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Research Project Federalism and Public Policies in Brazil, by Full Professor Marta Arretche

I. Introduction

There seems to be a paradox in the current operation of the Brazilian federal state. It is described as an extreme case of *demos-constraining* federalism whose institutions are expected to systematically override initiatives to provide national goods. Its outcomes, however, contradict such expectations. Starting in the early 1990s, a broad set of laws regulating the taxation, expenditure and public policies of subnational units were adopted in Brazil. Moreover, there is evidence of a steady decline in previous patterns of inequality between individuals as well as between territories regarding access to education, health, urban infrastructure, garbage collection, and electricity provision.

Challenging a widespread notion about Brazilian political institutions, this study sheds light on this puzzle by highlighting the *demos-enabling* elements and the centralized features of the Brazilian federation. Brazilian political institutions do not restrict changes to the federal *status quo*; instead, they make them possible without infringing on subnational rights.

II. Methodology

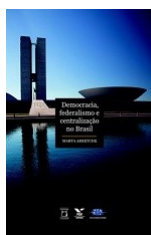
1. To examine the veto powers of subnational units, this research gathered more empirical evidence than previous studies of Brazilian federalism, by examining the 59 federal legislation initiatives that were submitted to Congress between 1989 and 2006. These referred to the taxation, spending, and policy-making authority of subnational units and ranged from constitutional amendments to bills. Two main lines of inquiry were pursued: (i) the distribution of authority between levels of government, that is, who has the right to decide and who has the right to act in public policies; and (ii) the veto powers of subnational governments in central arenas, meaning the actual operation of shared-rule.

2. To examine how the federal government affects subnational policy priorities, a quantitative approach to subnational finance was adopted. As municipalities are the main providers of most public policies in Brazil (basic health care, primary education, urban infra-structure, garbage collection, and public transport), the revenue sources and the spending priorities of all Brazilian municipalities were examined.

3. The regulatory and redistributive powers of the central government were explored through (i) an examination of the tools employed to ensure subnational adhesion to central policies; and (ii) the impact of federal transfers on the reduction of placeinequality on the revenue-side and the expenditure-side of municipal budgets.

III. Main Findings

1. Brazil can be classified as a *demos-enabling* federation, instead of a *demos-constraining* one (according to Alfred Stepan's model). The Union has the right to make decisions about most public policies. Decision-making in the Brazilian Congress, even when concerning subnational governments, is based on the majority rule. The voting behavior in the Brazilian Congress, even when subnational interests are at stake, is oriented by parties. There are few opportunities for regional governments to apply vetoes on Congress decision-making. Supermajorities are not required for legislation approval with regard to subnational interests.



2. A bi-dimensional model, distinguishing the *right to act* and the *right to decide*, better captures how authority over public policies is distributed in the Brazilian federation. The well known one-dimensional approach (decentralization vs. centralization) does not capture the distinct and complementary roles played by different levels of government. In most public policies, the federal government has the right to decide and plays a regulatory role over subnational affairs, by setting nationwide homogeneous rules. It is also entitled to supervise subnational governments' performance and compliance to federal policy goals and standards. Subnational governments, in turn, are in charge of policy implementation, that is, they have the right to act. Their scope of authority then derives from policy-making.
3. The earmarking of subnational spending and the earmarking of federal transfers for specific policies are the most commonly employed mechanisms through which subnational cooperation is obtained.
4. The power of subnational governments to influence federal policy decisions derives more from the fact that their compliance is required in policy implementation, than it does from their veto power in decision-making arenas.
5. The centralization of tax-collection is associated with the territorial redistribution of tax income. The Gini coefficient for Brazilian municipalities' self-generated taxes is around 0.527 (2006). After all transfers have been made, the Gini coefficient is 0,237 (2006).
6. The largest share of transfers toward subnational governments are protected against either parliamentary or coalition-holding bargains. They are made either on a constitutional or legal basis.

V. References

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