Forum of International Development Studies. 39 (Mar. 2010)

Provisional Measures as a Legislative Tool for Achieving Policy Efficiency and Obtaining Regime Legitimacy in 1990s Brazil

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Abstract

This article examines authoritarian means of policy-making in Brazil expressed by presidential decrees. In the 1990s, the Brazilian economy suffered a hyperinflationary process that required budgetary reform. Presidential decrees (Provisional Measures) were a fundamental tool to regain control on the budget. Authoritarian regimes have to resort to performance to obtain legitimacy. Democracies, on the other hand, have other sources of support, such as governmental procedure and popular election. By a case study of Brazilian policy-making, the author argues that not complying with procedural rules of democracy and representation does not necessarily bring about the reversal of democratization, but that rather dictatorial use of presidential decree power could produce legitimacy, with a positive impact on democratization. The immediate reduction of inflation and the new fiscal balance achieved by the Real plan have permitted the continuity of democratization, while the economic stability alleviated the pressure on the president and the democratizing regime as a whole. However, the use of provisional measures to implement policy in Brazil has posed a threat to checks-and-balances and representation. At the same time that Provisional Measures are a distortion and a threat to democratic representative mechanisms, they can also bring legitimacy to the regime.

Introduction

This study aims at examining the Brazilian democratization focusing on the use of presidential decrees to implement efficient macroeconomic policy, and obtain democratic legitimacy. It is hypothesized that the successful policies implemented from 1994 on not only stabilized the economy, but also brought new legitimacy to the democratizing regime. In the 1990s, the Brazilian economy suffered a hyperinflationary process that required profound budgetary reform. Provisional measures were, then, a fundamental tool used by the president to regain control over the budget and overcome the inflationary crisis. This research examines how MPVs have been used to shape and implement policy in Brazil during the hyperinflation crisis from 1985 until 1993, when a succession of attempts to tackle this crisis failed systematically. The author argues that non compliance with the principles of democracy and representation does not necessarily bring about the reversal of democratization, as demonstrated through the case study of Brazil; and that somewhat dictatorial use of President's

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decree power could produce a new type of legitimacy, resulting in a positive impact on democratization.

This research combines the analysis of primary and secondary sources: A significant amount of information on policy-making is made available by the Brazilian government, as the Presidency's official website[1] provides a comprehensive list of federal legislation. This research incorporates information on provisional measures and builds a primary-source database by date of issuance, validity periods, congressional review activity and policy-areas. The Brazilian Senate website[2] also provides detailed information on the legislative process, including dates of discussion, amending and voting of each statute. Comparing the data from those two sources permits locating inconsistencies in each database and also allows for different perspectives on the same phenomenon. These sources are used for more than statistical purposes: the various relevant statutes[3] are read and analyzed to also provide information on the material changes in policy. Secondary sources are an important part of this research as well. Books and articles from specialized journals, news articles, personal testimonies, and speeches are analyzed to provide the bases underlying the theoretical, factual and material composition of this research.

Historically, Brazil has searched for development strategies focusing on its large internal market and natural resources. The government borrowed massively from foreign banks to fund transportation infrastructure for exporting and industry; as a result, in 1928, Brazil had the largest foreign debt in Latin America with 40 percent of the total region's debt (Fausto, 2002: 165). The debt service became a burden on the government's budget, resulting in a series of debt crises, in 1898, 1910, and the 1930s, each accompanied by its renegotiation rounds imposing more restrictive payment conditions. In the 1950s, the Brazilian economy still depended on a few agricultural exports; at that time, it became clear that simply borrowing to finance development would not suffice. In 1964, a military coup installed an authoritarian regime in Brazil that lasted until 1984. The military government undertook the strategic planning of national industrialization and started again to borrow massively from foreign banks until the late 1970s (Dornbusch, 1989: 7–8). This time, the government-led industrialization project was successful, putting Brazil among the largest industrial economies in the world.

The Brazilian military regime was able to count on the support of the country's economic elite and middle class (Castro, 1993: 188; Frieden, 1991: 97–107) as long as the economy prospered. When a new debt crisis started in 1979, this support was withdrawn as those support groups found little responsiveness to their demands in times of crisis (Maxfield, 1989: 84–86). In spite of some attempts to increase domestic savings (Caixa, 2001)[4], Brazil was still dependent on foreign capital to continue its development, as industry was funded by the government's borrowing and the foreign debt grew greatly after the increases of international oil prices and interest rates.[5] This process is inserted in a larger cycle of borrowing, financial crisis and renegotiation of debt that runs in close parallel with the political transitions and ruptures of the Brazilian 20th century (Frieden, 1991: 95). Also, authoritarian regimes in general have limited options for obtaining legitimacy, and have to resort to performance to gain support; while democracies can usually rely on other sources of support, such as the principles behind the establishment of the democratic regime itself, limits and procedures to governmental action (constitutionalism) and the legitimacy brought by popular election (representation).

The traditional view that associates economic development with democratization does not explain satisfactorily the Brazilian case, as the Brazilian industrialization advanced rapidly during the 1960–70s military regime, when GNP grew significantly, contradicting the mentioned association of economic development with democracy. Perhaps, a more satisfactory explanation lies in the fact that foreign debt is often a source of domestic political conflict, and was a central problem in Latin American politics in the early 1980s (Frieden, 1989: 23); and the 1970s debt crisis indeed led to generalized regime changes in Latin America: according to Drake (1989: 39) Latin America had 13 dictatorships and 7 democracies in the 1970s and 17 democracies and 3 dictatorships in 1989.[6] Drake (1989: 52) and Maxfield (1989: 85) see a causal relation between the economic crisis of the late 1970s and the end of the military regime in Brazil. In fact, even under an authoritarian regime, the political process in Brazil demands the formation and maintenance of broad support bases for governability (Lamounier, 2003: 272), and in the 1980s, a consensus model of democracy (Lijphart, 1984: 31) replaced the growth pact of the previous decades. However, building and maintaining broad majorities in fragmented political systems is a hard task and Brazil is a good example of this: the constant need for consensus in the legislative turns policymaking into a costly and cumbersome process. It was in this environment that the fragile democratizing regime undertook the double duty of resolving a severe fiscal crisis and trying to consolidate democracy in Brazil.

If we take democratization as a process of constructing a democratic regime, it is useful to discuss the Brazilian democratization adopting Huntington's procedural approach. The so-called huntingtonian wave of democratization hit Latin America immediately after the 1970s oil prices shock (Huntington, 1991: 51; Frieden, 1989: 23), and Brazil started its transition to democracy facing also the challenges of overcoming a severe fiscal crisis. This double challenge becomes even more serious when we note, together with Drake (1989) and Maxfield (1989: 76), that the powerful groups that supported the end of the military regimes in 1980s Brazil and Argentina could just as easily have pushed again for a return to authoritarianism if economic conditions had not improved under the new democratizing regime. It was therefore necessary, for the sake of the continuation of the democratic transition, that the state resolved its economic crisis (Sola, 1993: 154). This required tackling the Brazilian government's resilient budgetary deficit, and reforming its finance and expenditures models.

A political regime is the broad institutional framework within which decisions concerning the production and allocation of public resources are made (Cheibub, 1998: 351). Such decisions are also made according to formal and informal procedures which make a pattern that can be perceived over time (Kaufmann, 2003: 5), which is what will be called *Governance*, for the purposes of this study.

Still, in order to make the decisions and implement them, another element is necessary: Governability, which marks the *capacity* of governments to "formulate and implement sound policies and deliver public services" (ibid: 5).

Since the 1970's scholars have noticed the growing difficulty by governments to define and implement policy (Pinzon, 2001). Pecault, cited by Pinzon, says: "Most of the world's governments are experiencing limited spheres of action". Wittrock (1983: 195–196), Grindle (2004: 525–526) and Mayntz (1993) report problems of government deficits and difficulty in expanding and maintaining public programs from the 1970's up to the late 1990's, especially in the areas of regulation, welfare and development (Mayntz, 1993: 9). In this context of increasing constraints to governmental action, Brazil is no exception, as the democratizing regime in the mid –1980s struggled to shape and implement policies to address the country's problems, as will be demonstrated later in this paper.

Democratization in Brazil has struggled with one of the most fragmented party systems in the world (Lamounier, 2003; Mainwaring, 1995; Linz&Stepan, 1996: 167): in this context, policy-making and efficacy is crucially important for the regime's legitimacy. Conscious of such difficulties, the 1988 Constitution[7] adopted *provisional measures* (MPVs, in the Brazilian acronym) as an instrument for the executive to act quickly and efficiently in cases of urgency, when the parliament would not have political conditions to pass needed legislation in a timely fashion. MPVs are a hybrid of decrees and bills issued by the president with immediate force of law. This means that when the president issues an MPV, the relevant social interactions will immediately be governed by the MPV, and before Congressional review, even when there is already legislation on the subject-matter. Noting that MPVs' are a fast and effective instrument for policy-making, it soon became clear that MPVs would gradually become a substitute for the ordinary legislative process, as the Brazilian government faces constant pressure to deliver governance results to keep popular support.

Perhaps, the most dramatic phase of the Brazilian democratization was from the mid–1980s to the mid–1990s, when an intense economic crisis, and the incapacity of the government to solve it, eroded popular support for the regime. The various attempts to tackle the economic crisis by the Brazilian government were implemented with the intensive use of provisional measures as the ordinary law-making process was incapable (unilateral action theory) or unwilling (delegation theory) of shaping and implementing policy (Pereira, 2005). Policy was then implemented via provisional measures, bypassing representative institutions, in the hope that good policy results in macroeconomic management would compensate for the shortcomings in legislative review to policymaking and the authoritarian character of presidential decrees. For this reason, it is important to analyze and clarify the impact of so many provisional measures within the Brazilian democratization process. In fact, one of this study's main objectives is to demonstrate that provisional measures became the primary policy-making instrument used by the executive.

To attain this research's objective, the following questions will be answered:

i. What are the causes for the failure of the attempts by the Brazilian government in solving the debt and budgetary crises and in implementing sound economic policy between 1985 and 1993?

ii. How did provisional measures become the main policy making tool used by the president to implement economic policy in Brazil?

iii. How does the use of provisional measures harm the mechanisms of representation and checks-and-balances in Brazil?

iv. How does the efficiency of provisional measures in the administration of the Brazilian economy promote output legitimacy and political stability in Brazil?

One of the conceptual difficulties to understand and explain the Brazilian democratization is that *democracy* is, perhaps, the most contended and vaguely defined term of political science. Indeed, finding a definition of the term democracy without any qualifications has proven an elusive task and as studies on democracy have advanced, more questions have been posed than problems answered (Parry & Moran, 1994: 10). More useful to this study is the term *democratization*, referring to a process. Democracy is usually understood as the government based on the people's sovereignty.[8] Its primary objective is to serve public interest. In order to do so in a consistent way, a method becomes necessary. Indeed, Schumpeter's definition of democracy focuses on what he calls the *democratic method*: a representative system in which the people vote on individuals who receive the power to decide and implement policy (1950: 69).

This democratic method requires mechanisms to assure popular participation in the political process (elections and representation), also, mechanisms to limit the exercise of power by the elected politicians are necessary to prevent abuse and excessive concentration of power (checks and balances). Guarantees of minimal rights and freedoms to the individuals and social actors (human rights) are also fundamental components of a democracy. Finally, the promotion of the maximum possible prosperity and the wellbeing of individuals and society at large (welfare) is another indispensable function of a democratic government (Smith, 1991: 466–467; Huntington, 1991: 7; Linz&Stepan 1996: Part I; Parry & Moran, 1994: 3–8; Robinson, 1998: 150; Revel, 1993: 3).

Nevertheless, in order to define democratization as a *process*, one needs to define what the goal is. A static definition of a *point to be reached* is historically inconsistent, as even the most advanced polities in building democratic systems did not stop evolving after reaching a certain level of democratization (Parry & Moran, 1994: 11). It may also be useful to find a negative characterization of Brazilian democratization, to describe the Brazilian democratizing system from the perspective of what it lacks instead of what it has, or intends to have: Linz & Stepan point out that Brazil has the most unequal distribution of income and the worst educational and welfare system among a selection of major huntingtonian third-wave countries (1996: 166). These failures to comply with the minimal requisites of a democratic system have brought about a legitimacy crisis to the Brazilian democratizing regime, called by Linz & Stepan a "crisis of political economy of legitimacy".

In this context, according to Kersbergen & Waarden (2004: 156), legitimacy has two dimensions:

I — **Output Legitimacy** refers to the efficacy of policies: whether they deliver the desired goods/services or create the intended benefits to society. When policies are not able "to pursue any kind of collective interest in an authoritative fashion" (Moore, 2001: 2), they may be deemed inadequate and lacking output legitimacy.

II — **Input Legitimacy** refers to the principle and procedure of policy-making, according to the broader set of values adopted in that polity. In a democratic/democratizing state, decisions must be made through minimal standards of accountability and transparency (ibid.). Governments that fail in meeting such standards tend to be perceived as arbitrary, despotic and unaccountable.

Following Schumpeter's and Huntington's procedural definitions of democracy and democratization, this study's theoretical focus is on the input/output legitimacy of Brazilian policy-making. In a context of increasing discontent with the performance of the democratic systems in Latin America, politicians feel pressured to deliver results in macroeconomic administration, increase the general living standards of their constituencies and improve public services (Veloso, 2006: 37): in short, obtain and maintain output legitimacy. This concern with policy efficiency is not new: authoritarian rulers have a keen interest in promoting development within their domains for this makes the ruler herself more powerful (Olson, 1991: 131). Furthermore, tyrants who improve the living conditions and prosperity of their peoples are likely to have their authority and support reinforced (Locke, 1988: §107 and §161). Thus, a benevolent dictator would be preferable to an inefficient democracy. However, Locke further notes that the people's focus on governmental efficiency in promoting welfare allows the ruler to feel increasingly at will to pursue her own interests, tending to act to limit the people's freedoms whenever these clash with her immediate interests (ibid: §166). The answer to this problem is a constitutional system; the institutional framework by which the use and abuse of power can be differentiated (ibid: §162). A constitutional government is thus a more dependable way to promote freedom and welfare in the longer term (Kleinerman, 2007: 209).

The legitimacy brought by policy efficiency can support despotic governments over time and even promote for very prosperous societies. However, in the longer term, lack of controls on the actions of a ruler exposes the whole polity to the risk of abuse of power and deterioration of the people's liberty. A consolidating democracy such as Brazil's provides us the opportunity to verify that statement, for there the president has been allowed extensive policy-setting powers with limited control by the legislative. As the policies implemented in a discretionary fashion prove effective and beneficial to the people, the president feels more at ease to exercise her prerogative powers, which, in the longer term, may endanger democratic consolidation.

1. Institution-Building and Policy Inefficiency in Brazil (1985–1993)

In order to understand the context in which the Brazilian process of democratization started and took place, it is necessary to look into the character of the previous authoritarian regime and some aspects of the Brazilian political culture:

The Brazilian military regime (1964–1985) was a teleological regime whose purpose was the Brazilian industrialization ― the 1964 coup which started the dictatorial regime was supported by the middle class and national leaders of industry and trade: as long as the government could provide conditions for strong and continued economic growth, it did not matter how authoritarian the regime was. In the Brazilian political culture, expectations on policy efficiency are concentrated in the president's ability to promote economic growth (Amorim Neto, 2006: 416). This way, the economical and political realms were interconnected and interdependent, and the military regime was successful in its primary task of articulating and promoting the national project of industrialization. However, by the early 1970s, it was clear that this purpose (industrialization) had been achieved and that there was no more reason to justify the regime's maintenance (Linz & Stepan, 1996: 78). Furthermore, the economic crisis started by the 1970s oil prices shocks contributed to further weaken the military regime. This led to the weakening of the support given by the regime's political support groups (Weyland, 1998: 64).

The first transitional civilian government was inaugurated in 1985: president Sarney was not elected by direct vote, but by an electoral college with three mandates: to manage the elaboration of a new Constitution, promote direct elections, and solve the economic crisis. According to Pang (1989), solving the debt crisis was associated with the continuation of democratization. Also, in Brazil expectations are concentrated in the president's ability to obtain policy results (Amorim Neto, 2006: 416). Thus, the economical and political realms were interconnected and interdependent: economic success was necessary for the continuation of democratization. This can be seen as a renovation of the teleological military regime, only now in a more complex setting. Powerful support groups of the teleological regime who pushed for democratization could just as well defend a return to authoritarianism if the economic situation did not improve (Maxfield, 1989: 88). In this context, the most visible problem in the mid–80s was inflation, which concentrated income, disorganized the economy, and hindered investment. Until the end of the 1970s, transnational companies' investment had helped in the industrialization effort alongside with the state; from the early 1980s, the debt and inflation crisis put an abrupt end to this development cycle with foreign direct investment plummeting and staying low throughout the 1980s (Hiratuka, 2008: 2). Inflation was rooted in the inability of the Brazilian state to solve its fiscal imbalances. The Sarney administration launched in 1986 its stabilization plan, with the aim to control inflation through price freezes and generalized wage raises. However, the so-called *Cruzado Plan* failed to address the deeper causes of economical instability;

that is, central government's budgetary imbalances and debt. The plan was a total failure, with inflation quickly coming back and exceeding its pre-1986 levels.

By 1988, direct presidential elections had not been held, and the economic crisis was worsening. Only one of the three tasks of the democratizing regime had been accomplished: a new constitution. Moreover, besides debilitating the presidency, the failure of the Cruzado Plan almost brought the Brazilian economy to collapse (Pang, 1989: 134-135). At this point, the incapacity of the government to solve the economical crisis, and the resulting political instability, posed a threat to the continuation of democratization; according to Cardoso (2006: 168):

> Even though President Sarney did his best to defend democracy [...], his government still ran into one disaster after another. In 1988, after his plan to introduce a new currency failed, [...] Brazil went though three different currencies in five years. [...] By January 1989, a poll in Rio and São Paulo showed that 70% of the population had "no confidence" in their government. And who could blame them?

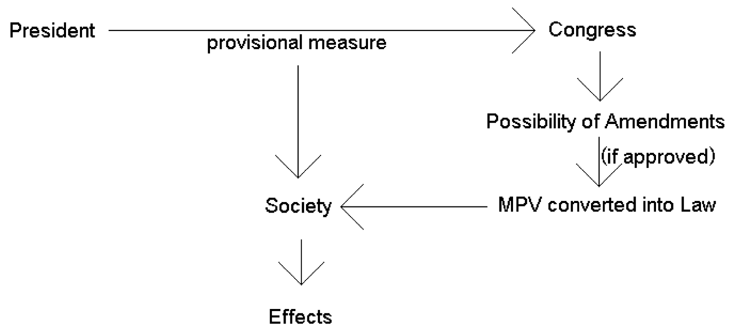
With president Mello's election in 1989, two of the three mandates of the civilian regime had been accomplished. However, the government's fiscal imbalances and inflation were still far from solved. President Mello's plan lowered inflation from a monthly rate of 82% in 1990 to 23% in 1992 (Sola, 1993: 151). However, again, it failed to tackle the underlying cause of inflation: the government's chronic fiscal imbalance. Even the political advances, such as the 1988 Constitution, added new hurdles to Brazil's economic difficulties. The liberalization of the military regime and the democratization process were partly undertaken by an extensive fiscal decentralization; the Constitution significantly transferred control over the budget from the central government to state-level administration. This reduced even more the federal governmen's capacity to pay its inflation-generating debt. The result was a chronic fiscal imbalance as states and municipalities spent too much with little legislative and judiciary oversight (Samuels & Mainwaring, 2004: 95-96). This forced the government to finance itself by issuing bonds or simply printing more money. Furthermore, the election of president Mello was followed by his inability to secure a governing majority in Congress and, eventually, by his impeachment for corruption. This cast even more doubts upon the viability of democracy in Brazil.

In summary, the Brazilian two (1985-1993) administrations could not obtain support in Congress to manage the pubic finances and tackle the fiscal and debt crisis. Thus, the executive was forced to rely upon presidential decrees to implement its desired policies. This had a negative impact on institution building towards democratization. Even when implemented by decree-laws and provisional measures, their policies were ineffective for stabilizing the economy. In this way, the use of provisional measures in the Sarney and Mello administrations accumulated negative input and output legitimacy. In spite of some advances in the democratization process, this was the most visible weakness, as it seemed to be a continuation of the policymaking procedures from the military regime.

2. The Use of Provisional Measures in the Failed Attempts of Economic Stabilization

The Brazilian Congress during the military regime was a facade institution with members appointed by the military and approved, *pro forma*, by an electoral college; in other words, the president legislated by decree. In the gradual opening of the Brazilian democratization, the 1988 constituent power acknowledged that for governability reasons, it would not be possible do rule out decrees-laws instantly. In spite of the authoritarian character of decree-laws, the 1988 Constitution recreated them under the name of provisional measures (MPV, in the Brazilian acronym), which are presidential decrees with immediate force of law, intended to be used in cases of urgency *and* relevance (art. 62). After issuance, MPVs are sent for Congressional appreciation, as an ordinary bill. Even while an MPV receives amendments to its text during its Congressional processing, its non-amended text is already generating effects in the social interactions it governs:

Figure 1 Provisional Measures According to the Original Article 62



According to the original wording of article 62 of the 1988 Constitution, Congress had 30 days to deliberate on each provisional measure, by approving it ipsi literis, amending and approving it, or rejecting it. If rejected, or not deliberated upon by Congress in 30 days, the MPV's effects are annulled, and Congress will regulate the interactions that took place in its period of validity. In this case, nothing in the Constitution's original text prevented the President to re-issue the same MPV repeatedly. This practice quickly became frequent as Congress, flooded with more MPVs than it could process, just left most MPVs to expire without properly processing them. A total of 6012 provisional measures were issued from the enactment of the 1988 Constitution until September 2001 (almost 1.3 decrees each day), 503 of them were original decrees (one new decree every 10 days). The difference of 5509 decrees refers to re-issuances of provisional measures not processed in their allowed 30 days. Considering roughly one month of enforcement to each provisional measure, this means that until

September 2001, each original provisional measure was enforced before congressional deliberation on their subject matter for an average of 11.95 months, or almost one year.[9]

The Brazilian civil society soon started reacting to this intense and systematic use of provisional measures to the point that, in September 2001, Constitutional Amendment 32 enacted new rules for the adoption and processing of MPVs. In order to limit the discretion given to the President, material limitations were introduced. Also, according to the new rules, once an MPV is published, Congress has 60 days to discuss and vote it, this deadline can be extended once, making a maximum 120-day validity period with no re-issuance. In the case that the Congress takes more than 45 days to process a provisional measure, it should be given priority and be voted before anything else, including bills. This happens fairly often and is called *Obstrução de Pauta* (schedule gridlock).

Table 1 Provisional Measures per Year, 1988–2000

Year	Incumbent President	Provisional Measures	Per year
1988–1989	Sarney	118	59
1990–1992	Collor	184	61.33
1992–1993	Franco	511	255.5
1994–2000	Cardoso	4951	825.16

Source: Lamounier, 2003: 281.

From September 2001 when the new rules were enacted to August 31st, 2009, 2700 provisional measures were issued by the executive, in an average of 0.16 decrees per day or roughly one provisional measure every ten days, not much of a change from the previous rules. Taking in account that it takes congress an average of 111 days to process one provisional measure[10], it is not difficult to note that the number of provisional measures is such (Table 1) that the schedule gridlock systematically delays the discussion and voting of other issues. According to Arlindo Chinaglia (Lourenço & Chagas, 2007), the Brazilian Congress spent five months in 2006 in this situation. Thus, the legislative agenda is controlled by the President, and in the case Congress decides to just wait for the end of the period between the 45th and 60th day, other MPVs come to their 45th day before the older ones reach their 60th day, keeping Congressional schedule systemically gridlocked. This hinders Congress' control over policy-making, and provisional measures become even more necessary. With the continuity between decree-laws and provisional measures, decision-making in Brazil has traditionally been an "elitist and exclusionary" process (Sola, 1993: 151), where policies are devised with little transparency and accountability to economic actors and society.

Beside these problems, provisional measures were used to implement a series of five failed economic stabilization plans with constant and sudden changes in economic regulation:

Furthermore, as could be seen in Table 1, provisional measures have been used with increasing

Table 2 Failed Attempts to Sound Macroeconomic Policy in Brazil 1985–1992

Stabilization Plan	Implementation	Comments
Cruzado (1986)	Decree-law 2,283 (Feb. 27th, 1986) Decree-law 2,284 (Mar. 10th, 1986)	Implemented prices and wages freezes, and created a new currency: the Cruzado (Cz$) to replace the old, inflation-battled Cruzeiro (Cr$).
Bresser (1987)	Decree-law 2,335 (Jun. 10th, 1987)	New freezes on prices and wages. According to the minister of finance, controls on governmental expenditures were not implemented due to difficulties in passing necessary legislation on the budget though Congress (Pereira, 2007).
Verão (1989)	Provisional measure 32 (Jan. 15th, 1989)	Third stabilization attempt during the Sarney administration. New prices and wages freeze. A new currency: Cruzado Novo (NCz$). Also reduced interests on savings in an attempt to hold the monetary expansion, damaging small savers.
Collor I(1990)	Provisional measures 168, 171 and 172 (Mar. 16th, 1990); Provisional measure 174 Collor II(1991) (Mar. 23rd, 1990)	Another currency, the Cruzeiro (Cr$). Once more, freezes on prices and wages. It also imposed a surprise freeze on all savings deposits for eighteen months (MPV 168/1990, art. 6, §1) to reduce the economy's monetary base. Failed again in tackling the governmental fiscal imbalances and was also announced by surprise (Carvalho, 2006).
Collor II(1991)	Provisional measures 294 and 295 (Jan. 31st, 1991)	This plan did not create a new currency, but again froze wages and prices. Inflation at the end of 1991 and 1992 was 440 percent and 1,000 percent respectively, as this plan failed again to balance the government's fiscal deficits.

As Table 3 indicates, all those plans failed to implement a solid macroeconomic and monetary policy in Brazil. In addition to that, they plans share a number of common traits, as:

(a) Use of decree-laws or provisional measures to implement policy with little transparency;
(b) Adoption of heterodox measures such as price freezes, which were ineffective and discouraged production;
(c) Lack of effort to balance the budget;
(d) Surprise-effect used in all attempts to block savings.

Table 3 Selected Macroeconomic Indicators for Brazil

Year	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Inflation (%)	98.1	142.0	196.7	226.9	145.3	229.7	682.3	1287.0	2938.0	440.8	1000.0
Foreign Debt (US$ billion)	92.9	98.4	105.4	106.1	113.7	123.9	115.7	111.4	116.4	116.5	120.7

Source: Adapted from Smith, Acuña&Gamarra, 1993.

frequency by the president. Although provisional measures are a fast and simple way to implement policy, the inefficacy of the policies during the Sarney and Mello administrations (1985–1992) indicate that provisional measures alone cannot guarantee efficacy. At the same time that their frequent use is potentially harmful to input legitimacy, the beneficial effects to output legitimacy may sometimes not materialize. Similarly, to authoritarian regimes that can only obtain legitimacy by results, the use of presidential decrees is beneficial only when policy is effective. However, Lamounier (2003: 280–281) denies that this increasing usage of MPVs is evidence of congressional passivity, but points out that the Brazilian National Congress "lacks staff, information, and expertise to assess policy decision in a timely fashion" therefore allowing the Executive to re-issue MPVs systematically. Also, Pereira et al. (2005) agree that congressional passivity may be just apparent as congressmen may be also interested in transferring policymaking functions to the executive. However, in the failed attempts of economic stabilization exposed above, the lack of transparency and frequent policy shifts harmed the image of the government in the eyes of the population, who could not plan investment, savings or expand production. As a result, by early 1993, Brazil was in recession and hyperinflation. The Senate had recently impeached a president, and inaugurated an obscure vice-president. The prospects of democratization and institution-building did not look so bright. Furthermore, the inefficiency of provisional measures to address the inflationary and debt crises, as exposed above, harmed the output legitimacy of the regime: As the political scenario in Latin America improved with more countries advancing in democratization, the performance of governments in implementing efficient policy took priority to political stability (Carey, 2003: 11–12). The rejection of presidents removed from office between 1990 and 1999 is strictly related to the incapacity of the early democratizing governments to manage the national economies efficiently. In this context, as policy efficiency became more important than political stability, the process of democratic consolidation in Brazil would have to present a minimum level of policy efficiency if it was to continue. Obviously, the hypothesis of a Brazilian regression to authoritarianism if inflation had not been reduced in the mid–1990s cannot be verified, because its premise did not occur. Nevertheless, at that point, the risk to democratization was real and clear.

3. The Effective Use of Provisional Measures for Solving Economic Problems

As noted in the previous section, it was necessary for the government to resolve the hyperinflation and budgetary crisis for the sake of the continuation of the democratization process. With the impeachment of president Mello, vice-president Franco took office in October 1992, and inflation was to reach 1000% that year. The economical crisis was adding to the political fragility. In the words of Cardoso (2006: 175):

> The causes of inflation were so complicated and ingrained in the Brazilian economy－and it's culture－that it was tempting to just give up. [...]Prices were climbing so fast that he justifiably feared that, one day, Brazilian money would loose its value entirely. All of us had nightmares about people running around with suitcases full of worthless cash. This would cause unimaginable riots and social unrest.

The previous failed economic stabilization plans left economic actors and citizens weary of governmental policies, but also made it clear that the budgetary imbalance was the main problem that had to be resolved (Cardoso, 2006: 180). However, as mentioned above, the 1988 Constitution puts significant constraints on the executive's capacity to manage the federal budget. by establishing fixed expenditures for the Federal Government, and leaving the president little discretion on resource allocation (Dias, 2008: 20). Furthermore, the president could not count on Congress's support to rationalize the budget. In fact, the stronger Congress was politically, the less the president could count on its cooperation on policy-making; as Cardoso states (1997: 245):

> The inflation problem could only be resolved in a moment of political fragility. Only in a context of political fragility could the ministry of finance acquire the powers necessary to take the tough measures needed to contain the advance of inflation. Congress was at that point weakened: there, naturally, the local interests are rooted, and the compound of those local interests was not favorable to the end of hyperinflation.

The economical and political realms were thus deeply interconnected. High inflation was caused by the debt crisis of the military regime, but hyperinflation developed after the budgetary hardening imposed by the 1988 Constitution. The aggravation of the hyperinflation crisis put an extra strain on the democratization process. By 1993, another stabilization plan was devised, by which the first step to fight inflation was to balance the budget. According to Cardoso (2006: 180), the estimated budgetary deficit in 1994 amounted to US$ 20 billion, out of a total budget of US$ 90 billion. The main strategy used to administer such drastic spending cuts was to obtain a temporary waiver to the rigid constitutional budgetary regime (Dias, 2008: 20). The *Social Emergency Fund*, later renamed *Disvinculation of the Revenues of the Union* (DRU), was devised to be such a mechanism allowing part of the government's tax revenues not to be spent according to Constitutional assignment.

Provisional measures, as powerful as they may be, cannot overrule the Constitution and in order to overcome constitutionally fixed expenditures, the DRU had to be implemented via constitutional amendment. Even though fighting hyperinflation was perceived as a national priority, it would prove hard to convince Congressmen to give up on regular Constitutional fund transfers to their states; the proposed DRU meant asking Congress ceding some US$ 15 billion to the discretion of the finance ministry (Cardoso, 2006: 187). The remaining US$ 5 billion were reduced from the budget by other legal means, mostly provisional measures. This was the first step taken to re-balance the budget.

The second step to achieve inflationary normalcy was the creation of a new currency, which was intended to be let to devaluate for some time: this was done by MPV 336 (July 27th, 1993). Another currency, the Real (R$), was to be created later, when inflation had been put under control. However, as previous experience showed, simply creating one new currency would not suffice — the transition from a weak currency to a strong one had to be smooth. According to Cardoso (2006: 187), "At its simplest level, we needed a mechanism to slow down from 3,000% inflation to 3% [...] the public had to see that prices were leveling out over time before they would believe in any new currency". This mechanism was implemented by MPV 434 and was called the Unit of Real Value (URV): all prices were to be set on both Cruzeiros Reais (CR$) and in URVs. As inflation was very high, and prices changed every day, the labels in URVs would remain stable, since URV's value was reset daily. Although implemented via provisional measures, the government made efforts to explain each element of the plan to the population before its was implemented, and thus there was no surprise to the population this time (Cardoso, 1997: 243): The future currency, the Real had already been mentioned in MPV 434, four months before the end of the URV. By force of provisional measure 542, the Real finally became the only national currency as of July 1st, 1994.

The above-mentioned policies taken during this period seem rather complicated and do not look effective enough to solve the prolonged economic problems for most observers of Brazilian politics and economy. However, the Brazilian people and economic actors were used to yearly inflation figures above the thousands; dealing with two references of value one a stable reference and the other, a fastly devaluating currency, while the government visibly tried to balance its budget, was really no challenge. Despite all efforts of transparency in policymaking and popular cooperation, implementing this stabilization plan using provisional measures was a risky strategy: Both MPVs 434 and 542 were not reviewed and approved by Congress in time, requiring multiple re-issuances. Had the president been unable, for any reason, to renew the MPVs after thirty days, Brazil would go, overnight, from having two currencies to having none. The whole policy could have crumbled before it had even time to be completely implemented.

In summary, from the three major fronts of the economic stabilization policy, two were implemented by provisional measures: (1) Balancing the Government's budget — Constitutional amendments (DRU); (2) Slowing down inflation — MPVs 336/1993, and 434/1994; and (3) Creating a new, strong currency — MPV 542/1994. However, even the DRU's implementation by constitutional amendment does not necessarily reflect a strategic choice by the president: Had the president other strategic options, how would have he chosen to implement the DRU? The data collected by this research from the presidency website indicates that during the implementation of the Real Plan, provisional measures were the president's preferred means to alter the budget (Chart 1). In comparison, the number of regular bills proposed by the president between 1994 and 2008 was zero in almost all the years of the available series (one bill in 2002, as can be seen in Chart 2). By comparing charts 1 and 2, we can note that whenever the president could choose, provisional measures have been, by far, the preferred budget-changing strategy.

Chart 1 Provisional measures Changing Federal Budget by Year

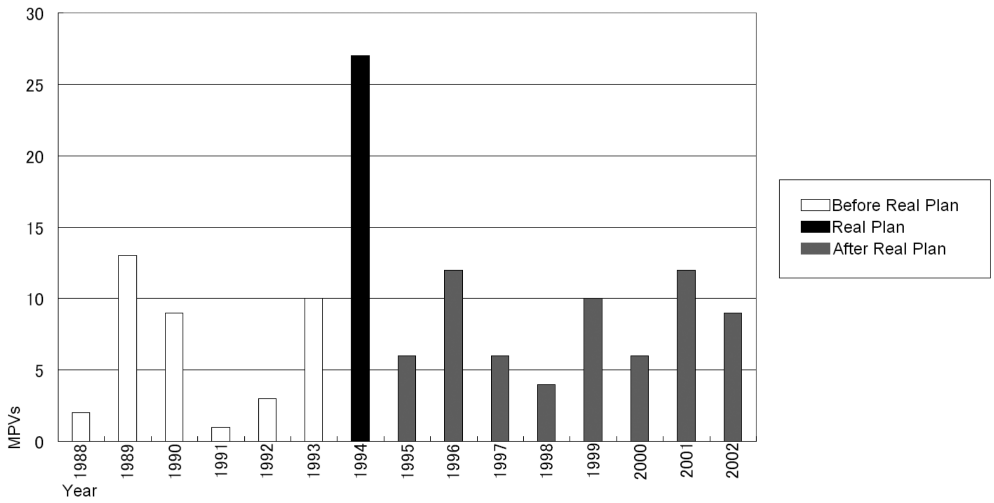
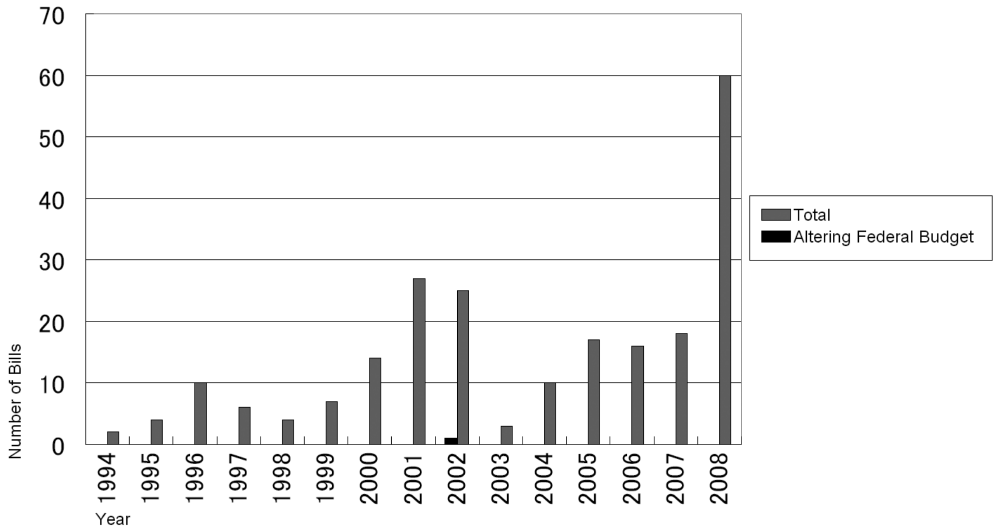


Chart 2 Bill Proposals by the Executive by Year 1994–2008

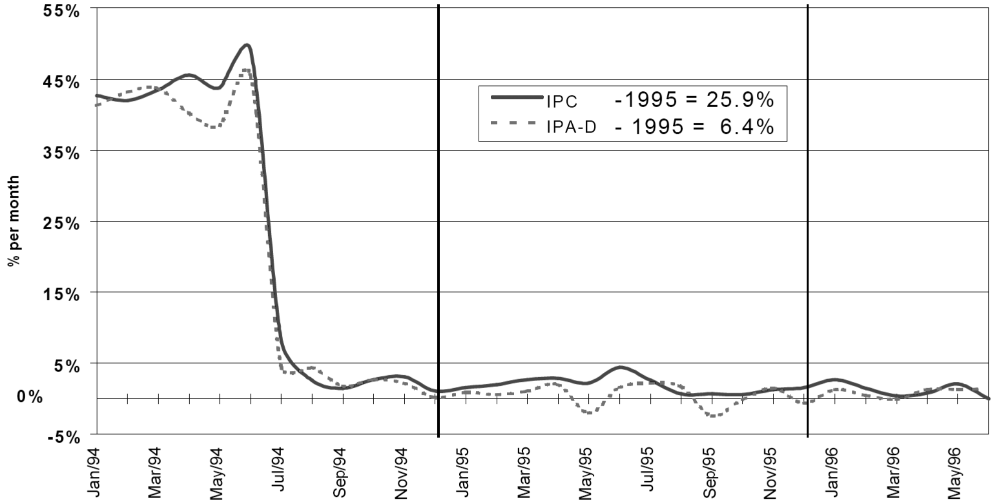


The use of provisional measures between 1988 and 2002 shows that the Presidency has consistently changed the budget before Congressional review. The use of MPVs in the first year of the Real plan indicates their impact on the Brazilian representation system. This weakens the system of checks-and-balances and democratization, as one characteristic feature of democracies is the control that legislatures exercise over taxation and budgets (Cheibub, 1998: 351; Bobbitt, 2007: 49).

However, in spite of its poor procedural adequacy, the Real plan was an immediate success. As Chart 3 shows, inflation rates ceded instantly after the implementation of the plan:

Even in light of such resounding success, the resulting output legitimacy is outset by a serious harm to the input legitimacy, as budget is one of the most sensitive policy areas for representation.

Chart 3 Monthly Price Inflation to consumers (IPC) and wholesale (IPA-D)

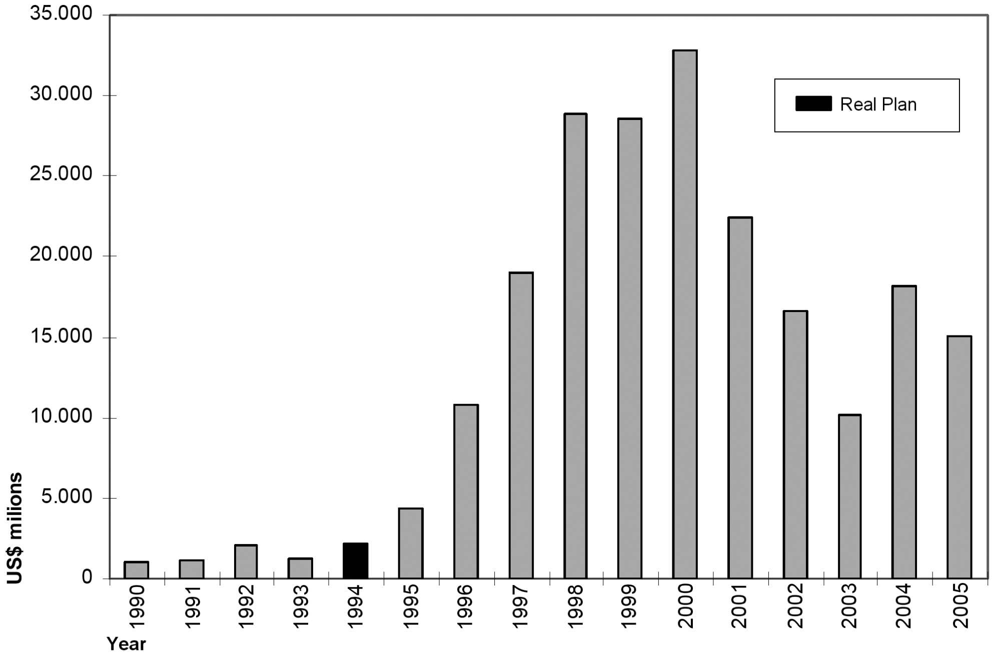


Source: Brazil Central Bank in Bacha (1997)

4. Economic Stabilization and Democratization: A new perspective

The immediate reduction of inflation and the new fiscal balance achieved by the Real plan indicate provisional measures' efficacy as policy-making tools. The benefits of the stabilization of the Brazilian economy go beyond the economical realm and have permitted the continuity of democratization, as the economic stability and economic progress that followed, alleviated the pressure on the president and the democratizing regime as a whole. This has also permitted Brazil to continue its project of national development. A quick look at some recent economic indicators for Brazil will show a much stronger economy with growing GNP, exports, investment, and decreasing unemployment, foreign debt, and inflation (Wilson & Purushothaman, 2003). Neri (2008: 29) also reports a significant decrease in income concentration in recent years with the middle class making more than half (51.89%) of the Brazilian population for the first time in history. Foreign direct investment grew strongly and stayed high right after the adoption of the plan (Hiratuka, 2008: 2), as can be seen in Chart 4. These achievements in the economic realm have increased the Brazilian democratizing regime's output legitimacy and reinforced the authority of the democratizing regime.

Chart 4 Brazil Inward Foreign Direct Inresment 1990–2005 USS millions

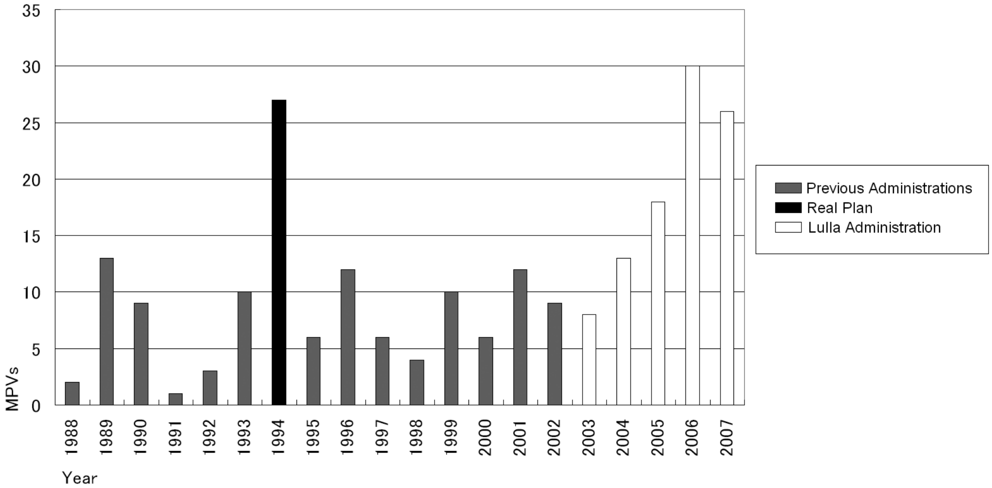


Source: Hiratuka, 2008: 3

On the other hand, from an input legitimacy perspective, the data collected by this research show that the use of provisional measures to implement policy in Brazil has posed a constant and increasing threat to checks-and-balances and representation. Particularly from the beginning of the Lulla administration, there has been a new surge of budget-changing MPVs, which point to a new trend of increasing executive control on the budget.

This new tightening of budgetary control by the head of the Executive is a clear indication of the risks already mentioned in this paper to democratization in the long term that provisional measures may pose, as fiscal administration is a particularly important and sensitive point of the governing process. According to Schumpeter (1991: 101), "the spirit of a people, its cultural level, its social structure, the deeds its policy may prepare — all this is written in its fiscal history. [...] He who knows how to listen to its message here discerns the thunder of world history more clearly than anywhere else." In a democratic regime, taxation and governmental spending is must be jealously controlled by the legislative, in order to avoid abuse by the authorities who actually collect and spend the money: "No taxation without representation".[11] For democratizing states this principle is even more important, as one of the most difficult tasks is to reshape attitudes to support and strengthen democratic practices (Parry & Moran, 1994: 11). This increasing use of MPVs to change the federal budget is a clear indication of where (concentration of legislative power in the hands of the president) a new attitude by the political elite in the country needs to be developed.

Chart 5 Provisional measures Changing Federal Budget Year 1988–2007



Conclusion

This paper reviewed the process of democratization in Brazil, constrained by fierce economic crises and the attempts to overcome them. This was done under the light of the bipartite legitimacy theory, which divides legitimacy in input and output legitimacy (Kersbergen & Waarden, 2004: 156). Regarding its output legitimacy, the Brazilian democratization started and evolved together with the debt and economic crisis of the 1980s–1990s, which placed an extra strain on the fragile civilian governments; the poor performance by the first civilian administrations to manage the fiscal and inflationary crises of the 1980–90s put at risk the democratization process. Provisional measures became the favorite instrument for policymaking by the president, especially in the area of taxation and budget control. Provisional measures must be used, under the constitutional allowance, in cases of relevance *and* urgency. Just relevance, or just urgency are not enough, there must be both. The sheer amount and frequency that provisional measures have been adopted by the president indicate that this constitutionally granted discretion has been abused.

Thus, the authoritarian character and policy inefficiency of provisional measures to address the fiscal and inflationary crises of Brazil caused harm to both input and output types of legitimacy that could have been fatal to the continuation of democratization. The mains cause for the government's inability to solve the inflationary crisis was rooted at the 1988 Constitution, which set a rigid expenditure scheme, leaving little space for the Executive to adjust the budget. The strategy adopted was then to propose to Congress a *temporary* waiver from the constitutional constraints to fiscal administration. To date, the DRU was approved and has been renewed to the date of writing. Furthermore, a new currency was created to be left to depreciation, while a second currency was intended to keep its real value. In order to implement its stabilization plan, the executive used two policy-making instruments to: The first was a constitutional amendment that was used to obtain the expenditure waiver mentioned above. However, the second of such instruments were the provisional measures, which were used to implement every other elements of the Real Plan, making them the president's preferred policy-making tool as this study has demonstrated though the stark contrast between the number of regular bills proposed by the president and provisional measures to alter the federal budget, in an indication that MPVs were indeed the primary tool used by the president to implement policy.

The most obvious problem with provisional measures is their force of law before Congressional review. This was granted by the Constitution to be used in cases of *relevance and urgency*. The accumulation of provisional measures and their systematic use to alter and execute the federal budget feore congressional review and approval reduces the legitimacy brought by representation to the democratizing regime, and puts the Brazilian state in a situation similar to that of authoritarianisms which need to obtain legitimacy and support mostly though policy efficiency.

Provisional measures were fundamental policy-making tools for resolving perhaps the gravest challenge faced by the Brazilian democratizing regime: chronic hyperinflation. Although this cannot be historically demonstrated, as the weakening of the regime's legitimacy and support pointed out by Cardozo (2006: 168, quoted above), was interrupted by the success of the Real Plan, the risks to the continuation of the democratizing regime were clear (Drake, 1989; Maxfield, 1989: 76 and 88; Sola, 1993: 154) and the popular support and output legitimacy brought by the success of the plan relieved the pressures on the regime for policy efficiency. Thus, provisional measures have had an ambiguous character: at the same time as they are a distortion and a threat to democratic representative mechanisms, they can also bring legitimacy to the regime, at least in the one case examined in this study.

This ambiguous effect of provisional measures, and for their central place in Brazilian policy-making, MPVs have attracted both defenders, praising their efficiency (Szklarowsky, 1991, 2003) and critics attacking the concentration of policy-making powers in the hands of the president (Lourenço & Chagas, 2007; Braga, 2007). This literature, however, lacks an integrated view of the impacts on legitimacy. This study thus proposes a broader view, encompassing both the MPVs' input and output legitimacy effects.

In summary, this study's proposes the following further inquiries: one is a broader view on provisional measures, as instruments that have allowed the implementation of efficient policies under severe Constitutional constraints and as a threat to the Brazilian representative system. The other is that a Constitutional reform to give both the president and Congress better policy-making instruments. This would allow for significant improvements in both input and output legitimacy.

Accessing the adequacy and legitimacy of the extensive and growing use of provisional measures to alter policy approved by the legislative (ref. table 3 and charts 1,2 and 5) should go beyond the strict letter of the 1988 Constitution and reach the deeper level of the purposes and intention of the constituent power when this prerogative was granted to the president: provisional measures are in fact reviewed by congress, which can reject, alter or approve them. Civil society organizations also have opportunities to oppose and challenge them. However, provisional measures' danger to input legitimacy lays in the fact that they enjoy force of law from the moment of their issuance by the president. In fiscal matters, by the time congress has the time to analyze the contents of a provisional measure and deliberate on it, resources from the federal budget may already have been irreversibly spent by the executive under the authority of the provisional measure. Furthermore, provisional measures were intended by the constitution to be used in cases of "relevance and urgency" (art. 62). There must be relevance *and* urgency to the situation ruled by the provisional measure. In this respect, the frequency and scale that the president has resorted to this legislative tool indicates that either Brazil has faced a relevant and urgent emergency requiring exception executive powers every three days, or provisional measures have been abused by the chief of the executive. This is especially evident in the case study on the Real Plan, as hyperinflation has been dealt with and federal control over the budget has been reestablished for 15 years at the date of writing. This crisis is simply not urgent anymore so that to justify the continuation and even the increase of the number of provisional measures altering the federal budget.

This study should not be perceived as a justification for the use of provisional measures in lieu of ordinary policymaking mechanisms, for the benefits in the shorter term of economical and political stability may be offset by the damage done to the Brazilian democratic representation. The success story of the Plano Real happened when the executive was under great pressure to resolve a national crisis and also under great constraints to act efficiently on it, if was not for provisional measures. It is necessary for the Brazilian democratizing regime to rearrange its balance of powers, giving the executive ways of implementing policies under the cooperation and control of Congress. The rigidity of the Constitution should not prevent the president and congress from allocating resources efficiently; with more flexible rules, provisional measures would become less necessary for balancing the budget thus allowing the fiscal policy to be designed by the executive, adapted, controlled and approved by the legislative and implemented by the executive. Provisional measures could then be used as intended by the constitution: as an exceptional and provisory instrument for exceptional and urgent occasions.

Notes

1 URL(as of 2009/08/12): http://www.presidencia.gov.br/legislacao/

2 URL(as of 2009/08/12): http://www.senado.gov.br/sf/atividade/default.asp

3 Diário Oficial da União. URL(as of 2009/08/12): http://portal.in.gov.br/in

4 Caixa Economica Federal. 2001. *Breve Histórico do FGTS.* URL(as of 2009/08/12): http://www1.caixa.gov.br/canalfgts/pdf/HistoricoFGTS.pdf

5 Interest rates on the debt rose from their 2.5% average in 1968–1978 to 4% in 1979, 6% in 1980, 9% in 1981, and 14% in 1982. (Frieden, 1991)

6 The criteria used to classify a regime used by Drake seem to be loose and imprecise. Drake himself argued that classifying regimes as diverse in space and time as the ones in twentieth-century Latin America was in itself a troublesome task. Nevertheless, to the knowledgeable observer of Latin American politics, his results seem to be consistent with reality.

7 For authoritative accounts of the Brazilian process of democratic transition, Linz & Stepan, 1996 Chapter 11; Skidmore, 1989 and Lamounier, 1989; in Stepan(ed.), 1989.

8 Abraham Lincoln. *The Gettysburg Address.* Library of Congress. URL(as of 2009/08/12): http://www.loc.gov/exhibits/gadd/gadrft.html

9 Data collected and processed by this research from public records on provisional measures between October 5th, 1988 and September 11th, 2001. Sources: same as in notes 5 and 6

10 Data collected and processed by this research from public records on provisional measures between September 11th, 2001 and August 31st, 2009. Sources: same as in notes 5 and 6

11 This expression was first coined by Reverend Jonathan Mayhew in a sermon in Boston in 1750 and later adopted as a slogan to the American Revolution. The slogan became a constitutional principle demanding legislative review and control over tax collecting and public spending, as can be seen in James Otis' The Rights of the British Colonies Asserted and Proved (1764). URL(as of 2009/08/12): http://www.harrietbeecherstowecenter.org/stowedocuments/James_Otis.pdf

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