

# Federalism and Democratic Transitions: The “New” Politics of the Governors in Brazil

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*Although federalism is a potentially important variable in democratization, few studies explore its impact in democratic transitions and consolidation. Scholars generally agree that federalism is quite strong in contemporary Brazil. This study examines how and why strong federalism reemerged in Brazil following twenty years of centralizing military rule. In brief, the 1964-1985 military regime tried but failed to transform the state-based organizational structure and power base of Brazil's traditional political elite; Brazil's “transitional” electoral cycle also reinforced the strength of state governors. Examples are provided of how subnational actors influenced the transition process in the national government and how state-based actors and interests challenge Brazil's efforts to consolidate its democracy.*

While analysts of democratization have explored the impacts of a range of national (or even international) variables, such as economic trends, the military, the party system, and interest groups, scholars have paid less attention to how federalism and subnational actors might affect democratic transitions and consolidation.

Federalism is a potentially important institutional variable for democratic transitions and consolidation because it introduces an additional element of “organized uncertainty”<sup>1</sup> into the democratic process not found in unitary systems. Federalism typically over-represents certain subnational units, giving them influence in national politics. Over-representation can shape politicians' strategies for national coalition-building, and tends to affect the distribution of resources. Given this, federalism could affect the path of a country's transition, or even, in a crisis, affect a country's ability to consolidate democratic institutions. Federalism could also affect a transition because federal constitutions typically impose specific constraints on the national government and grant certain powers to subnational units, allowing local political entrepreneurs to counterbalance national-govern-

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<sup>1</sup>Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991).

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ment initiatives, for example by increasing social welfare spending when the national government plans an austerity budget. Thus, federalism provides a mechanism that allows innovation at the subnational level.

Although federalism prevails in the world's populous democracies and is important in countries that have recently initiated democratic transitions, such as Russia, Brazil, Argentina, and Mexico,<sup>2</sup> few studies exist in this vein. In view of this lacuna, the impact that different federal structures have on democratic transitions merits further investigation.

Here, we attempt to contribute to this incipient line of research by investigating the importance of subnational politics in Brazil's transition to democracy. Federalism has been important in Brazilian politics since at least 1889, with the overthrow of a centralized monarchy and the advent of a highly decentralized federal republic, which lasted until 1930. During that period, state oligarchies created a weak national government, no national parties existed, and state governors autocratically dominated politics within their states. The governors of the two most powerful states, Minas Gerais and São Paulo, dominated national politics to such an extent that historians have designated the period as the "Politics of the Governors."

Brazil has experienced two centralizing dictatorships since 1930, but federalism remains quite strong in comparative perspective. Getúlio Vargas' 1930-1945 dictatorship centralized Brazilian politics considerably; yet even during that period, Brazil continued to resemble a federal rather than a unitary system in both administrative and fiscal affairs. A democratic system established in 1945 expanded state governors' powers, but a military dictatorship established in 1964 limited the importance of federalism in Brazilian politics by constraining subnational governments' political and fiscal autonomy.

Since the process of redemocratization began in the early 1980s, Brazil's states again enjoy considerable political and fiscal autonomy. Although several scholars have noted the relative "strength" of contemporary Brazilian federalism,<sup>3</sup> no research has asked the question: "How and why did strong federalism in Brazil reemerge following twenty years of centralizing authoritarianism?" Here, we answer that question by arguing that although the military regime in power from 1964 to 1985 attempted to reduce the historical influence of actors with subnational interests in Brazilian national politics, particularly state governors, it ultimately failed to do so. Today, Brazil has entered a period we call the "New" Politics of the Governors.

<sup>2</sup>Alfred Stepan, "Toward a New Comparative Analysis of Democracy and Federalism." (Paper presented at the Conference on Democracy and Federalism, Oxford University, June 1997).

<sup>3</sup>See Wayne Selcher, "The Politics of Decentralized Federalism, National Diversification, and Regionalism in Brazil," *Journal of Interamerican Studies and World Affairs* 40 (Winter 1998): 25-39; and Alfred Montero, "Devolving Democracy? Political Decentralization and the New Brazilian Federalism," *Democratic Brazil: Actors, Institutions, and Processes*, eds. Peter Kingstone and Timothy Power (Pittsburgh: University of Pittsburgh Press, 2000).

In this study, we first explore the literature on Brazil's transition and explain why a reinterpretation is merited. Second, we describe the crucial role of state-based political interests and actors in the military regime and in the Brazilian transition up to 1982. Third, we describe how the electoral calendar in Brazil from 1982 to 1994, which allowed political contestation at the subnational level long before politicians fought for space at the national level, further strengthened federalism during the transition. Fourth, we provide an example of gubernatorial influence since redemocratization: fiscal decentralization. We conclude by exploring the impact of state-based interests on governability and democratic consolidation in Brazil and put the Brazilian experience in comparative perspective.

### FEDERALISM AND ANALYSIS OF THE BRAZILIAN TRANSITION

As with the literature on democratic transitions more generally, scholars have largely ignored the role of federalism in Brazil's democratic transition. However, in a recent and prominent work, Frances Hagopian offers a way to begin to understand the links between federalism and democratic transition in Brazil.<sup>4</sup> Hagopian argues forcefully that what marked the Brazilian transition was the "traditional," conservative political elite's ability to maintain power, and she concludes that during the transition, "the traditional political elite influenced the design of political institutions, not the other way around."<sup>5</sup>

We build upon this argument. Hagopian acknowledges that the elite of the one Brazilian state she studied in depth, Minas Gerais, may have been the most successful at surviving the military regime intact. In fact, traditional elites prospered in many, but not all Brazilian states. Some states, such as São Paulo, Rio de Janeiro, Espírito Santo, and Ceará, experienced more elite renewal.<sup>6</sup> Although we agree with Hagopian that the traditional elite influenced the design of political institutions, "conservative continuity" is a necessary but insufficient explanation for the re-emergence of actors' state-based interests and of federalism in contemporary Brazil.

Regardless of whether old state elites maintained power, new state elites grabbed power, or some mix of these scenarios occurred, it is precisely the desire of and power of political elites to project state-government interests into national politics, and the state-based interests of

<sup>4</sup>Frances Hagopian, *Traditional Politics and Regime Change in Brazil* (Cambridge: Cambridge University Press, 1996).

<sup>5</sup>Ibid., 213.

<sup>6</sup>Celia Melhem, "Dinâmica Eleitoral e Organização Partidária da Oposição ao Governo: O Caso do MDB/PMDB Paulista de 1965 a 1988," (Ph.D. diss, Universidade de São Paulo, 1995); Antônio C. Medeiros, *Politics and Intergovernmental Relations in Brazil, 1964-1982* (London: Garland, 1986); Maria A. Lemenhe, *Família, Tradição e Poder: O(caso) dos Coronéis* (São Paulo: Annablume/Edições UFC, 1996); Eli Diniz, *Voto e Máquina Política: Patronagem e Clientelismo no Rio de Janeiro* (Rio de Janeiro: Paz e Terra, 1982).

political elites—traditional or otherwise—that pose some of the most intractable obstacles to national coalition-building in Brazil.<sup>7</sup> To this day, Brazil's national parties are weak organizationally and in the electorate,<sup>8</sup> politicians build their careers in the states,<sup>9</sup> and state governors possess considerable power to influence politics in their states,<sup>10</sup> fulfilling a role that might instead be filled by national party leaders. Given these factors, politicians have strong incentives to defend their state's interests, or all states' interests, in national politics.

To understand contemporary Brazilian democratic politics, one must understand why during the transition, despite the prominence of "national" issues in the media and academic discourse, subnational interests dominated the potential national interests of many of the relevant political actors, and state governors reemerged as powerful actors nationally. After the transition, in all the states, state-based (not national partisan) disputes now largely define political competition, and, despite a hard-fought battle against the military government, no nationalization of Brazilian politics marked or followed the transition to democracy within the political elite. Instead, today, few incentives exist for state government-national government and interstate political cooperation. Today, Brazil's 27 governors once again play a powerful role in national politics.

In short, although executive-legislative negotiations currently determine policy outcomes in Brazil, some of the most important political actors who influenced the democratic transition and who continue to influence national politics work through the legislature, but are not members of the legislature. Executive-legislative relations in Brazil today involve a "fourth branch" of the presidential system: state governors. Because governors have such influence, federal and intergovernmental disputes play a key role in defining executive-legislative relations. Consequently, many of the issues on the Brazil's national political agenda must confront a set of institutional "veto players" who act from outside the halls of Congress, yet who exert influence within the halls of Congress, and whose primary interest is in subnational, not national politics. Below, we explain why state-based political interests in Brazil once again influence national politics, setting up roadblocks to national-government reform efforts.

<sup>7</sup>See Fernando Abrucio, *Os Barões da Federação: os Governadores e a Redemocratização Brasileira* (São Paulo: Departamento de Ciência Política da USP/Hucitec, 1998).

<sup>8</sup>See Scott Mainwaring, "Brazil: Weak Parties, Feckless Democracy," *Building Democratic Institutions: Party Systems in Latin America* eds. Scott Mainwaring and Timothy Scully, (Stanford: Stanford University Press, 1995), pp. 354-398.

<sup>9</sup>See David Samuels, "Ambition and its Consequences: Political Careers, Elections, and Policy-Making in Brazil," (Ph.D. diss., University of California at San Diego, 1998).

<sup>10</sup>See Abrucio, *Os Barões da Federação*, chapter four, and Samuels, "Ambition and its Consequences," chapters five and seven.

### WHY CONTROL FROM ABOVE FAILED TO REDUCE THE INFLUENCE OF SUBNATIONAL POLITICS

Analysts have almost always studied the transition to authoritarianism in Brazil through the optic of the national party system,<sup>11</sup> authoritarian control over society in general,<sup>12</sup> or executive control of the economy.<sup>13</sup> In contrast, we analyze the military's attempts to increase political control through the angle of intergovernmental relations.

The emergence of a "New Politics of the Governors" during Brazil's transition to democracy is really the story of the inability of the military regime to transform the Brazilian political elite's organizational structure. As noted, since the period of the old "Politics of the Governors," Brazil's state governments have had considerable political and fiscal autonomy, and Brazil's dominant political elites have derived their power from state-based support networks. In contrast, Brazilian national parties have historically been weak, making national cross-state coordination difficult. Although the military leaders who took power in 1964 understood that state-government autonomy and the concomitant independence of political elites from national-government control could threaten the authoritarian regime's stability, the military failed to dramatically transform intergovernmental relations in Brazil. This failure opened the door for the New Politics of the Governors.

The military intervened in March 1964 ostensibly to stem an incipient leftist advance. Most of the Brazilian political elite supported the coup because they feared then-President João Goulart's redistributive policies. It is no accident that at the time of the coup, the governors of the three most powerful states, Ademar de Barros of São Paulo, Carlos Lacerda of Guanabara (now part of Rio de Janeiro), and José de Magalhães Pinto of Minas Gerais, acted as the military's principal civilian allies. Since the founding of the Republic, governors had always served as a counterweight to the powers of the president. In 1964, these governors provided crucial legitimacy to the military operation, and even ordered their state militias to give support to the national armed forces.<sup>14</sup>

The coup leaders feared persistent economic and political instability and perceived a need to undertake financial and fiscal reforms; yet, they initially lacked a plan to institutionalize their rule. This was because while the military leaders all agreed on the need to overthrow President Goulart, they were divided into various factions with different visions as to what to do with their new-found power. In fact, the majority group within the mili-

<sup>11</sup>See Maria d'Alva Gil Kinzo, *Oposição e Autoritarismo: Gênese e Trajetória do MDB (1966-79)* (São Paulo: Vértice, 1988).

<sup>12</sup>Maria H. M. Alves, *Estado e Oposição no Brasil (1964-84)* (Petrópolis: Vozes, 1979).

<sup>13</sup>Sérgio Abranches, "The Divided Leviathan: State and Economic Policy Formation in Authoritarian Brazil," (Ph.D. diss., Cornell University, 1978).

<sup>14</sup>Abrucio, *Os Barões da Federação*, p. 60.

tary leadership had as their stated objective simply “putting the house in order” and returning power to civilians.<sup>15</sup>

Emblematic of the military's lack of direction is Constitutional Amendment #9, promulgated in July 1964, which extended the president's term until March 1967 (it would have ended in 1965 under the previous system). At that time, military leaders did not decree that the 1967 presidential election would be indirect, and thus many politicians who supported the coup, and who were pre-candidates for president, such as Lacerda, Barros, and Juscelino Kubitschek (ex-governor of Minas Gerais, ex-president of Brazil, and senator at the time), believed the election would be direct, and continued to organize their campaigns.

However, the military leadership quickly perceived state governors' importance in the post-coup environment when its favored candidates lost in four of ten states, including Minas Gerais and Guanabara, in direct gubernatorial elections held in October 1965. The opposition victories fueled the hard-line military faction, which argued that (1) it was necessary to achieve political and economic stability at all costs, and (2) opposition could not be tolerated, whether organized by parties or by governors, the latter more likely to occur at that moment.<sup>16</sup>

Because Brazilian governors historically have wielded tremendous power, further opposition victories in the states could have blocked the military hard-liners' developing plans, which included centralization of political control. Thus, two weeks after its humiliating defeats, the military decreed Institutional Act #2, which extinguished existing political parties (which were controlled by federations of state-based politicians) and made the 1967 presidential election indirect. Furthermore, in February 1966, the military issued Institutional Act #3, which directly limited gubernatorial power by making gubernatorial elections indirect (state assemblies would elect governors, after the military had approved their nomination), and which created a two-party system for future elections. The regime established a “government” party (ARENA) and an “opposition” party (MDB).

Scholars have paid much closer attention to the imposed reformation of the party system than to the military's efforts to reduce state (and municipal) autonomy relative to the national government. Yet, increased presidential power necessarily came at the expense of the state-based political elites who supported the coup, given that many coup opponents were already purged from office or were in jail. The elimination of direct elections for governor, combined with increasingly harsh dictatorial measures, reduced state government political autonomy considerably. States would

<sup>15</sup>Alfred Stepan, *The Military in Politics: Changing Patterns in Brazil* (Princeton: Princeton University Press, 1971), p. 216.

<sup>16</sup>Abrucio, *Os Barões da Federação*, chapters 10-12.



lose on other fronts as well. They lost about 25 percent of their financial resources due to a centralizing fiscal reform begun in 1965, and the national executive increased its administrative and legal powers with the promulgation of a series of decrees that limited state-government political autonomy and imposed national administrative guidelines.<sup>17</sup>

Still, the regime did not eliminate all direct elections. Citizens continued to vote for mayor and city council-members (in almost all municipalities), for state and federal deputy, and for senator, despite frequent changes in electoral laws and limits on competition.<sup>18</sup> The regime maintained elections to give its rule a degree of legitimacy and to point the way toward a return to civilian control.

The maintenance of elections at various levels, even with the reductions in state-government political, financial, and administrative autonomy, nevertheless maintained governors as important players in the authoritarian regime. This was due to the logic of patronage politics in Brazil, which had historically been sustained in large part by *state* government machines, and because the state government still remained the nexus of political careers in Brazil, as they had been prior to 1964.

Given this, the military leaders concluded that because governors could still influence elections even after the institutional changes of AI-2 and AI-3, fiscal centralization, and a degree of repression and manipulation of electoral rules, it would have to completely control access to state executives in order to maintain control over the electoral process. To do so, winning a majority in state assemblies was insufficient because most leading regime supporters had made their careers under the old system, and they continued to rely on state clientelistic networks to advance their careers. Thus, military leaders realized they had to nominate governors they could trust, people who could then control state political elites.

To control state executives and, in turn, control state elites, then-president Médici changed the profile of ARENA's gubernatorial candidates. For the indirect 1970 elections, the military strategically nominated "technical" governors, men with non-political backgrounds, fewer links to traditional state politicians, and tighter links to the national government. For example, of 22 governors selected in 1970, ten were "technical" and non-political, as compared to five in 1966.<sup>19</sup> This tactic would, the generals reasoned, allow the government to construct a new political elite, one decidedly different

<sup>17</sup>Ibid., 64-82.

<sup>18</sup>David Fleischer, "Manipulações casuísticas do sistema eleitoral durante o período militar, ou como usualmente o feitiço se voltava contra o feiteiro," *21 Anos de Regime Militar: Balanços e Perspectivas*, eds. Gláucio Soares and Maria Celina d'Araújo (Rio de Janeiro: FGV, 1994).

<sup>19</sup>See Edson Nunes, "Instituições, Política e Economia: A Economia Política do Desenvolvimento Brasileiro," (unpublished paper, Rio de Janeiro, 1996), p. 90-91; and Wanderley G. dos Santos, "Governadores-Políticos, Governadores-Técnicos, Governadores-Militares." *Dados: Revista de Ciências Sociais* 8 (1971): 123-128.

from the “traditional” politicians who reigned prior to the 1964 coup.

However, this strategy failed to eliminate state political elites’ autonomy and destroy their state-based organizational structure in the long term, for two reasons. First, the regime did not change how politicians accessed the system. Although conceivably the regime could have decreed that central party organizations would henceforth control nominations for federal deputy and senator, instead it permitted state political machines to maintain nomination control. Thus, politicians maintained their state-based ties, and despite the façade of national bipartisan politics, both ARENA and the MDB continued to be federations, “islands” of largely independent political elites, many rooted in pre-1964 arrangements.

Second, although the regime continued to rely on conservative political elites, and these politicians continued to rely on traditional forms of clientelism,<sup>20</sup> the imposition of “technical” governors cut traditional politicians off from a major source of patronage, state government, and tore control over the most important patronage coordinating mechanism, the office of governor, away from the traditional political elite. Consequently, the strategy of nominating “technical” governors weakened state-based ARENA machines. This would have important consequences in later elections.

State political elites who generally supported the regime resented and resisted the imposition of *técnico* governors, who tended to ignore the elites’ demands for clientelistic goods. For example, in Minas Gerais, the *técnico* governor nominated in 1970 (Rondon Pacheco) also nominated *técnicos* for positions in the state secretariat, where deputies had typically dipped into the pork-barrel and had obtained state-government jobs for their supporters. Desperate Minas deputies asked their ARENA Senator Gustavo Capanema (a “traditional” politician) to try to convince the governor to change his mind, to no avail.<sup>21</sup> Across Brazil, the *técnicos*’ different “style”—and the fact that many of them attempted to build their own political bases, independent of existing political elites—estranged governors from many of the regime’s ARENA supporters, who came largely from the pre-1964 “traditional” state elites. Consequently, the *técnico* governors ended up politically isolated and had great difficulty controlling state ARENA machines.<sup>22</sup>

In 1973, the high command selected Ernesto Geisel as president. Geisel and his allies within the military would soon initiate the *abertura* (opening) of the regime, which aimed to liberalize politics while maintaining the order the military had established. To do so, Geisel attempted to increase

<sup>20</sup>On patronage during the military regime, see Margaret J. Sarles, “Maintaining Political Control Through Parties: The Brazilian Strategy,” *Comparative Politics* 15 (October 1982): 41-71; Paul Cammack, “Clientelism and Military Government in Brazil,” *Private Patronage and Public Power: Political Clientelism in the Modern State*, ed. Christopher Clapham (London: Frances Pinter, 1982); and Hagopian, *Traditional Politics and Regime Change*, chapter 5.

<sup>21</sup>“Pacheco vai a Minas,” *Veja*, 3 March 1971, pp. 20-21.

<sup>22</sup>Sarles, “Maintaining Political Control,” 49.



control over “hard-liners” in the regime and to reinforce the electoral strength of the “liberal” wing of the regime’s civilian supporters.<sup>23</sup> To accomplish this, Geisel would depend on the governors, given that they remained important actors who could still influence, through the strategic use of state-government machines, the careers of local politicians.

Geisel noted the growing distance between the “technical” governors and the traditional elite.<sup>24</sup> Consequently, he began the *abertura* by stating that instead of selecting “technical” governors, the regime would reincorporate state elites into the gubernatorial selection process. Geisel sent then-senator and president of ARENA, Petrônio Portella, on a pilgrimage around the country to meet with state leaders to discuss the gubernatorial and senatorial nominations.

This strategy failed. The opposition MDB humiliated the regime by posting large gains in the 1974 elections in both state and national legislatures, improving from 28.6 percent to 50.0 percent in senate races, 21.3 percent to 37.8 percent in federal deputy races, and 22.0 percent to 38.8 percent in state deputy races.<sup>25</sup> Scholars recognize the 1974 elections, which frightened sectors of the military into believing they could no longer control politics as they wished, as decisive in encouraging the military to proceed with the *abertura*.<sup>26</sup>

The regime suffered this “loss” for two reasons. First, state elites largely remained excluded from the gubernatorial selection process. In the majority of states, Portella arrived with a fixed list of candidates in hand, and the regime either continued to nominate *técnicos* or deliberately chose candidates from weaker ARENA factions. ARENA state elites across Brazil thus perceived the “Portella Mission” as a façade for continued military meddling in state politics.<sup>27</sup> Consequently, ARENA began to split into two factions: one led by politicians with little popular support and few links to state elites, but with extensive links to the military high command, and another led by traditional state elites who had developed careers prior to 1964.<sup>28</sup> The military continued to nominate members of the first group for executive positions; consequently, the members of the second group failed to mobilize support for the party’s candidates. The MDB gained, especially in senate races, because of this emerging split within the government’s supposed supporters.<sup>29</sup> For example, in São Paulo, Brazil’s

<sup>23</sup>Brasílio Sallum Jr., *Labrintos: dos Generais à Nova República* (São Paulo: Hucitec, 1996), p. 24.

<sup>24</sup>*Ibid.*

<sup>25</sup>Fleischer, “Manipulações Casuísticas,” 169.

<sup>26</sup>Cf. Bolívar Lamounier, “‘Authoritarian Brazil’ Revisited: The Impact of the Elections on the Abertura,” *Democratizing Brazil*, ed. Alfred Stepan (New York: Oxford University Press, 1989).

<sup>27</sup>“A Missão Portella,” *Veja*, 7 May 1975, p. 19.

<sup>28</sup>Carlos Esteves Martins, “O Balanço da Campanha,” *Os Partidos e as Eleições no Brasil*, eds. Fernando Henrique Cardoso and Bolívar Lamounier (Rio de Janeiro: CEBRAP/Paz e Terra, 1975), pp. 75–126.

<sup>29</sup>Cammack, “Clientelism and Military Government,” 66–71.

most important state, the military imposed its own senatorial and gubernatorial candidates over the wishes of the state's ARENA leadership. In cases like this, ARENA politicians openly undermined their party's candidates, campaigning for MDB candidates instead.<sup>30</sup>

A second reason the regime lost in 1974 was because urban voters had begun to experience economic frustration; the regime had employed propaganda to promote its role in Brazil's "Economic Miracle," but reality did not live up to expectations.<sup>31</sup> As a result, the bipartisan system boomeranged back in the regime's face. For the first time in Brazilian history, voters could select from a pair of nationally relevant party labels; in 1974, Brazilian voters knew who was in power and who was not. Thus, voting for the "outs" expressed dissatisfaction with the "ins." Instantly, the regime's project, and politicians' careers, confronted the prospect that public opinion about the performance of the national government, in a "retrospective voting" fashion, would influence congressional elections. When dissatisfaction set in, the voters made the "ins" pay the price.

After its electoral loss, the military high command concluded that opposition victories in the states would mean the loss of important niches of power and potential loss of control over the transition. ARENA governors also perceived that their power had increased after the 1974 election. The military government needed to provide additional support if it wanted to maintain its allies in control and to weaken the opposition. Perceiving that *técnicos* reaped few votes, and desperate to strengthen its allies, the regime finally began to cede power to state governments, through ARENA elites.<sup>32</sup> For example, in 1978 the military nominated more politicians with stronger state-based ties for governor,<sup>33</sup> loosened control over ARENA machines, and allowed traditional politicians to reestablish links with organs of the state executives across Brazil.<sup>34</sup>

Moreover, to control the transition, the military leadership attempted to strengthen elites from less-developed states, and to weaken the richer states, where the opposition was stronger. To this end, they adopted a four-point plan: (1) deconcentration of national-government investment to less-developed states through the Second National Development Plan, which would strengthen government economic allies in less-developed regions and reduce the weight of the state of São Paulo within the Brazilian federation;<sup>35</sup> (2) electoral reform through the so-called "April Package" in 1977 that increased congressional representation of poorer, conservative states; (3)

<sup>30</sup>Martins, "O Balanço da Campanha," 84.

<sup>31</sup>See Lamounier, "'Authoritarian Brazil' Revisited."

<sup>32</sup>See Hagopian, *Traditional Politics and Regime Change*, chapter 7.

<sup>33</sup>Nunes, "Instituições, Política, e Economia," 90-91.

<sup>34</sup>See Hagopian, *Traditional Politics and Regime Change*, chapter 7.

<sup>35</sup>Guilherme L. Silva and Basília M.B. Aguirre, "Crise político-econômica: as raízes do impasse," *Estudos Avançados* 14 (1992): 79-94.

creation of “bionic” senators, one-third of the total, to be chosen indirectly (as were governors) by state assemblies (all except one of which ARENA controlled); (4) creation of an additional poor state (Mato Grosso do Sul), which gave poorer (and more conservative) states greater representation in both the Chamber of Deputies and the Senate;<sup>36</sup> (5) an increase in politically negotiated transfer payments to state governments, especially to the less-developed states;<sup>37</sup> and (6) a gradual decentralization of “automatic” transfer payments, which we shall discuss in greater detail below.

This plan guaranteed a regime victory in all state governments except one in 1978; yet the MDB posted additional electoral gains that year, and ARENA state machines failed to unite. In 1982, ARENA would only win direct democratic elections for governor in states where they had reestablished closer ties between the state executive and the traditional state political elites.

In summary, in terms of intergovernmental relations, following the coup, the military high command realized that gubernatorial strength and traditional politicians’ state-based allegiances could undermine its centralizing plans. Consequently, they attempted to reduce governors’ power and to cut state political elites off at the knees. However, this policy backfired; traditional elites resisted military meddling in their affairs, and *técnico* governors failed to unite state elites behind the regime’s project. This weakened the regime’s base of support. In 1974, because of this weakness and overblown economic expectations, electoral disaster resulted. Subsequently, the military faction favoring *abertura* and a gradual transfer of power to the regime’s civilian allies won the upper hand, and military President Geisel and his allies began to return power to state governors and to reintegrate state-based elites, who remained formally allied to the regime and who of course did not want to lose power to the MDB. The regime’s “losses” in 1974 and 1978 already began to alter the federal balance of power back in favor of the states—without the opposition actually winning one of the elections—because the ARENA governors and the established state political elites realized that their bargaining power increased as the military’s own position became more precarious.

Consequently, the military failed to cultivate a new national political elite during its rule. Political elites in all states successfully survived national-government imposition of state executives and preserved their traditional organizational structure, based on state politics. This holds as well for the emerging MDB elites, as we will discuss below. Contrary to their early cen-

<sup>36</sup>Hagopian, *Traditional Politics and Regime Change*, p. 150.

<sup>37</sup>Such transfers rose 208 percent between 1976 and 1982, José Roberto Rodrigues Afonso, “Evolução das relações intergovernamentais no Brasil entre 1968/1988: transferências e endividamento,” (M.A. thesis, UFRJ), 22.

tralizing plans, by returning power to states during the *abertura*, the military would strengthen federalism institutionally, aid the rise of state governors, and ironically turn the conservative political elites against the central government as the transition advanced.

### STATE-BASED INTERESTS AND THE TRANSITIONAL ELECTORAL CYCLE

A turning point in the transition came in 1982, when the military moved from liberalization to democratization of the process and held (mostly) free and fair elections for all offices except president. The gubernatorial races soon emerged as the focus of electoral competition around the country, and Brazil's "transitional" electoral cycle—the sequence of elections for president, governors, congress, etc.—is an important element in explaining the reemergence of strong federalism in contemporary Brazil.

A basis for this claim exists in the comparative politics literature. First, as Juan Linz and Alfred Stepan argued was the case for Spain, the Soviet Union, and Yugoslavia,<sup>38</sup> because Brazil held subnational elections prior to national elections during its transition, the political elite's electoral energies focused on state politics and the conquest of state offices, to the detriment of national parties. Second, the literature on electoral institutions has established that electoral cycles affect the number and character of the political parties in presidential systems. Matthew Shugart has demonstrated that concurrent congressional and presidential elections tend to reduce the effective number of parties, while nonconcurrent elections tend to increase the effective number of parties,<sup>39</sup> and Mark Jones has shown that in Argentina, if provincial gubernatorial elections (as opposed to presidential elections) are concurrent with elections for the national Congress, then subnational rather than national variables influence the effective number of parties in Congress.<sup>40</sup>

The electoral cycle played an unappreciated role in Brazil's transition. Brazil held two democratic "subnational" elections for governor, senators, and state and federal deputies, in 1982 and 1986, before its first national (presidential) election in 1989. Another "subnational" election was held in 1990. After 1982, while the military retained control over the presidency and the national-government bureaucracy, and maintained a majority in the Congress, democratically elected governors controlled state-government bureaucracies and grew increasingly independent of the national government. Because subnational elections were held first (unlike in other de-

<sup>38</sup>Juan Linz and Alfred Stepan, "Political Identities and Electoral Sequences: Spain, the Soviet Union, and Yugoslavia," *Daedalus* 121 (Spring 1992): 123-139.

<sup>39</sup>Matthew S. Shugart, "The Electoral Cycle and Institutional Sources of Divided Presidential Government," *American Political Science Review* 89 (June 1995): 327-343.

<sup>40</sup>Mark Jones, "Federalism and the Number of Parties in Argentine Congressional Elections," *The Journal of Politics* 59 (May 1997): 538-549.

mocratizing Southern Cone countries), the rise of gubernatorial influence in the states, combined with continued military control of the presidency, increased the importance of subnational actors and interests in national politics, to the detriment of national parties and national issues.

"Nonconcurrent" gubernatorial elections in Brazil accentuate the importance of subnational politics because candidates for federal (and state) deputy must, despite the individualistic nature of the electoral system, ally with a political "boss" who is a candidate for statewide office. These leaders form groups that provide the resources and connections necessary for a successful congressional campaign; in exchange, candidates for deputy promise to support the governor once he wins office.<sup>41</sup> Gubernatorial candidates also provide a focal point for all other campaigns, "pulling" in votes and sweeping deputy candidates into office on their coat-tails. Historically in Brazil, the governor's race, and not the presidential race, has determined electoral coalitions for legislative elections within each state.<sup>42</sup> During the transition, nonconcurrent elections increased gubernatorial influence, and, even within the PMDB, the battle for state executive office determined winners and losers and drove the formation of factions.<sup>43</sup>

Gubernatorial elections served as an electoral focal point even before 1982. In 1979, when the regime reformulated the party system and indicated that the 1982 gubernatorial elections would be direct, politicians across Brazil immediately began to scramble for position in the states, literally downplaying national partisan attachments.<sup>44</sup> By allowing the direct election of governors, the regime admitted that any and all governors, and not just opposition governors, would be free from national-government tutelage. Popularly elected governors could not "await orders from above," they had to seek voter approval if they wanted to elect their chosen successor. Moreover, given the control governors can exert over federal deputies in their states, gubernatorial independence echoed within the halls of Congress, transforming executive-legislative relations even before the last general left the Presidential Palace.

The governors elected in 1982 quickly dominated politics in their states. Proof of their autonomy would come soon after taking office, when they hired nearly 500,000 new state bureaucrats.<sup>45</sup> Governors, because of their position as holders of the highest elected offices, also battled for political space, crowding out national party leaders from the limelight and successfully opposing national-government initiatives. For example, governors took

<sup>41</sup>Abrucio, *Os Barões da Federação*, chapters 4-5.

<sup>42</sup>Samuels, "Ambition and its Consequences," chapter five.

<sup>43</sup>Melhem, "Dinâmica Eleitoral e Organização Partidária," chapter four.

<sup>44</sup>"A hora do jogo aberto," *Veja*, 5 September 1979, pp. 28-29; "A moldura está pronta," *Veja*, 19 September 1979, p. 22; "Brigas às claras," *Veja*, 10 October 1979, pp. 27-30.

<sup>45</sup>Lawrence Graham, *The State and Policy Outcomes in Latin America* (New York: Praeger, 1990), p. 79.

command of the (ultimately unsuccessful) largest public protest movement against the military regime, the campaign for "Direct Elections Now," which demanded the reinstitution of direct presidential elections in 1985. Governors gave the movement institutional structure and legitimacy through their control over state-government machines, and they guaranteed the absence of police repression (state governments control police forces), no small advance after 20 years of military rule.<sup>46</sup>

Despite this battle, the fight for democratization did not create a nationalized "(P)MDB vs. PDS" (ex-ARENA) battle. Scholars have long recognized ARENA/PDS as little more than a façade for pre-1964 groupings, and the (P)MDB, despite its "oppositionist" nature, developed institutionally as a "federalized front."<sup>47</sup> Once the announcement was made that the 1982 elections would be free, the façade that the (P)MDB and ARENA/PDS were national parties dropped away, and politicians in both parties fought for space where it first opened up: in the states.

Brazilian politicians organized themselves for subnational democratic elections for ten years before any direct election decided a national political contest. As a result, for virtually all of Brazil's post-authoritarian experience with free elections, the political fates of all deputies, senators, and governors have been tied to state disputes and de-linked from national electoral-political disputes. From the beginning of the *abertura*, in each state, political groups prioritized the battle for conquering state executive office, just as they had before 1964.<sup>48</sup> The "divorce" between subnational and national political contests during Brazil's transition accentuated the power of state governors, increased federal deputies' state-based orientation, and pushed national political parties toward their condition of incoherence today.

### THE NEW POLITICS OF THE GOVERNORS: FISCAL DECENTRALIZATION AS A CURRENT EXAMPLE

We have argued that the military regime's inability to break the state-based structure of elite political organization explains the emergence of a "New Politics of the Governors." Here, we explore an example of how state-based political interests affected the democratic transition: the process of fiscal decentralization since the 1970s.

In 1967, the military regime centralized control over revenue and spending, and created two Participation Funds, one for states (FPE) and one for municipalities (FPM), through which the national government transferred revenue collected from the income (IR) and industrial production (IPI) taxes. Yet, soon after setting these funds up, it reduced the amount of

<sup>46</sup>Abrucio, *Os Barões da Federação*, p. 98; Sallum Júnior, *Labrintos*, p. 102.

<sup>47</sup>Melhem, "Dinâmica Eleitoral e Organização Partidária," 44.

<sup>48</sup>An exception is the Workers' Party (PT).



funds distributed to state and municipal governments and placed controls on spending by earmarking disbursements to specific programs and requiring detailed spending plans from states and municipalities before funds would be released to them.<sup>49</sup>

Rapid economic growth from 1967 to 1974 muted criticism of this fiscal centralization.<sup>50</sup> Yet, when the economy took a downturn in 1974, state and municipal politicians, ostensibly allied with the government, began to lobby for more resources.<sup>51</sup> Beginning in 1975, the military leadership responded, attempting to fortify its allies by providing additional resources to subnational governments. Changes in the FPE and FPM followed; a series of increases after 1975 more than doubled the amounts distributed by 1982. In addition, in 1979, the regime eliminated the requirements that states spend only in certain areas, providing governors with additional political autonomy.<sup>52</sup>

The pace of decentralization increased following the first democratic elections in 1982. At that time, the newly elected governors and mayors demanded additional revenue so that they could fulfill their campaign promises, and they pressured the military president and the Congress for additional decentralization. Despite bitter opposition from the president and his economic team, one of Congress' first steps toward regaining its political autonomy during the transition was to pass the Passos Porto Amendment in December 1983, which further increased the FPE and FPM disbursements. The minister of planning at the time, Antônio Delfim Netto, confirmed that state-based pressure pushed the passage of the Passos Porto Amendment. He stated, "There was enormous pressure right after 1982 . . . the government could no longer resist the pressure from the governors. It was a question of power. The authoritarian regime was finished in 1982."<sup>53</sup>

After the Passos Porto Amendment, governors and mayors continued to press for additional gains. Congress responded, passing the Airton Sandoval Amendment in 1985, decentralizing revenue to states and municipalities even further. The 1987-1988 Constitutional Congress capped the decentralization process begun in 1975. Once again responding to gubernatorial (and mayoral) pressure, Congress increased the revenue distributed to states and municipalities to the point where today, the rate of disbursements is nearly four times the rate during the high point of the military regime.

<sup>49</sup>On the evolution of the fiscal system, see Fabrício Augusto de Oliveira, *Crise, Reforma e Desordem do Sistema Tributário Nacional* (Campinas: UNICAMP, 1995).

<sup>50</sup>*Ibid.*, 12.

<sup>51</sup>José Roberto R. Afonso, "A Questão Tributária e o Financiamento dos Diferentes Níveis de Governo," *Reforma Tributária e Federação*, eds. José Roberto Rodrigues Afonso and Pedro Luiz Barra Silva (São Paulo: FUNDAP/UNESP, 1995), p. 354.

<sup>52</sup>Fabrício Augusto de Oliveira, *Autoritarismo e Crise Fiscal no Brasil (1964-84)* (São Paulo: Hucitec, 1989), p. 62.

<sup>53</sup>Interview with Antônio Delfim Netto, São Paulo, 18 November 1996.

Fiscal decentralization has translated into real gains for state governments. In terms of percentage of GDP, in 1970 total national-government transfers to states were 1.24 percent of GDP. In 1991, they were 1.91 percent of GDP, a gain of 54 percent.<sup>54</sup> Decentralization has also reduced the president's ability to manipulate the budget for political purposes. While congressionally regulated transfers to states and municipalities have increased 75 percent since 1978, "unprogrammed" revenue in the national budget has declined by 50 percent during the same period.<sup>55</sup> Consequently, states are now relatively more independent of national-government political influence. Likewise, decentralization has also reduced Congress' potential institutional influence in allocating pork-barrel funds.

State governors and federal deputies—who typically have strong interests in defending their state government's interests—led the fight for fiscal decentralization. This outcome was not a given. Although many observers associate democratization with decentralization, the former may be a necessary condition for the latter, but it cannot explain the specific form any given country's fiscal decentralization will take. In Brazil, the weight of state-based interests proved decisive, and state-based interests continue to bedevil the national government's efforts to wipe out Brazil's budget deficit and advance the process of fiscal reform.<sup>56</sup>

### CONCLUSION

The "New Politics of the Governors" in Brazil can be attributed to the failure of the authoritarian regime in power in Brazil from 1964 to 1985 to eliminate the prominence of subnational actors and interests in national politics. As the transition progressed, governors reemerged as powerful political players, and the electoral cycle accentuated the influence of state-based political interests.

Decentralization of political power affects the prospects for democratic consolidation in Brazil. As we noted in the introduction, federalism is a two-sided coin for new democracies. On one hand, it introduces an element of institutional uncertainty into an already potentially unstable situation. On the other hand, it allows for political innovation at the subnational level. How can we weigh the impact of federalism on the Brazilian transition, and how does Brazil's experience inform the comparative study of transitions and consolidation?

<sup>54</sup>Afonso, "A Crise da Federação," p. 378.

<sup>55</sup>Júlio Cesar de A Nogueira, "O Financiamento Público e Descentralização Fiscal no Brasil," *Texto para Discussão No. 34*, (Rio de Janeiro: CEPP, 1995), p. 28.

<sup>56</sup>The process of decentralization in Brazil involves more than resource transfers. Some have argued that states and municipalities gained resources without a corresponding increase in responsibilities (cf., Abrucio 1998), but others challenge this claim (e.g., Montero, "Devolving Democracy?")

*Implications for Governability*

In their recent comparative analysis, Stephan Haggard and Robert Kaufman argued that: "Political systems with weak executives, fragmented party systems, divided government, and decentralized political structures responded poorly to crises."<sup>57</sup> Brazil confronts these problems. Despite a strong presidency and majoritarian institutions, Brazil has strong formal and informal "consensus-based" or even consociational institutions that make national coalition-building difficult. For example, analysts have stressed how Brazil's electoral institutions contribute to the high fragmentation of the party system.<sup>58</sup>

Federalism ought to be added to the list of institutions and other structures that hinder governability in Brazil. Alfred Stepan has suggested that federalism can limit a national government's leeway to undertake policy reforms, and that while modest policy reform may suffice to retain democratic legitimacy in established democracies, emerging democracies face dilemmas that demand broader reform, including promoting economic development, increasing equity, reforming inefficient government structures, and building stronger democratic institutions.<sup>59</sup>

In this context, strong state governors and members of Congress' state-based political interests hinder the ability of the Brazilian government to resolve daunting challenges. In Brazil today, because of the "New Politics of the Governors," informally, governors and the interests they represent pose obstacles to national-government reforms, by acting as "veto players." For example, as noted above, because of fiscal decentralization, the national government has less leeway to address Brazil's enduring fiscal crisis. Governors, through the Congress, have also forced the national government to assume the costs of state-government debts accumulated during the transition, and, despite years of negotiations, the national government has had extremely limited success in imposing permanent limits on state spending and debt accumulation, and will have to allocate at least \$100 billion (U.S.) to resolve this problem. Brazil's long-term macroeconomic health depends in part on controlling subnational government spending.

These problems, and other reform issues such as policy decentralization, administrative reform, and privatization, all have the same roots. Congress, lobbied by governors and populated by deputies who are often tightly linked to state political interests, is loathe to reverse the fiscal decentralization undertaken during the constitutional convention. Governors resist losing what they gained during the transition, and the president, de-

<sup>57</sup>Stephan Haggard and Robert Kaufman, *The Political Economy of Democratic Transitions* (Princeton: Princeton University Press, 1995), p. 371.

<sup>58</sup>See Sergio Abranches, "Presidencialismo de Coalizão O Dilema Institucional Brasileiro" *Dados* 31 (1988): 5-38; Mainwaring, "Brazil: Weak Parties, Feckless Democracy."

<sup>59</sup>Stepan, "Toward a New Comparative Analysis of Democracy and Federalism."

spite tremendous formal powers, lacks the ability to impose his will in federal or intergovernmental disputes. Instead, states continue to defend their interests and battle among themselves, impeding reform.

Furthermore, interstate cooperation on many issues is difficult because politicians from one state view their careers as politically and electorally independent of politicians from all other states. Given their traditional state ties, the power of state governors, the absence of strong national parties and/or strong party labels, and the absence of presidential coat-tails, state elites see no reason to sacrifice their gains for the potential gain of the entire nation.

In summary, gubernatorial power and the elite's state-based political interests are at the root of the strength of Brazil's federal institutions. Because so few incentives exist for interstate and intergovernmental cooperation, governability in Brazil may suffer.

#### *Implications for Democratic Performance*

Following a long line of political thought that holds that local democratic institutions and organizations are critical to overall democratic performance, some scholars have implied that democratization and decentralization go hand in hand.<sup>60</sup> Some studies lend empirical support to this notion; for example, Judith Tendler found that local governments in Brazil can indeed innovate and provide more responsive government.<sup>61</sup> Yet state and municipal innovation in Brazil remain very limited in scope and effect, and the Brazilian experience lends credence to a more pessimistic interpretation of whether political decentralization and heightened democratic performance are necessarily linked.

For example, although some subnational innovation has occurred, and although opposition parties have managed to win executive office at the municipal and state level, the national government's inability to resolve some of Brazil's most daunting problems stands out more than the ability of subnational governments to empower themselves. Innovation has been held back because until the national government resolves the challenges of state reform and economic stabilization, subnational governments will have little room for creativity due to resource constraints. This may prove to be a short-term to medium-term problem. If Brazil puts its fiscal house in order, then, in the longer term, there may be more state (or even municipal) innovation.

<sup>60</sup>Dieter Nohlen, ed., *Descentralización Política y Consolidación Democrática: Europa y América del Sur* (Caracas: Nueva Sociedad, 1991).

<sup>61</sup>Judith Tendler, *Good Government in the Tropics* (Baltimore: Johns Hopkins University Press, 1997).

Moreover, even in the long term, the resurgence of gubernatorial power may not improve democratic accountability and should serve as a warning for researchers interested in the links between democratization and political decentralization. State legislatures remain largely powerless to oversee the state government, and voters appear relatively unaware of the state government's policy responsibility. In fact, democratic accountability, already a recognized problem in Brazil, appears to be even lower for state government than for either municipal or national governments.<sup>62</sup> For example, a recent spate of human-rights violations by police forces, all of which are organized by the states, provides grounds for a pessimistic assessment of the prospects for improved respect for the rule of law, because governors are reluctant to reform the police (governors who mention reform sometimes receive physical threats), and the president lacks jurisdiction to decree reforms. (Reform proposals in Congress have not advanced as of this writing.)

In this respect, like other federal systems in transition, such as Russia and Mexico, Brazil faces the problem of how to democratize the center and the periphery concurrently. In Mexico, while expressing guarded optimism about the progress of local and state political democratization, Victoria Rodríguez and Peter Ward note that even where opposition parties have gained power, they have often been unable to innovate, stifled by a renewed centralization of authority.<sup>63</sup> Brazil's recent experience also teaches us that while federalism may allow for innovation, when accountability is low at the subnational level, political decentralization and political democracy may not necessarily go hand in hand.

In conclusion, democratic transition has reinvigorated Brazil's federal institutions. While federalism provides opportunities for subnational innovation, on balance the "New Politics of the Governors" has placed a number of difficult obstacles in Brazil's path to democratic consolidation. Given the continued relative weakness of Brazil's national political parties, a great challenge to Brazilian leaders is to regain control over irresponsible subnational governments and to construct national political coalitions that will enhance democratic governability and responsiveness in the face of significant formal and informal constraints.

<sup>62</sup>Elizabeth Balbachevsky, "Identidade Partidária e Instituições Políticas no Brasil," *Lua Nova* 26 (1992): 133-166.

<sup>63</sup>Victoria Rodríguez and Peter Ward, "Conclusion: Regents from the Opposition," *Opposition Government in Mexico*, eds. Rodríguez and Ward (Albuquerque: University of New Mexico Press, 1995), p. 227.

