

DOSSIER “ASPECTS OF THE RECENT DEVELOPMENT OF NORTHEASTERN BRASIL”

FOREWORD

Growth is but one of the several aspects of economic development. To assess the development of a given region is to control the evolution of e.g. the gross national income, along with other variables that impact its inhabitants welfare.

Owing to its development, which has been stronger than the country's average, Northeastern Brazil has become stage for strong political opposition over the last years. Despite other factors that could explain such positive results, the region has been almost always seen as the major recipient of all sorts of public benefits. In political debate, this assumption has often been taken as established truth. For this reason, several researchers have investigated the reasons and peculiarities of the recent economic development of northeastern Brazil and its impact on the locals.

The articles in this dossier address development from a wider perspective, by characterizing first some development vectors of northeastern Brazil and assessing their impacts and relative importance. The articles also portray the role and importance of each public benefit, especially in more depressed regions. The reader will learn, on the other hand, that other policies, however not so frequent in the political discourse, are largely responsible for the positive results, such as formal employment, increase of minimum wage and expanded credit offer, for instance.

Productive chains also underwent important changes. The growth of industry, especially in large centers such as Salvador, Fortaleza and Recife, as well as the significant decline of the sugar and alcohol sector, are reasons for such transformations. Local cluster policies have been implemented all over northeastern Brazil with abundant fundings, have changed productive arrangements, especially for small businesses. In addition, university expansion policies, targeted productive micro-credit, family farming programs, and technical training have all led to an overall increase in income, in a relatively more distributed way. Agriculture, as far as temporary crops are concerned, have also undergone a deep transformation during this period, with a sharp fall in sugarcane production and diversification of agricultural production.

BNDES, a federal bank for economic and social development, has consolidated itself as a transformation agent in northeastern Brazil, with a substantial expansion of loans, both for public infrastructure and the promotion of private initiatives, with special emphasis on services, especially tourism related ones. The articles herein also show deconcentration of BNDES investments and its funding shift toward countryside areas, which serves economic growth with better regional distribution.

It would be a gross omission not to present the reader an analysis of the importance of government transfers such as state (SPF) and municipal (MPF) participation funds, which have a fundamental distributive role in poorer states of the federation, and the Bolsa Família Program (BFP), which reaches the poor especially in more depressed regions like

the semi-arid. However, transfers have a much stronger impact on regional disparities (MPF and SPF) and on the reduction of extreme poverty (BFP) than on the substantial GDP growth or per capita income the region has presented over the last eighteen years.

Not only prosperity and better social indicators were brought about by the development. Violence went the opposite way, with extremely unfavorable indicators compared to the rest of the country. Contrary to all economic theory postulates on the effects of crime, homicide rate doubled as income and welfare increased, and the public administration has been unable to respond to city growth and migration with urban equipment. In addition to a crack epidemic, which caused crime to explode in northeastern Brazil, other factors such as crime repression in large urban centers in other regions of the country may have led criminals to migrate to the region.

Finally, as a theoretical contribution, a study proposes an optimal redistribution of sales tax rates in northeastern Brazil in order to improve income distribution, which would benefit sectors that employ more while setting lower tax rates for activities that meet the needs of the poorest, such as food. The study proposes higher rates for products and services that are more demanded by the wealthier in order to improve income distribution and make taxes less regressive, thus increasing well-being.

In order to understand the profound transformations that have occurred and how simple actions can have such profound impacts, it is important to know the reality of northeastern Brazil. The Bolsa Família program is just the tip of the iceberg. The program, which was not exclusive of the region, reached a significant number of people all over the country. However, the program was fundamental in combating poverty in the region, which is home to the largest number of poor people over the country. Along with a set of public policies that prioritize attraction of investments, agricultural production, small business, higher education, valuation of the minimum wage and credit, northeastern Brazil is back on the road of development.

This dossier does not intend to be conclusive on the innumerable aspects that imply development of northeastern Brazil. Several aspects have been left out because for being overly numerous, such as health, environment, intermediate goods, urbanization, expansion of universities, tourism, among others. However, there is a fundamental discussion about the resumption of policies to reduce regional disparities in Brazil, which, when planned and integrated, have a positive impact on the entire national territory and help build a more solidary and unified society.

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