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Brazil: The Troubled Rise of a Global Power by Michael Reid

Chapter 11: Brazil's Guided Capitalism

Even after the privatization of companies, de-industrialization was a fear of Brazil's as they had minimal multinational companies (Reid, 214). Rousseff wanted to increase investments made to the private sector, launching a plan that did not work. The desire to support private sector turned some people off, thinking that it was a push toward state capitalism. Although, many industries were doing well, the manufacturing's GDP fraction decreased from twenty-five percent in 1985 to fifteen by 2011 (Reid, 222).

Many companies were unable to raise their productivity. "The Brazil cost" was the country's term for their failure to keep pace with the world's efficiency. Hindering their best efforts to compete were taxes, labor laws, red-tape, interest rates, poorly educated work force, and minimal infrastructure for transportation (Reid, 224). With Brazil's poorly designed tax system, the total tax take was very high, especially for a developing country. Left over from Vargas' dictatorship was a tedious labor code that always got employers into trouble, as people constantly took them to court where they almost always won (Reid, 226). Many workers switched jobs a lot in order to follow pay increases, never investing in becoming skilled in his/her work (Reid, 227) Between small airports and endless dirt roads, transportation remained a huge issue, unable to maintain the desire for company growth. Public investment collapsed but even when it was available projects were not executed properly (Reid, 229). The Brazil cost did not only apply to industry, but to farmers and service business as well (Reid, 230). Although there was a struggle, many multinationals did emerge (Reid, 234). Competitiveness was dull, therefore innovation was necessary.