengthen the domestic market by reducing imports. This development plan was financed from abroad, mainly by the United States and the International Monetary Fund (IMF), but it lacked adequate planning. Inflation and external debt
reached high rates. In 1960 the annual inflation rate was 25.4%. The GDP growth rate was 9.4%, being 17.76% from the agricultural sector, 32.24% from the industrial sector, and 50.01% from the services sector. The trade balance was equalized, with US$ 1,270 million in exports and US$ 1,293 million in imports. The external debt was then US$ 2,372 million. (Baer, 1995)

B. President Quadros and President Goulart

Jânio Quadros, who became president after Juscelino Kubitschek employed an ambiguous political strategy: he seemed independent in external relations (sometimes close to socialist countries), and obedient to the elite (conservative forces) regarding national affairs. Jânio Quadros won the presidential election of 1960 and took office in 1961 with João Goulart elected as his vice-president.

Quadros, however, did not occupy the presidential office of Brazil for a long time. Since the end of the Kubitschek administration, the economic crisis had grown, along with (and also as a result of) political and social instability. Additionally, the international deficit was increasing dramatically and inflation was extremely high.

By 1961 (one year later), the economic situation in Brazil worsened. While the annual inflation had increased to 34.7%, the GDP growth rate had gone down from 9.4% to 8.6%. The agriculture sector share of the GDP was 16.96%, while the industrial sector share was 32.53%, and the services sector share was 50.50%. The trade balance was
positive, with US$ 1,405 million in exports and US$ 1,292 million in imports. Also, the external debt had increased to US$ 2,835 million. (Baer, 1995) During this time, there were few policy issues created by President Quadros worth mentioning. In addition to prohibiting cockfights, bikinis on the beach, and horse races on weekdays, President Quadros limited imports, and devalued the Brazilian currency by 100%. In August of 1961 Jânio Quadros resigned from the presidency. His resignation represented the stagnation of the economic expansion initiated under Juscelino Kubitschek.

Because of Goulart’s possible connections with communists, the military ministers saw him as a risk to the national security. They distrusted the Vice President and feared having him as president. Therefore, these ministers informed him that he would not be allowed to assume the office that legally belonged to him. Following negotiations with the military, however, Jango was declared president, but subordinated to a quickly-created parliamentary system that actually suppressed most of his presidential powers. In the parliamentary system Jango would be a mere decorative figure.

João Goulart became president of Brazil on September 7th, 1961, and his “Base Reforms,” as they were called, were in part responsible for the military coup that would take place later on March 31st, 1964. These reforms included the establishment of a state monopoly on the imports of petroleum, control of the outflow of profits abroad (restricting the facilities for foreign companies), state control of the petroleum treatment
industries, and land reforms. Moreover, in January 1963, Jango called a plebiscite where the presidential system was chosen over the parliamentary system by 74% of the voters, giving back full presidential powers to João Goulart. A new aspect of the social scenario of Brazil at that time was the establishment of popular organizations to support the Base Reforms; students, as well as, rural, labor and catholic organizations were assuming intense participation.

One year later, however, due to poor economic performance Jango began to lose popular support. A large part of the middle urban class was asking for his resignation, and the elite and the military were conspiring to overthrow him. One of the main, and strongest, demonstrations against Jango’s administration took place on March 13th, 1964, and was called Marcha da Familia com Deus pela Liberdade (“Manifestation of the Family with God for Freedom”). It was a popular demonstration of approximately five hundred thousand people (according to military data) protesting against the current president. The loss of support can be attributed to some extent to the successful campaign of the conservative sector of Brazilian society, which believed Jango would establish communism in Brazil. As usual, economic factors, such as high inflation, also contributed to his floundering popularity. By the end of 1963 the annual inflation rate had jumped to 78.4%. The GDP growth rate was only 0.6% (15.95% in the agricultural sector, 33.1% in the industrial sector, and 50.96% in the services sector). The exports reached US$ 1,406 million and imports US$ 1,294 million. The external debt was US$ 3,089 million. (Baer, 1995) Moreover, Jango was accused of promoting military
misconduct. The government of João Goulart was seen externally as very weak leadership, struggling against the barriers to the implementation of social reforms, such as land reform.

Agitation for land and tax reform grew, and institutional change in the country’s educational structure and a greater control over foreign capital’s activities were demanded. (Baer, 1995, p.74)

The political elite and the military of Brazil were very dissatisfied with Jango, and were worried about his special sympathy for communist and socialist countries. “The policy-making chaos was so great and confidence so low that the crisis could only be met by a government armed with extraordinary powers.” (Stepan, 1973, p.5) Then, with the support of a great majority of the Brazilian population, the political elite and the military forces, as the two major political groups of the country, ended the João Goulart presidency with the “Revolution” of March 31st, 1964. On April 1st, 1964 the presidential office was declared vacant. With the military coup Jango went to exile in Uruguay and General Castello Branco began a dictatorial regime in Brazil that would last until March 15th, 1985.

There was heroic will. Some people really expected to resist the military attempt to take the power in 1964. Some people actually waited for Jango to send people and guns in what would be a great battle, a civil war for democracy. But this never happened. According to Brazilian journalist Zuenir Ventura in 68 O Ano Que Não Terminou, the pre-1964 culture had the illusion that everything depended on their action, that their
awareness would change society, ending with social injustices. “This illusion disappeared in ‘64; as did the innocence behind it in ‘68.” (Ventura, 1988, p.44)
III. The Military Governments

A. President Castello Branco

My administration will be of laws, traditions, and moral and political principles that reflect the Brazilian soul... an administration strongly turned to the future. I will promote the well-being of the population in general... mainly to those in sacrifice who live in the less developed regions of the country. The taking off for economic development, for moral, educational, material and politic elevation will be the central concern of this administration. I strongly believe in the compatibility of development with democratic progress. Come to me Brazilians and I will go to you, with the help of God and confidence, searching for better days. (General Castello Branco taking office in Manchete, 1999, p.740)

One element that did not change with the arrival of the military government in Brazil was the basic belief in development, which provided economic continuity with the government of Juscelino Kubitscheck. After taking office and centralizing the authority in the executive power, President Castello Branco then turned to economic issues. The military believed that only arbitrary powers could guarantee an effective economic policy. With the IA-1\(^1\), issued on April 9\(^{th}\), 1964, presidential elections became indirect, political rights could be suspend for ten years, and constitutional guarantees were suspended for six months. Written by the Military and accepted by the Congress, the IA-1 gave President Castello Branco, who took office on April 11\(^{th}\), 1964, exclusive powers in

\(^{1}\) To legitimize their power the militaries governed the country, mainly, through Institutional Acts, the IAs. With those IAs the militaries acquired special powers that were not in the Constitution.
the issuing of bonds, simplifying and indexing taxes, and increasing the prices of public services “to cover their full cost and to finance new investment.” (Chaffee, 1997, p.124)

Following IA-1, IA-2 was issued on October 27th, 1965, expanding presidential powers to present law projects. Indirect elections for president and vice-president, the extinction of political parties, and the authorization for the formation of only two parties, ARENA (Aliança Renovadora Nacional) and MDB (Movimento Democrático Brasileiro), were also instituted.

Stabilization and structural reforms in the financial market were the initial goals of the military regime that took power in 1964. These main administrative priorities were successfully introduced by President Castello Branco with the control of inflation, repressive wage policies, the elimination of price distortion, modernization of capital markets (to increase savings and improve the stock market), incentives to direct investments, the attraction of foreign capital (expansion of productive capacity), and state-financed projects in infrastructure (continuous during the military period) and in certain government-owned heavy industries.

By the end of 1964, the first year of the military regime, the annual inflation rate was still extremely high, hitting 89.9%. However, the last year of President Castello Branco’s administration, 1966, showed a marked improvement, with an annual inflation rate of 37.9%. In 1966 the GDP growth rate, which had been 3.4% in 1964, increased to 6.7%. The agricultural contribution to the GDP continued to diminish, and in 1966 was
14.15% of the GDP, while the industrial sector rose to 32.76% and the service sector to 53.09%. Exports amounted to US$ 1,741 million and imports US$ 1,303 million. The external debt, by 1966, was US$ 4,545 million. (Baer, 1995)

It can be said that, in order to achieve and sustain growth, the post-1964 regimes centered most of their attention in foreign economic trade policies, based on rapid growth and diversification of exports as essential measures for the recovery of the Brazilian economy. Such policies were put into action, initially, with a small devaluation of the Brazilian currency, followed by the Cruzeiro Novo (a new currency), that established more realistic exchange rate policies. Then, also to stimulate exports, state taxes were abolished, administrative procedures were simplified, and tax incentives and subsidized credit were implemented. However, the actual changes in the economic sector (the “miracle”) began to become noticeable only in 1968 when the real growth of the GDP went from 3.7% (1962-67) to 11.3% (1968-74). (Baer, 1995, p.77) At this time industry became one of the leading sectors producing transport equipment, machinery, and electrical equipment.

B. President Costa e Silva

General Costa e Silva succeeded Castello Branco as president of Brazil on March 15th, 1967. With a new economic plan, the Plano Estratégico de Desenvolvimento (Strategic Plan of Development), the agricultural sector became a high priority with the
express goals of expanding primary exports, maintaining affordable food prices, and reducing the emigration of the rural population.

According to Alfred Stepan in *Authoritarian Brazil: Origins, Policies, and Future*, Costa e Silva demonstrated a possibility of liberalization attempting to show a more humane image of the “Revolution.” However, opposition movements to the dictatorship reappeared on the streets in 1968, and in addition to student demonstrations, bold terrorist attacks began to occur to challenge the military regime: kidnappings, bank robberies, and murders. The terrorist attacks were then met with “mass arrests and brutal mistreatment of prisoners.” (Stepan, 1973, p.15) Despite eventual successes, the guerrilla movement in Brazil, without the support of the population, seemed to be a frustrated strategy. The members of the guerrillas were arrested and murdered: vanished, victims of the military regime.

On Friday, December 13th, 1968 - the year of the fourth anniversary of the military regime - came the institutionalization of an act that would last more than ten years. The IA-5, called the coup inside the coup, gave Costa e Silva the power to disband Congress and to suspend individual rights - including *habeas corpus* and the suspension of political rights. President Costa e Silva, according to his assistants, believed IA-5, then issued because of the student rebellions and the insubordination of Congress, would not last more than eight or nine months. Costa e Silva died before that, in September of 1969, and the IA-5 was only abolished in President’s Geisel administration, in 1978.
Even though life continued normally for ordinary people, the military regime was not passively accepted by everybody. Wide sectors of the population were involved in movements opposing the regime, struggling for an end to the repression and a return to democracy. Probably one of the most successful attempts in support of that cause was the *Passeata dos Cem Mil*, a demonstration joined by a hundred thousand people in Rio de Janeiro in 1968. This huge demonstration was primarily a protest of the death of the student Edson Luis, murdered by the military regime. However, the *Passeata dos Cem Mil* was an exception in the history of the Brazilian demonstrations against the military regime, because it was authorized by the government. The backdrop of the demonstrations was regularly marked by the noise of gun shots, the smoke of the gas bombs and the desperate run of the students. The landscape resembled a battlefield.

On the other hand, the success of the Brazilian economy turned growth into a patriotic necessity. There was development-euphoria in the country, as Brazil was seen to be finally becoming one of the great nations of the globe, moving toward the First World. Brazil was baptized one of the newly industrializing countries and was then the unquestioned leader among Latin American nations.

The production in different sectors jumped to higher numbers. Steel production went from 2.8 million tons to 9.2 (from 1964 to 1976); the electric power capacity expanded from 6,840,000 megawatts to 21,796,000; cement raised from 5.6 million tons
to 19.2 million tons; motor vehicle went from 184,000 to 986,000 (passengers cars from 98,000 to 527,000); paper production expanded from 0.6 to 1.9 million tons; the construction of roads and paving also increased considerably (Baer, 1995, p.77). Trade with foreign markets was a central concern of the military regime, and this ultimately opened up the Brazilian economy.

Other economic indexes however did not yet show the great economic improvements that were about to come. In 1967 the annual inflation rate was 26.5%. The GDP growth rate, down to 4.2%, was lower than the 1966 rate. The participation of the agriculture sector in the GDP continued to register lower rates, 13.71%, the industrial sector participation remained stable, 32.03%, while the services sector participation grew to 54.25%. Exports amounted US$ 1,654 million and imports US$ 1,441 million. The external debt diminished to US$ 3,281 million. (Baer, 1995)

In 1969 President Costa e Silva suffered a brain stroke, and General Emílio Médici took office to maintain “growth in the economy and legitimacy for military rule.” (Chaffee, 1997, p.130)

C. President Médici

The Médici government represents the period when repression reached its highest levels of cruelty, and also the period of greatest economic achievement (within the military administrations). General Médici became the president of Brazil in October
1969. Political problems in the Brazilian Congress and urban guerrilla opposition, were being responded to with extreme violence. On the other hand, the real GDP was growing at annual rates of 11%, and the country experienced its lowest inflation level since the 1950s. There were great economic improvements, but not for everybody; there were no actual efforts to make “the fruits of growth more widely available to the population at large.” (Baer, 1995, p.90) In 1970 the annual inflation rate was 16.4%, and by the end of Médici’s administration, in 1973, it had increased to 22.7%. However, it was in 1973 that Brazil had its highest GDP growth rate, 14%. The agricultural sector participation in the GDP continued to diminish, 11.92%, as did the service sector participation, 48.49%, while the industrial sector hit its highest rate in the period, 39.59%. Nineteen hundred seventy-one and 1972 were years of deficit in the trade balance, and in 1973 it was practically equalized, with very higher numbers if compared with the previous years of the military regime. Exports amounted US$ 6,199 million, and imports US$ 6,192 million. At the same time the external debt registered its highest amounts with President Médici; by 1973 it was US$ 12,571 million. (Baer, 1995)

The repression practiced by Médici’s administration was a immediate response to the increasingly popular demonstrations, such as the Passeata dos Cem Mil (which drew one hundred thousand people in Rio de Janeiro), and terrorist attacks. According to reports found in Os Carbonários a book written by Brazilian Alfredo Sirkis, former guerrilla member and current journalist, the truth was that the middle class and the youth were not doing much against the military regime because of fear. Besides that, in 1970,
dissatisfaction against the government was tempered by economic growth and the
euphoria of the third World Cup victory of the Brazilian national soccer team, which was
strongly emphasized in the period. Brazil, it seemed, was a victorious country, and the
success of the national soccer team was co-opted as the anthem of the advent of
economic growth.

The euphoria was complete in the soccer country by 1970. *Forward Brazil* (*Pra Frente Brasil*) was the marching tune celebrating the
success of Pelé and of the national soccer team in the 1970 Soccer
World Cup. The song was then used not only to announce the
incredible skills of the Brazilian soccer team, but also of the Médici administration.

A multitude of posters appeared showing Pelé leaping aloft after
scoring a goal and next to him the government slogan “ninguém segura
mais esse país” (“Nobody can stop this country now”). (Skidmore,
1988b, p.112)

Despite the radicalism, President Médici managed to have a great administration
regarding economic indexes. Moreover, “the tightening authoritarian system made
possible political ‘stability’.” (Skidmore, 1988b, p.109) The Brazilian middle-class
appeared to be accepting Médici’s authoritarian acts because of the economic
accomplishments. Unlike other times, during the dictatorial regime there was a continuity
of economic policy previously never experienced. The population believed that the
economic growth that Brazil - the powerful nation - was experiencing could only exist
under the authoritarian rule.

President Médici’s face rapidly became familiar to Brazilian as the
centerpiece in a shrewd public relations strategy. The new government
drove home the message that Brazil was rapidly becoming a world
power, thanks to its 10 percent economic growth rate and its strong
Such familiarization of Médici’s face was equally made possible because of the creation of the Globo empire – TV, radio and newspaper. TV Globo received some privileges from the government in order to establish its operations in Brazil, in exchange for strong pro-Médici programming.

The rapid economic growth gave legitimacy to the authoritarian regime and the violent methods of repression were “excused.” Médici was worried that excessive torture could represent a problem in the Brazil-U.S. relations since the United States was Brazil’s main political ally and investor. However, as strange as it may sound, the violence that was being practiced in Brazil was overshadowed by the increasing torture in other countries. Thus, the Nixon government soon reaffirmed U.S. support for Brazil.

D. President Geisel – Close to the End

General Ernesto Geisel took office on March 15th, 1974 as the new president of Brazil, five months after the first oil crisis, when the Organization of Petroleum Exporting Countries (OPEC) quadrupled the international price of petroleum. His political project was to initiate the country’s return to democratic rule. President Geisel said he was faithful to the idea of former President Castello Branco that Brazil should return to democracy as soon as possible. The military intervention should have been only temporary: an emergency period, for a short period of time. However, his efforts to move the country toward a more democratic system, as seem in the first months of his
administration, were in conflict with the established practices of conservative factions within the military. These hard-line conservatives in the government had grown accustomed to use violence to maintain their power and were unwilling to relinquish this practice. Simultaneously, the end of censorship of the press had stimulated an awakening of the civil society. President Geisel had, therefore, two powerful forces to deal with: the hard-line conservatives and the newly-awakened civil society. With President Geisel’s efforts to move Brazil back toward democracy and with the rise of a free and open press, the two opposing forces grew increasingly contentious and in 1975 ultimately collided.

Suddenly the protesters were presented with the most sensational death of a political prisoner since Geisel took office. The victim was Vladimir Herzog, widely respected director of the news department of São Paulo’s noncommercial television channel (...) In October 1975 Herzog learned from his friends that the Second Army security forces were looking for him. In an ingenuous effort to cooperate, he voluntary reported to the Second Army barracks. He had no notion that that unit’s intelligence considered him a communist plotter. (Skidmore, 1988b, p.344)

The brutal death of Vladimir Herzog revealed by the end of 1975 the most repressive face of the regime, and also marked the launching of the pro-democracy struggle in the country. The gradual and carefully controlled move to democratic rule that President Geisel might have hoped far at the beginning of his administration ended up with his closing down the National Congress through the application of the IA-5 on April 1st, 1977. Shortly thereafter he announced the Pacote de Abril (“April Packet”), Geisel’s plan of reforms. Its main goal was to facilitate the success of the military-conservative party, the ARENA, in the elections that would take place. By closing down the Congress Geisel was able to make some modifications in the Constitution that would impact the
upcoming elections. The year was 1978 and the new president of Brazil was going to be
elected by the Congress. To guarantee that the new president be a member of the military,
Geisel needed to make sure that the military had the required number of votes in
Congress. This was particularly important because it appeared that the MDB (the
opposition party) would certainly have more representatives in Congress than the
military’s ARENA party. Geisel, therefore, with his Pacote de Abril instituted that one
third of the senators should be appointed by the President himself.

Geisel abolished the IA-5 on October 13th, 1978 due in part to intense popular
demonstrations that were taking place in Rio de Janeiro in 1977 and 1978. As a result of
the abolition of the IA-5, the National Congress could no longer be closed, parliamentary
and political offices could no longer be filled arbitrarily, habeas corpus was reestablished
for people arrested for political reasons, previous censorship was suspended for radio and
television, capital punishment and life-sentences were banned, and the approximately one
hundred and twenty Brazilians that had been exiled could return. In an effort to promote
harmony between the Brazilian returning from exile and the military who were running
the country, Geisel issued the Amnesty Law. This law stated that all those classified as
“political criminals” were to be absolved of their “crimes.” The classification “political
criminal” is quite interesting for it was intentionally interpreted broadly to include both
the torturers, who were responsible for the disappearance of almost two hundred people,
and many members of the opposition returning from exile. With the abolition of IA-5 the
gradual opening was actually becoming a “real thing.”
As Nelson Piletti states in *História do Brasil*, achieving amnesty was not an easy nor continuous process. To accomplish its goals, including the guarantee that its planners (Geisel’s administration) would remain in power, the initial period of “reform” suffered many setbacks. As can be observed, this process was also a well-planned attempt to give some legitimacy to the military regime, which was facing the difficulties of an economic crisis. The economic problems resulting from the oil crisis represented then a difficult obstacle to be eliminated toward the expected political opening of the country. The military administration believed this could not actually happen without economic recovery.

The oil crisis of November 1973, which quadrupled the price of oil, changed the course of Brazilian development. The economic boom had been based on relatively cheap imported energy and Brazil was importing 80% of its oil consumption. With the rise in the price of oil, the expenditure with the import of petroleum, which was US$ 6.2 million in 1973, jumped to US$ 12.6 million in 1974, and the “surplus in 1973 that was US$ 1.7 billion in 1974 turned to a deficit of US$7.1 billion.” (Baer, 1995, p.89) The government did not want to change its growth policies because of the crisis. Instead, it maintained its growth policies, those that had previously been applied, which resulted in the reappearance of inflation, and a terrible expansion of the country’s international debt. President Geisel keeping his political pretensions “hoped to pay Brazil’s higher oil bills by growing.” (Baer, 1995, p.91)
Geisel believed that an economy with great growth would maintain the authority of the military and strengthen his position against the hard-line faction who questioned his policies. (Chaffee, 1997, p.133)

In 1975 President Geisel then issued the Second National Plan of Development aiming to achieve integrated progress in the economic and social fields. “The program was a means of encouraging international lenders to finance the current-account deficit and to postpone external adjustment.” (Martone in Baer, 1995, p.91) Also, the investments were coming mostly from the National Development Bank (BNDES), as well as from the state enterprises and the private sector.

However, such measures were not enough to maintain the high GDP growth rates of the previous years. Even though the GDP had kept a good average, seven percent, it did not achieve the incredible rates of the “miracle” years, and the foreign debt increased dramatically. International credit was largely available, and the government borrowed money from abroad to pay the higher costs of the importing of oil “necessary for the production of industrial goods…” (Baer, 1995, p.92), a borrowing undertaken predominantly by the public sector:

Right after the first oil shock, the international financial markets were extremely liquid. International banks, flush with petrodollars, were eager to make loans; and since international interest rates were relatively low at the time, Brazil’s increased international borrowing in those years could easily be justified. (Baer, 1995, p.93)

The foreign debt evidenced that foreign capital was always a determinant element for the growth of the Brazilian economy. The foreign debt began to rise from 1969 to
1973, at an average yearly rate of 25.1%. From 1968 to 1973 over two thirds of the increase in the foreign debt was due to the growth of foreign exchange reserves. (Baer, 1995, p.93)

Between 1973 and 1978 most of the increase in the debt was linked to the need to cover the current-account deficit rather than to increase reserves. (Baer, 1995, p.93)

Mário Simonsen, Minister of Finances of Brazil at that time, affirms that the increase of foreign debt was then a better option than stagnation would have been. Yet we can observe that “many of the projects had beneficial effects in expanding the country’s export capacity and substituting imports in new sectors. However, there was also considerable amount of waste.” (Baer, 1995, p.95) At the beginning of the Geisel government, the annual payment of interest on external debt was already US$ 500 million, climbing to US$ 4.2 billion by the first year of President Figueiredo’s administration in 1979.(Chaffe, 1997, p.134)

By 1978 the annual inflation rate was 38.9%, the average of Geisel’s administration. The GDP growth rate could not be maintained at the high rates of the previous years. In 1978 the GDP growth rate had decreased to 4.8% (10.26% in the agriculture sector, 39.49% in the industry sector, and 50.25% in the service sector). The US$ 6,199 million in exports of 1973 had doubled to US$ 12,658.90 million in 1978. The same happened with imports, going from US$ 6,192.20 million to US$ 13,683.10 million. What was terrible was that the external debt went from the already high US$ 12,571 million of 1973 to US$ 43,510.70 million in 1978.(Baer, 1995)
Concerning wage policies, measures were adopted in an effort to accomplish President Geisel’s hope to improve the country’s income distribution, and thus give a chance to the great majority of the population to experience a little bit of the miracle they never enjoyed. However, the wage policies introduced were never effective because of high inflation. Also, according to many critics of the period, the rise in wages was even addressed as one of the causes of the high inflation, since it would have stimulated the increase in prices.

In the beginning of his administration, President Geisel offered the population a “gradual, but safe, democratic improvement.” (Piletti, 1993, p.181) General João Figueiredo’s administration, that succeed Geisel’s, was going to be marked by huge popular demonstrations supporting direct elections for the presidential office, showing clearly the intention of the Brazilian people to take care of their own business.

E. President Figueiredo

Taking office on March 15th, 1979 President Figueiredo said he would arrest and spank anyone against the opening. “I will make Brazil a democracy, at any cost.” (Manchete, 1998d, p.770)

In his first speech as president, General João Batista Figueiredo committed himself to continuing the opening: “I reaffirm the commitments of the Revolution of 1964 in assuring a free and democratic society.” He added with emphasis: “I reaffirm my will (...) of making this country a democracy.” (Skidmore, 1988b, p.412)
On March 15\textsuperscript{th}, 1979, while General Figueiredo was taking office promising to make Brazil a democracy again, conservative factions within the military were willing to remain in power, however, “political aims were severely tested by continued economic crisis situations.” (Baer, 1995, p.95) Economic crisis, crisis of legitimacy and mass movements were the portrait of the opening of the country - the Brazil of the early eighties.

The exiled Brazilians were coming back home through the Amnesty Law: the definitive opening was close. However, some “terrorist attacks” falsely credited to the opposition, including a bomb that mysteriously exploded in 1982 at the Rio-Centro, slowed down the process for a while. New political parties were allowed to be created. The old party legends MDB and ARENA became extinct, giving way to the PDS (government party), PMDB (new version of the MDB), PTB, PP, PDT and PT.

The return-to-democracy was strengthened by another factor that the government could no longer control. The public prestige and internal morale of the military regime were being tested. Without the restrictions of censorship the press was denouncing financial scandals involving military officers. Moreover, there was the already long campaign against torture. But certainly the main factor threatening the political legitimacy of the regime was the deteriorating economy. In the period from 1981-1983
Brazil had its worst recession ever, an economic disaster that caused the popularity of the Figueiredo administration to drop.

In 1984 Globo, the great communication empire of Brazil, still paying back favors, supported the military government against a campaign for the direct election of a civilian government. Their position was contrary to that of all other main media of the country and collided with the interest of its public. Since the end of 1983, popular demonstrations were taking place all over the country for direct presidential elections, a movement known as Diretas Já, although the former Minister of the Civil House at that time, Leitão de Abreu, managed to have these demonstrations ignored by the main national television network (Globo). He convinced Roberto Marinho (Director-President of Globo) that this movement was dangerous and would cause damage to the military government of João Figueiredo, and consequently to the national welfare. However, this position was very bad for the credibility of Globo, which started to receive many popular messages like “o povo não é bobo, abaixo a Rede Globo!” (“the people is no fool, let’s stop Rede Globo!”) condemning its stance, placing Globo on one side (authoritarianism) and people in the other (democracy). The national mobilization for direct elections could not be ignored anymore.

It was a surge of civic spirit of unprecedented size, and no candidate was asking for votes for himself. Rather, the objective was to restore the right to have such a vote. It was a dramatic message from a civil society steadily regaining its voice. (Skidmore, 1988b, 244)
Under Figueiredo, the new, and final, military president of Brazil, there existed the unusual combination of three serious economic challenges: inflation, foreign debt, and stagnated GDP rates. This situation was aggravated further by a second oil crisis, in October of 1978, where the price of a barrel of petroleum jumped from US$ 12 to US$ 34. (Chaffee, 1997, p.135) Trade declined and world interest rates rose dramatically, which then increased the cost of further borrowing, and, consequently, the size of the already huge Brazilian foreign debt. In addition, “international pressures had forced the government to gradually remove fiscal and credit subsidies to exports.” (Baer, 1995, p.95) A deep recession in the United States and other industrialized nations between 1979 and 1982 reduced Brazilian exports. This was followed by a moratorium on payment of the Mexican debt, which brought the inflow of foreign loans and investments to a halt.

To address these serious financial problems, the Brazilian government decided to devalue the currency, a move that “would increase inflationary pressures and would substantially increase financial burdens on firms with foreign debts.” (Baer, 1995, p.95) Yet President Figueiredo expected it to be a temporary situation. However, aggravating the problems of the government, agriculture production suffered from droughts and frosts, and as a result, products like beans and rice had to be imported. Moreover, wages were losing their real value with increasing inflation.

As would become a common in the Brazil of the eighties, an economic package was introduced in December of 1979. The consequences of this package included: a
maxi-devaluation of the currency by 30%, the elimination of export subsidies, the elimination of tax incentives, substantial increases in the prices of public services, temporary taxes on agricultural exports, import protection, and the “abolition of the deposit requirements on capital inflows and reduction of the interest remittance income tax from 12.5 percent to 1.5 percent, to encourage external lending to Brazil.” (Baer, 1995, p.97)

Keeping its competitiveness in the international market, the relatively cheaper imports resulting from gradually over valued currency would place a damper on inflation. (...) Not extended to the limit, devaluation would not be a problem. (Baer, 1995, p.98)

Throughout 1980 prices as well as interest rates were controlled. Government investments in state enterprises were cut, the devaluation of the currency was then limited to 40% and indexation was limited to 45%. (Baer, 1995, p.98) The reason behind the decision to set devaluation at 40% was that inflation higher than devaluation would force domestic industry to rationalize. Unfortunately, inflation did not stop increasing, and the devaluation of the currency at such rates negatively affected the exports of the country.

Concerning wages, President Figueiredo determined that readjustments would occur according to the lowest wages, and further modifications should be annually negotiated between labor and management. But, because prices continued to increase, wage adjustments proposed by Figueiredo were not truly effective, especially for lower income groups.
By the end of 1980, most of the policy measures instituted in the latter part of 1979 and early 80s were reversed. Full indexation was reintroduced. The prefixed devaluation was abolished. (Baer, 1995, p.99)

Following the same rationale of President Geisel (“growth at any cost”), the efforts of Figueiredo’s government managed to keep a high growth rate in 1980. Yet inflation reached an annual rate of 110% and consumption was stimulated since people tended to buy everything immediately - because on the day after everything would be more expensive; in addition, savings diminished by 12%, and the devaluation of the currency hit 54% percent, not the 30% primarily planned. (Baer, 1995, p.101) There was also a gradual restriction of monetary growth. Economic policies were increasingly being adopted based on the availability of external financing, which was dwindling dramatically. The only significant event that year was the recovery of the agricultural sector. Regarding the balance of trade, exports increased, the trade deficit remained as in 1979, and imports grew. However, in an attempt to find a solution to the external debt, imports were even more controlled and exports stimulated, as one would expect.

President Figueiredo did not want to call for International Monetary Fund (IMF) intervention, but the GDP declined, problems were not being solved, and in 1982 Brazil experienced yet another external shock. This was the Mexican debt moratorium of August 1982, which “resulted in the virtual closing of international markets to finance the Latin American debt.” (Baer, 1995, p.102) Because of this IMF assistance became the only alternative left for the government. In December 1982, in a period that would be
extended for two years, the IMF intervened in the Brazilian economy. The IMF program of assistance stipulated a rise in the real exchange rate, reduced domestic demand (with reductions in private consumption, investment, and public expenditures) and increased tax rates. The currency was, once more, devalued by 30% in 1983. Requirements for public sector borrowing were established, while balance of payments, inflation rates, and wage legislation were carefully observed. Nevertheless, the GDP declined, once again, as did the real exchange rate and wages. The recovery of the recession of 1982-1983 was a difficult and slow process. The military were worried, and Congressional elections were scheduled for November 1985.

In 1984 the economy recovered with an annual GDP growth rate of 5.3%, after the –4.5% of 1981, 0.5% of 1982, and –3.5% of 1983. (Baer, 1995) The agriculture sector reaffirmed its participation which had been weakened since the beginning of the military regime, closing 1984 with a 9.29% rate; the industrial sector participation was 39.44%, and the services sector was 51.27%. The annual inflation rate hit 224% at the end of 1984. Also, the external debt had once again almost doubled, from US$ 49,904.20 million in 1979 to US$ 91,091 million in 1984 (Baer, 1995). These numbers represent an economy already in recovery, a process that continued in 1985. The strong growth performance in 1985 was linked to a strong expansion of domestic sales, which was the result of a stimulated wage policy adopted by the new civilian government of President José Sarney, inaugurated in March of 1985. Figueiredo left the power proud to be the
dictator responsible for the recovery of the democratic regime in Brazil, but not of the Brazilian economy.

On November 15th, 1985, when Sarney was already the president of Brazil, there were direct elections for governors, mayors, state representatives and senators. Although these elections served as further evidence of Brazil’s return to democracy, not everyone could vote. Neither the illiterate nor voters of state capitals and cities that were considered areas of national security were permitted to elect their mayors at that time.
IV. Analysis of the Period

A. Comparative Indexes

The Brazilian military and their civilian collaborators did succeed “in creating a notably resilient system of authoritarian government.” (Roett, 1976, p.16) Yet, it was based on arbitrary control, and in a “skillful manipulation of the civilian political elite.” (Roett, 1976, p.17)

The military regime promised improvements in the economic conditions of the low-income population, but this population “have never been organized, never politically educated, never enabled to claim their fundamental rights on an equal footing: bread as well as freedom.”(Stepan, 1973, p.175) In fact the income concentration only increased, and the quality of life remained unchanged for the majority of the population. The truth is that the rapid economic growth of Brazil only brought prosperity and more power for the Brazilian elite.

The cost of the stabilization program was borne by those least able to afford it: the poor. To call such a program fully successful is a semantic confusion at least. (Stepan, 1973, p.70)

It must be stated that the appearance of unity presented to the public by the military during the authoritarian regime had never existed before in any other political-
military crises (like the ones between 1945 and 1964). But what truly strengthened their “Revolution,” and kept the military in power until 1985, were the economic accomplishments, which interestingly only lasted until the first oil crisis. The military administrations developed an analysis of the economy which was inadequate to the task of facing the effects of the oil crisis in Brazil. There were inconsistencies in the economic plans implemented because these policies gave priority to the maintenance of authoritarian power - the legitimization of military rule, rather than to the long-term economic stability of Brazil. Due to these short-term successes authoritarianism was understood (and still is for some in Brazil) as the only effective way to bring about economic development.

By analyzing the annual GDP growth rates, we can draw a rough idea of what happened in Brazil during the military dictatorship. I say “rough” because, although the growth was extraordinary, it did not represent a well-planned development that could have improved the quality of life for the entire Brazilian population. By 1960, at the end of Juscelino Kubitschek’s administration, the GDP annual growth rate was 9.4% and in 1963 with João Goulart it reached 0.6%, reflecting the disturbing situation that the country was experiencing. GDP growth was seen only in 1968, when it reached 9.8%. The GDP rate continued to increase, hitting 14% in 1974. After that, due to the oil crisis, the growth rates started to decrease, with a negative rate of 4.5% in 1981. The GDP annual growth rate would not increase again until 1984, reaching 5.3%, when the military regime was about to end. If one observes average rates for different periods of time, both
“miracles” and “crises” can be easily identified, as seen in Figure 1 and in Table 1. During the “miracle” years (1968-73) the average GDP growth rate was 11.18%, contrasting with the average rate of the crisis period (1980-85) which was only 2.48%. (Baer, 1995)

Figure 1: GDP Growth Rates

Source: Instituto de Pesquisa e Estatística Aplicada (IPEA)

<table>
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<tr>
<th>Period</th>
<th>GDP growth rate</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
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<tr>
<td>1960-67</td>
<td>5.23</td>
<td>16.01</td>
<td>32.45</td>
<td>51.53</td>
</tr>
<tr>
<td>1968-73</td>
<td>11.18</td>
<td>11.85</td>
<td>36.44</td>
<td>51.71</td>
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<tr>
<td>1974-79</td>
<td>6.76</td>
<td>10.97</td>
<td>39.82</td>
<td>49.21</td>
</tr>
<tr>
<td>1980-85</td>
<td>2.48</td>
<td>9.12</td>
<td>39.33</td>
<td>51.55</td>
</tr>
</tbody>
</table>

Source: Anuário Estatístico do Brasil (in Baer 1995)

The agricultural sector’s share of the GDP decreased during the period, from 16.28% in 1964 to 9.29% in 1984. Meanwhile, the industrial sector’s share increased from 32.52% to 39.44% in the same period. The service sector had a slight change in its
share in the GDP, closing the military period with a rate of 51.27% rate, up from 51.21%.
(Baer, 1995)

Regarding growth rates, it is interesting to observe that, as with the GDP rates, among the different sectors of the economy, the miracle years are again clearly expressed in the higher numbers of Table 2, mostly appearing in the row from 1970-80.

Table 2: GDP by Sector of origin (At Market Prices)
Growth Rates

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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-70</td>
<td>2.95</td>
<td>13.30</td>
<td>6.89</td>
<td>10.53</td>
<td>2.58</td>
<td>5.73</td>
<td>7.73</td>
<td>7.15</td>
<td>6.16</td>
</tr>
<tr>
<td>1980-83</td>
<td>1.96</td>
<td>6.96</td>
<td>-4.23</td>
<td>5.81</td>
<td>-6.58</td>
<td>-1.80</td>
<td>1.93</td>
<td>0.68</td>
<td>-1.28</td>
</tr>
<tr>
<td>1983-84</td>
<td>4.30</td>
<td>27.30</td>
<td>6.00</td>
<td>11.89</td>
<td>1.30</td>
<td>2.66</td>
<td>5.87</td>
<td>3.01</td>
<td>4.50</td>
</tr>
</tbody>
</table>

Source: Statistical Bulletin of the OAS, 1985-86, p.90-91

Despite a trend of economic opening which actually existed until 1974, the import policies that followed the first oil crisis resulted in a considerable decline in the import of goods and services. By 1972, imported goods and services represented 7.2% of the annual GDP, decreasing to 6.8% in 1977, with recovery in 1980. The annual growth rate

---

2 Agriculture  
3 Mining  
4 Manufacturing  
5 Electricity, Gas and Water  
6 Construction  
7 Wholesale and Retail Trade  
8 Transportation and Communication  
9 Financial Services
of exports, as seen in the tables below, shows that, in spite of the military government’s efforts to increase exports, because of the first oil crisis, the trade balance was in deficit until 1979.

Table 3: Trade Balance Average

<table>
<thead>
<tr>
<th>Period</th>
<th>US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-67</td>
<td>+220,3750</td>
</tr>
<tr>
<td>1968-73</td>
<td>-0,1666</td>
</tr>
<tr>
<td>1974-79</td>
<td>-2,375,3836</td>
</tr>
<tr>
<td>1980-85</td>
<td>+5200,85</td>
</tr>
</tbody>
</table>

Source: Statistical Bulletin of the OAS, 1985-86, p.90-91

Figure 2: Trade Balance

Source: Instituto de Pesquisa e Estatística Aplicada (IPEA)

Table 4: Export Value Growth (Percent annual rate of growth in current US$)

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-72</td>
<td>3.4</td>
</tr>
<tr>
<td>1972-81</td>
<td>19.0</td>
</tr>
<tr>
<td>1981-95</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: Instituto Brasileiro de Geografia e Estatística (IBGE)

Table 5: Export Volume Growth
(Annual average rate of growth of quantum index)

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-72</td>
<td>1.1</td>
</tr>
<tr>
<td>1972-81</td>
<td>8.7</td>
</tr>
<tr>
<td>1981-95</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: Instituto Brasileiro de Geografia e Estatística (IBGE)

Because of the 1973 world oil crisis, Brazilian state enterprises increased their debt through international borrowing and the debt had almost doubled by 1975. By the end of the military regime in 1984, the debt that in 1964 had been US$ 3,160 million rose to US$ 91,091 million. (Baer, 1995)

The wage adjustments that took place during the military regime were not truly effective for the whole population. Inflation squeezed the wages of the lower classes, who experienced decreases in real income. The officially imposed wage adjustments were not a problem for the multinational companies in the country which were paying for cheap unskilled work, but were indeed a burden for the smaller local firms that had fewer but more qualified employees.

Most of the public sector's investment effort along the seventies was concentrated in the expansion of production capacity within the public enterprises. Public social investment was undoubtedly relegated to a secondary position. The maintenance of the rapid growth strategy required the postponement of a badly needed deeper social investment effort. (Rogerio F. Werneck in Baer, 1995, p.114)

Efforts to improve the quality of education and health in the country were never actually employed by the military regime. As we can observe in Tables 6 and 7, no significant part of total government expenditures was appropriated to those sectors, while infra-structure projects, mainly in the areas of transportation, defense, and security
represented higher rates for the government during the period. Another observation that we can draw (Table 7) is that there were more expenditures in defense and security projects in the years of great military repression, and fewer as the military regime was approaching its end.

Table 6: Government Expenditures in Ministries (% from total expenditures)

<table>
<thead>
<tr>
<th>Years</th>
<th>Agriculture</th>
<th>Education and Culture</th>
<th>Transports</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>5.76</td>
<td>9.74</td>
<td>30.37</td>
<td>3.65</td>
</tr>
<tr>
<td>1965</td>
<td>3.91</td>
<td>11.07</td>
<td>23.31</td>
<td>2.99</td>
</tr>
<tr>
<td>1966</td>
<td>4.24</td>
<td>10.94</td>
<td>22.47</td>
<td>4.84</td>
</tr>
<tr>
<td>1967</td>
<td>3.20</td>
<td>8.70</td>
<td>16.06</td>
<td>3.44</td>
</tr>
<tr>
<td>1968</td>
<td>2.21</td>
<td>6.32</td>
<td>13.70</td>
<td>2.21</td>
</tr>
<tr>
<td>1969</td>
<td>2.31</td>
<td>8.69</td>
<td>20.21</td>
<td>2.50</td>
</tr>
<tr>
<td>1970</td>
<td>1.72</td>
<td>6.56</td>
<td>18.99</td>
<td>1.60</td>
</tr>
<tr>
<td>1971</td>
<td>1.72</td>
<td>5.85</td>
<td>12.02</td>
<td>1.32</td>
</tr>
<tr>
<td>1972</td>
<td>1.48</td>
<td>5.62</td>
<td>13.50</td>
<td>1.24</td>
</tr>
<tr>
<td>1973</td>
<td>1.24</td>
<td>5.21</td>
<td>12.53</td>
<td>1.08</td>
</tr>
<tr>
<td>1974</td>
<td>1.19</td>
<td>4.95</td>
<td>11.56</td>
<td>0.99</td>
</tr>
<tr>
<td>1975</td>
<td>0.99</td>
<td>4.31</td>
<td>6.24</td>
<td>0.91</td>
</tr>
<tr>
<td>1976</td>
<td>2.29</td>
<td>4.40</td>
<td>24.97</td>
<td>1.28</td>
</tr>
<tr>
<td>1977</td>
<td>2.29</td>
<td>5.58</td>
<td>18.41</td>
<td>1.56</td>
</tr>
<tr>
<td>1978</td>
<td>2.74</td>
<td>5.38</td>
<td>20.03</td>
<td>1.68</td>
</tr>
<tr>
<td>1979</td>
<td>2.70</td>
<td>5.89</td>
<td>18.32</td>
<td>1.63</td>
</tr>
<tr>
<td>1980</td>
<td>2.44</td>
<td>5.28</td>
<td>14.24</td>
<td>1.38</td>
</tr>
<tr>
<td>1981</td>
<td>3.30</td>
<td>4.85</td>
<td>12.41</td>
<td>1.16</td>
</tr>
<tr>
<td>1982</td>
<td>3.47</td>
<td>5.15</td>
<td>15.49</td>
<td>1.27</td>
</tr>
<tr>
<td>1983</td>
<td>2.88</td>
<td>5.79</td>
<td>14.98</td>
<td>1.00</td>
</tr>
<tr>
<td>1984</td>
<td>3.21</td>
<td>6.08</td>
<td>0.37</td>
<td>1.42</td>
</tr>
<tr>
<td>1985</td>
<td>2.48</td>
<td>6.13</td>
<td>0.27</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Source: Anuário Estatístico do Brasil

Table 7: Government Expenditures in Projects (% of the total expenditures)

<table>
<thead>
<tr>
<th>Years</th>
<th>Defense and Security</th>
<th>Education</th>
<th>Health</th>
<th>Transportation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>12.59</td>
<td>6.26</td>
<td>3.73</td>
<td>15.02</td>
</tr>
<tr>
<td>1969</td>
<td>14.39</td>
<td>8.72</td>
<td>4.56</td>
<td>15.19</td>
</tr>
<tr>
<td>1970</td>
<td>12.20</td>
<td>7.03</td>
<td>3.12</td>
<td>14.68</td>
</tr>
<tr>
<td>1971</td>
<td>13.79</td>
<td>6.46</td>
<td>2.76</td>
<td>13.01</td>
</tr>
<tr>
<td>1972</td>
<td>13.50</td>
<td>6.52</td>
<td>2.54</td>
<td>14.65</td>
</tr>
<tr>
<td>1973</td>
<td>12.27</td>
<td>6.54</td>
<td>2.61</td>
<td>14.18</td>
</tr>
<tr>
<td>1974</td>
<td>13.69</td>
<td>6.12</td>
<td>2.71</td>
<td>12.98</td>
</tr>
<tr>
<td>1975</td>
<td>12.08</td>
<td>5.30</td>
<td>2.35</td>
<td>17.17</td>
</tr>
<tr>
<td>1976</td>
<td>9.16</td>
<td>4.84</td>
<td>1.89</td>
<td>32.65</td>
</tr>
<tr>
<td>1977</td>
<td>8.20</td>
<td>7.68</td>
<td>2.44</td>
<td>31.74</td>
</tr>
</tbody>
</table>
Despite the rapid economic growth of the period, the gap between the low and high income recipients was accentuated. Because of skewed wages, income distribution in Brazil never improved. As observed in the body of this work, the growth benefits of the GDP were not evenly distributed throughout the entire population as was promised (Table 8).

Table 8: Gini Coefficients
(Distribution of households according to total household income)

<table>
<thead>
<tr>
<th>Years</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>0.57</td>
</tr>
<tr>
<td>1970</td>
<td>0.63</td>
</tr>
<tr>
<td>1980</td>
<td>0.62</td>
</tr>
<tr>
<td>1987</td>
<td>0.63</td>
</tr>
</tbody>
</table>

Source: Rosemary Thorp, 1998

In 1964, when the military took power, the annual inflation rate hit 89.9% and then decreased until 1974 when, because of the first oil crisis, it rose to 34.8%. From then on it increased again culminating with an annual rate of 211% in 1984. Following a similar period-analysis, the years of the “miracle” are clearly expressed in the rates of the table below, showing that from 1968-73 inflation was controlled, but could not be sustained after 1973.
Table 9: Average Rates of Yearly Inflation

<table>
<thead>
<tr>
<th>Period</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-67</td>
<td>50.1</td>
</tr>
<tr>
<td>1968-73</td>
<td>20.8</td>
</tr>
<tr>
<td>1974-79</td>
<td>42.7</td>
</tr>
<tr>
<td>1980-85</td>
<td>162.5</td>
</tr>
</tbody>
</table>

Source: Conjuntura Econômica (in Baer, 1995)

Figure 3: Inflation

Source: Instituto de Pesquisa e Estatística Aplicada (IPEA)

The most adequate explanation for the Brazilian inflation is the one provided by the Neostructuralists economic analysts, who find its causes in excessive increases in the money supply. Other factors that certainly contributed to high inflation rates were the oil crises, in 1973 and 1979, which, besides increasing oil prices, increased the international real interest rates, and brought about the devaluation of the Brazilian currency in 1979 and in 1983. As already observed in this analysis, the pursuit by President Geisel of “growth at any cost” after the oil crises also explains the resurgence of inflation.
The sectors affected by the oil shock were anxious to pass on their increased costs of production in the form of higher prices; and the government, in spite of elaborate mechanisms of price control, found it politically wise to put up relatively little resistance to this process...the government was willing to tolerate a fight for shares through the inflationary process rather than to explicitly impose a distributional solution to external shocks.(Baer, 1995, p.128)

Tax revenues decreased during the military regime, while direct taxes increased (Table 10 and 11), a situation that could be interpreted as a positive factor concerning income distribution. However, such an increase in direct taxes was not that significant in rectifying the imbalance in income distribution.

Table 10: Taxes as Percentage of the GDP

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Revenues</th>
<th>Total Expenditures</th>
<th>Tax Revenues</th>
<th>Direct Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>9.8</td>
<td>10</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>1980</td>
<td>9</td>
<td>9.1</td>
<td>6.7</td>
<td>2.3</td>
</tr>
<tr>
<td>1983</td>
<td>9.4</td>
<td>9.5</td>
<td>6.2</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Statistical Bulletin of the OAS, 1985-86, p.90-91

Table 11: Average Yearly Contribution of Total Revenues (%)

<table>
<thead>
<tr>
<th>Period</th>
<th>Tax Revenue</th>
<th>Direct Tax (Income Tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-73</td>
<td>94.1</td>
<td>24.3</td>
</tr>
<tr>
<td>1974-79</td>
<td>84.9</td>
<td>26.5</td>
</tr>
<tr>
<td>1980-85</td>
<td>70.8</td>
<td>31.3</td>
</tr>
</tbody>
</table>

Source: Statistical Bulletin of the OAS, 1985-86, p.90-91

Figure 4: Total Revenues
The economic goals of the military were growth, inflation control, elimination of development differences among Brazilian regions, decrease of the deficit, export promotion, and maintenance of inflow of foreign capital all with political stability in the country, a plan developed during the Castello Branco administration and declared by all subsequent military administrations. Economic growth, export promotion, and foreign investments were objectives fulfilled. On the other hand, the deficit could not be diminished, nor could inflation be controlled for any significant length of time. The “miracle,” the economic boom, is undeniable, but the crisis followed because the “miracle” was built upon foreign loans which increased the Brazilian deficit to the point of absurdity. The “miracle” did not develop the internal market. It was concentrated on huge construction projects, sometimes unnecessary, and on domestic goods that could not be purchased by the large majority of the population. With the world oil crisis, interest
rates were too high, and Brazil started receiving less for its exports than the interest on what it had borrowed.

In many ways, the military became a captive of the success of their economic policies. Much of the miracle was part of a pattern of long-term growth that, having been dampened temporally during the Castello Branco government, had made use of excess industrial capacity to initiate rapid growth. External conditions, especially an expanding world trade that produced a rising demand for Brazilian goods, helped create an environment favorable to domestic economic growth… International conditions, which first gave a boost to the economy, later hobbled it, however, when attempts to continue the miracle via easy borrowing were followed by a cutoff of external credit, by high interest rates, and by a deep recession in the industrialized world. Economic development had become an ideological necessity, required as legitimacy for rule - and not just for the military, but later for the civilian government of Sarney as well. Much of what happened economically in Brazil emerged because “At decisive choice points, political objectives helped undermine what might have been more sensible economics.” (Albert Fishlow, p.112)

One of the most famous statements of the military was the following: “the pie has to grow first to later be distributed.” The “pie” grew, but was never distributed, at least not to the great majority of the population.

B. Is There Any Solution?

I have always considered the solution of the Brazilian problems – economically, politically, and socially speaking – to be a utopia. I have always ended up tracing vicious circles that can not be broken. It was a great surprise to find similar thought coming from one of the greatest experts on the Brazilian economy, Bresser Pereira. In a recent publication, Pereira states that the causes of, as well as the solutions, to the Brazilian crisis are always said to be political matters. Such a belief ultimately creates “an
insurmountable vicious circle in which democracy and economic development become inconsistent.” (Pereira, 1996, p.146)

The “vicious circles” of Brazil are major components of Pereira’s analysis of the Brazilian economy throughout this century. The “economic vicious circle” would be the fiscal crisis of the state, caused by the limitations of the import substitution strategy, the debt crisis, and the adoption of populist policies. He observes that the fiscal crisis generates high inflation, which in turn increases interest rates and lowers those of investment. This leads to economic stagnation, resulting in the reduction of tax revenues. With fewer tax revenues, public savings fall bringing about an increase in both the public deficit and the public debt. Coming full circle this situation further aggravates the fiscal crisis of the state.

With regard to the “social vicious circle” Pereira describes a democratic society that asserts equal rights for all citizens but does not provide equal opportunity for its voters to actually perform their duties as citizens. A great part of the population is poor and illiterate, and it is this poorly educated, and easily influenced, population that legitimizes the power of the elite. Pereira suggests a solution that is well-known but usually not taken seriously in Brazil.

These vicious circles are not impenetrable...as the economic circle has a “weaker ring” - high inflation - that, once broken, breaks the entire vicious circle, the citizenship contradiction also has a weaker ring: in the short run, the definition of a political pact; in the medium run, education. (Bresser Pereira, 1996, p.147)
Conclusion

What was the significance of the 21-year (March 31st, 1964 to March 15th, 1985) military regime in Brazil? Even after a more careful analysis, an assessment of the impact of the military regime might still evoke some different observations. On one hand, it can be defined as a period of temporary progress: an unplanned and short-lived development, with but a few remarkable years and a price-tag too steep to readily be paid. On the other hand, there was no achievement worthy of mention. The dictatorship in Brazil suppressed the basic rights of Brazilian citizens, practiced physical and moral violence against many people, took the lives of a considerable number of people in order to maintain its power - an arbitrary power legitimized by an illusion of prosperity.

There was exceptional growth in Brazil during the military year. The military forces did present an appearance of strength in maintaining a unified power, at least in public. Economic indexes cannot deny such facts, as they do not deny the great recession that followed as a natural consequence of the imprudent use of the enormous inflow of dollars that arrived in Brazil.

The many loans taken out by Brazil strengthened its relations with the United States, the main supporter and investor of the period. In this sense the dictatorship in
Brazil must be understood in a broader context. The Cold War was a serious reality then, as was the fear of North-America, the principal anticommunist power in the world, that communism could spread throughout the globe. This fear was only heightened by the success of the Cuban Revolution, for communism was then a real possibility, offering a better opportunity for the poor and historically exploited Latin American nations, the less-privileged neighbors of the U.S. More than ever was the capitalist power determined not to lose this Cold War.

Such a scenario allows us to draw more accurate answers to questions regarding the military regime in Brazil. It is a well-known fact that military coups, supported by the United States were taking hold throughout Latin America, and certainly in Brazil. By this time in Brazil, the United States propaganda associating communism with evil had achieved success, absorbed and internalized by the middle-class. The military coup in Brazil was then more like a political transition (perhaps, if elections had been called at that time, the military could have assumed power democratically; this however, is but a hypothesis and not the center of discussion here). In sum, the “Revolution” of 1964 had popular support, and it was not exclusively the communist system that was responsible.

The economy of Brazil truly had problems; the pessimistic atmosphere of the country was an undeniable reality. Something needed to be done; unfortunately, as was happening elsewhere, the solution came with the use of the force - military, authoritarian, force.
Brazilian economic dependence has existed over many years. In his efforts to diverge from supreme order of capitalism, João Goulart found it almost impossible to rule Brazil. He could not run the country by himself against “greater powers.” The Brazilian market was, and still is, dependent on the world market to maintain its existence. Actually, I believe this is a five hundred years dependence that is far from being solved. From the 16th to the early 19th centuries, while Brazil was Portuguese colony, the country experienced an exploitative colonization that took away most of its wealth. During that time there was never any intention to pursue the internal development of the country. Everything that was produced was sent away. As years passed by, it was only the type of domination that changed, from colonialism to imperialism, and to the so-called neoliberalism of today. The name does not matter at this moment, the fact is that the internal strengthening of Brazil took too long to happen and was only achieved with assistance from abroad. It was never an independent decision, an autonomous process. As such Brazil was always susceptible to a greater power, from the initial Portuguese to the U.S. subordination (although things are starting to change as Brazil consolidates its independence and strong position as a strong power mainly within Latin America). During the military years, as a continuation of President Juscelino Kubitschek’s plan, it was the multinational companies that evidenced the new face of this dependence.

The economic success of the military administrations was the result of the immense amount of money that was available in the international market, the petrodollars, rather than some miraculous economic policy. At the same time it is
important to note that their being able to maintain control over policy for an extended period of time certainly gave the military regime an advantage over other civil administrations in Brazil. External factors, such as the two world oil crises, could be considered the main cause for the end of the Brazilian miracle. However, my opinion is that while they were responsible for the recession in Brazil, the truth is that the oil crises only revealed the weakness of the internal administration, especially the unsound use of unlimited borrowing that Brazil employed failing to promote long-term economic development. Besides that, the temporary “miracle,” which did benefit important sectors of the country and improved the life of some people, was never extended to the entire population. The worst of the Brazilian problems was only aggravated as the imbalanced distribution of income increased. Income distribution has always been a political issue in Brazil. It means that, whether in times of loss or gain, the economic measures taken were driven by political aims in favor of the Brazilian elite; this has never changed.

My final statement would be that the military regime was not at all beneficial to Brazil. Enjoying an opportune and artificial success in the economic field, the military was successful only in guaranteeing its presence in power for more than two decades, supported by a hopeful middle-class. Military officials knew that failure in maintaining high growth rates could affect the political stability of the military regime, which is what actually happened with the crisis of the eighties. Without economic growth the military government became weak and lost support, and people started asking for the return to a democratic regime. Once again in Brazil we observe that the economic problem is always
a political matter - this is the only thing I am sure about. In Brazil political performance has proved over the years to be measured by economic achievements, by the ability of politicians to deal with economic factors.
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