THE BRAZILIAN ECONOMY IN NEOLIBERALISM: PROFIT RATE AND INSTITUTIONAL CHANGE

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Introduction

In the last seventy years, Brazil has gone through two different phases in terms of economic growth. Firstly, during the developmentalism between 1950 and 1980, Brazil was one of the most dynamic economies worldwide. The Gross Domestic Product growth rate was above 7% per year. Between the end of the Second World War and 1980, growth was fuelled by the industrial sector in a framework of industrialization by import substitution. The erosion of that process started in 1973 with the end of the golden age of capitalism. There was a decline in the profit rate in the Brazilian economy.

Secondly, from 1980 to 2020, growth was slightly above 2%, a staggering decline of 5% per year. The phase can be further divided into four sub-periods. Firstly, from 1980 to 1989, when the economy was characterized by stagnation and rising inflation, there was a transition with the gradual abandonment of industrialization by import substitution. Secondly, between 1989 and 2002 when the economy adopted the neoliberal model. The most significant changes were the opening of the trade and financial accounts, the control of inflation in 1994 with the Real Plan, the privatization, the reduction of the state's role in economic activity, and the inflation targeting regime in 1999. Thirdly, between 2003 and 2014, Brazil carried out policies that combined developmental and neoliberal elements. The rising demand for commodities in global markets opened the possibility of gradually implementing an economic policy that promoted economic growth and rising wages. The Brazilian economy expanded by 3.4% annually. Fourthly, in the 2015-2020 timeframe, there was a total return to neoliberalism following the soft coup in 2016. With the new round of neoliberal reforms and the effects of Covid 19, the GDP in 2019 was 6.4% lower than in 2014.

The adoption of neoliberal reforms, according to its proponents, should have brought a new phase of sustained growth. Many of the institutional changes in the 1990s were based on the so-called Washington Consensus. These were associated with changing the state's role in the economy, flexibilization of markets, liberalization, privatization, and international integration. Allegedly, by adopting this set of reforms, the Brazilian economy should have been able to participate in the globalization process, receiving a flow of international resources capable of raising investments. This should have promoted technological modernization, allowing the country to capture the gains associated with the third industrial revolution. The Brazilian companies would have adapted to the new environment through competition, increasing their productive efficiency.

The structural crises of capitalism and the institutional and ideological changes of the world economy are crucial ingredients in analyzing the Brazilian economy in the last seven decades. Brazil occupies a subordinate role in the world capitalist economy as a late industrializing country. Technical and institutional changes are generated in developed capitalist countries, particularly in the United States. Brazil reproduces these changes with a time delay.

The proposal to embark on neoliberal reforms reflects the movements in England and the United States. The Golden Age crisis resulted from the falling profit rate. The latter provoked the reaction of capitalist sectors and changed the political framework, leading to the electoral victory of Margaret Thatcher in 1979 and Ronald Reagan in 1980. These political forces carried out conservative institutional changes that greatly favored finance capital. As these changes solidified, the social sectors that benefited from them became hegemonic, consolidating the essential elements of neoliberalism in advanced capitalist countries. The bargaining power of the working class declined markedly, making it possible to raise labor productivity in a labor market that was increasingly free from regulation and with low capital accumulation.

This article investigates the economic performance of the Brazilian economy in neoliberal capitalism, looking at the profit rate and its components: technical change, income distribution, and capacity utilization. However, it is necessary to understand the essential elements that configured the crisis of the Golden Age and the response to this crisis in Brazil. Crucial changes in institutions, in the pattern of technical change, in the income distribution took place then. Understanding these changes is pivotal in comprehending the great Brazilian stagnation that has occurred since the 1980s.

The article proceeds as follows. The following section addresses the calculation of the profit rate and its components in the classical-Marxian tradition. Section 3 briefly presents the growth of the Brazilian economy in the 1950-2020 period. Section 4 describes the evolution of the profit rate and its components. Section 5 explores the relationship between profit rate and capital accumulation. Finally, section 6 summarizes our findings.

The profit rate and its components

The goal of production and investment in the capitalist society is to produce profits. Profitability is the driving force of capitalism. The decline in profit rate reduces the expectation of profits, which tends to diminish investment and capital accumulation. A lower investment rate reduces the levels of production and employment. Economic policy may raise investment and capital accumulation in the short term. However, in the context of a falling profit rate, both investment and capital accumulation will fall in the medium and long term.

As suggested by Weisskopf (1979), the path of the profit rate can be explained by three factors which, in the Marxian perspective, are related to different sources of capitalist crisis. The first is the decline in the profit share due to the higher bargaining power of workers. A profit squeeze occurs when wages rise faster than labor productivity for economic and political reasons. The second is the fall in potential productivity of capital due to the rising organic composition of capital. This phenomenon, usually associated with technical change, occurs when the price of capital goods rises faster than the price of other goods. The third is the decline in the level of capacity of utilization due to a lack of aggregate demand. However, independent of its source, the fall in the profit rate results in declining investment and capital accumulation and consequently, lower economic growth.

The profit rate is measured by the ratio between the total profits to total advanced capital during a given period. Weisskopf (1979) proposed a decomposition of the profit rate, r, to investigate whether its change in time hinges on the profit share, capacity utilization, u, and the potential productivity capital, ρ. The profit rate is computed as follows:

$$r = \frac{Z}{K} = \frac{Z}{X} * \frac{X^P}{K} * \frac{X}{X^P} = \pi \, \rho \, u,$$

where Z denotes the net profit, K is the net capital stock, X is net output, and X^P is the net potential output.

In the classical-Marxian tradition, the rising organic composition of capital is the primary determinant of the profit rate in the long run. Marx argued that individual capitalists would adopt technical changes that lowered production costs at current levels of real wages; the viable technical changes to obtain "super-profits" by selling their merchandise at prices determined by the higher costs of their less technically advanced competitors. Marx saw this process as a powerful engine of technical change in capitalist production.

The struggle between capitalists and workers over value added, creates a powerful incentive for technical change to follow a labor-saving and capital-using pattern, where the growing use of machinery and equipment replaces human labor. In this view, mechanization is the pattern of technical change in capitalism, with rising labor productivity and falling capital productivity. Foley and Michl (1999) call this type of technological change, Marx-biased technical change. For similar income distribution and capacity utilization, the rate of profit falls if technical progress is Marx-biased. Because of the falling profit rate, capital accumulation and economic growth also decline in the long run.

With the Marx-biased pattern of technical progress, the following trends are predicted: (i) rising labor productivity, falling capital productivity, and increasing capital intensity; (ii) declining rate of profit, with given income distribution and level of capacity utilization; (iii) rising real wages; (iv) falling capital accumulation.

The Brazilian economic growth and the profit rate: 1950-2020

Table 1 presents the Brazilian economic growth during developmentalism and neoliberalism. It is possible to observe the remarkable differences in economic growth between both periods. The sector with the most significant decline in growth is industry, it reached an astonishing 8% annually.

Brazil went through an intense mechanization process during import substitution industrialization in the Golden Age of capitalism. The industrial share reached 44% in 1980. The crisis in the early 1960s resulted in political change, but the military dictatorship maintained the developmentalist model. From 1973 onwards, the structural crisis marked its presence in Brazil with a drop in industrial production growth. Import substitution industrialization began to reveal its limits.

Table 1: The growth rate of GDP and economic sectors in Brazil, 1950-2020

	GDP	Agriculture	Industry	Services
1950-2020	4.4%	3.6%	4.3%	4.5%
1950-1980	7.4%	4.3%	8.9%	7.6%
1950-1973	7.5%	5.4%	12.1%	9.6%
1973-1980	7.0%	4.8%	7.2%	7.9%
1980-2020	2.3%	3.1%	0.9%	2.3%
1980-1989	2.7%	3.2%	1.2%	3.1%
1989-2002	2.4%	3.2%	0.8%	2.0%
2002-2014	3.5%	3.4%	2.6%	3.5%
2014-2020	-1.1%	2.5%	-2.4%	-0.9%

The dictatorship responded to the crisis with an ambitious investment program. The Second National Development Plan, II PND, was conceived in the framework of import substitution industrialization and stimulated capital goods and energy production. The Plan was financed with external indebtedness, and Brazil maintained relatively high growth rates between 1973 and 1980. The cost was a rapidly increasing external debt. This increasing debt put Brazil in a position of increased financial fragility. The adoption of neoliberalism by advanced countries, with the increase in interest rates, was one of the factors of the crisis in the 1980s. The growth rate fell to 2.7% between 1980 and 1989, and the inflation rate reached 1034 % in 1989.

In the 1990s, the Brazilian economy adopted neoliberalism. Many reforms were implemented, such as commercial and financial liberation, the privatization of state companies, and a change in the state's role in the economy. The financial sector benefited from these changes. The renegotiation of the external debt in the context of the Brady Plan, allowed the country to accumulate the foreign reserves to launch the Real Plan in 1994. It successfully reduced the inflation rate, which declined to 8.3% in 1997.

After the reelection of Fernando Henrique Cardoso, Brazil devalued its currency in early 1999, following the path of financial crises in developing countries. In the same year, Brazil adopted an economic policy that combined an inflation targeting regime, primary fiscal surplus, and a floating exchange rate. The high interest rate played a vital role in this arrangement to keep inflation under control and attract international capital. The economic growth between 1990 and 2002 was just 2.4% per year.

The first victory of the Worker's Party occurred in 2002, when President Lula was elected. The neoliberal inefficacy to promote growth and employment played a key role in his election. In the "Letter to the Brazilians" published in July 2002, Lula pointed to the limits of his program to reassure financial sectors that the future government would maintain critical elements of neoliberalism. Once in power, the Workers Party's economic policy combined aspects of both developmental and neoliberal models, in which the circumstances dictated which one would be dominant.

The favorable international environment, the adoption of elements of the developmental state, and social inclusion measures resulted in rising economic growth and falling unemployment. After Lula’s reelection in 2006, there was the launching of the Growth Acceleration Program, PAC. It consisted of a set of public and private investments under the coordination of the minister Dilma Rousseff. The Brazilian state returned to intervening in markets using a developmentalist policy. By the late 2000s, the impression was that Brazil had recovered its growth dynamic. GDP expanded at 4% annually during the 2002-2010 years.

The crisis of neoliberalism had a reduced effect in Brazil between 2008 and 2010. The government employed fiscal and monetary expansionary policies to spur the demand for manufacturing goods after the collapse of Lehman Brothers in the late 2008. State-owned enterprises increased their investments and the supply of credit. However, the structural crises of capitalism always had a substantial impact on the Brazilian economy and politics.

In 2010, Dilma Rousseff was elected the first woman president. The government assumed a more proactive role, stimulating private investment through tax exemptions and lower interest rates. It was thought that the fall in interest rates would reduce the gains of financial capital and benefit the productive capital, which would expand investments. Moreover, it was hoped that Petrobras would expand its pre-salt investments. Public investment would then have a secondary role in boosting economic growth. However, between 2010 and 2014, the GDP only grew at 2.3% per year.

Pres. Dilma Rousseff was reelected in 2014, despite mounting problems in the economy. In 2015, Pres. Dilma adopted a neoliberal economic policy with a series of austerity measures that drove a GDP decline of 3.8 per cent, followed by a 3.6 per cent fall in 2016. It was a dramatic change from the previous decade. The economic crisis, coupled with the unfolding repercussions of corruption allegations, led to the soft coup that deposed Pres. Dilma from the presidency in 2016.

Vice president Michel Temer assumed the government and implemented a series of neoliberal measures proposed in the document A Bridge to the Future (In Portuguese, *Uma Ponte para o Futuro*). The document suggested the reduction of labor costs, a change in the minimum-wage indexation rule, reform in the labor law, social security reforms, elimination of constitutional spending on education and health, privatization, and trading openness. The proposals were consistent with a radical neoliberal turn proposed by the bourgeoisie and were far beyond the political possibilities of the Worker's Party.

Bolsonaro was elected in 2018 with a far-right discourse and a neoliberal economic policy. The offensive in favor of capital intensified from 2019 onwards. Social security reforms and privatizations were applied. The Temer and Bolsonaro governments are a continuum from an economic point of view. The covid-19 reached the country in March

2020, merging the economic crisis with a health crisis with dire consequences for the Brazilian population.

The profit rate and its determinants

Figure 1 displays the profit rate in Brazil between 1950 and 2020. A downward trend can be observed in the profit rate. This path conforms with the classical-Marxian analysis of the falling rate of profit. The adoption of capital-intensive technology during industrialization by import substitution reduced the productivity of capital, particularly in the II PND. The deindustrialization of the Brazilian economy in neoliberalism might be interpreted as a production shift toward the higher profitability displayed by the primary sector.

However, it is possible to identify four phases in the evolution of the profit rate. Firstly, between 1950 and 1973, there was a slight decline in profitability. Secondly, a sharp drop in the rate of profit from 1973 to 1989 was observed consistent with a structural break in the profit rate. Thirdly, the profit rate slightly expanded from the late 1980s until 2007. Fourthly, the profit rate declined from 2007 to 2015, when it slowly increased up to 2019.

After the structural crises of golden age in 1973 and of neoliberalism crises in 2007, the profit rate declined leading to political and institutional changes in Brazil. The adoption of neoliberalism, the soft coup and an intensified version of neoliberalism were all examples of these changes.

Figure 1: The profit rate in Brazil, 1950-2020.

Source: Marquetti et al. (2022)

Table 2 reports the determinants of the profit rate: potential capital productivity, capital share, and level of capacity utilization. Overall, the numbers in Table 2 highlight that the profit rate reacted mainly to the changes in capital productivity. Both profit-share and capacity utilization were a secondary role in explaining the shifts in the profit rate.

Looking at the profit share, we can emphasize two aspects. Firstly, the profit share was relatively stable in the long term. The average profit share was 48.7 per cent from 1950 to 2020. Secondly, political and economic factors influenced the profit share in Brasil. With the adoption of neoliberalism, the profit share increased continuously from 38 percent in 1989 to 50.7 percent in 2004. Neoliberal reforms and macroeconomic policies have strengthened capitalists in the dispute over the value added. Between 2007 and 2014, the profit rate declined driving by a profit squeeze. Marquetti, Hoff, and Miebach (2020) point to the profit in the second period as an essential factor in the political crisis that began in 2014.

Table 2: Decomposition of the profit rate in Brazil: 1950-2020

	r	ρ	π	U
1950-2020	-1.40%	-1.11%	-0.05%	-0.235%
1950-1980	-1.20%	-1.72%	0.61%	-0.096%
1950-1973	-0.02%	-1.40%	1.32%	0.056%
1973-1980	-5.05%	-3.72%	-0.78%	-0.556%
1980-2020	-1.54%	-0.65%	-0.54%	-0.339%
1980-1989	-11.59%	-6.88%	-4.37%	-0.342%
1989-2002	3.70%	1.60%	2.06%	0.033%
2002-2007	2.39%	1.67%	-0.14%	0.870%
2007-2014	-2.08%	0.81%	-2.09%	-0.800%
2014-2020	-0.50%	0.84%	0.52%	-1.860%

Source: Marquetti et al. (2022)

The second column of Table 2 shows the profit rate decomposition results concerning capital productivity. There was a fall in capital productivity until the late 1980s and a slight increase from then on. Three phases are observed; in the first, between 1950 and 1973, capital productivity decreased by 1.4 percent per year; in the second, between 1973 and 1989, there was a sharp drop in potential capital productivity of 3.72 per cent per year. As mentioned earlier, the long-term behaviour of profit rate was ultimately determined by capital productivity.

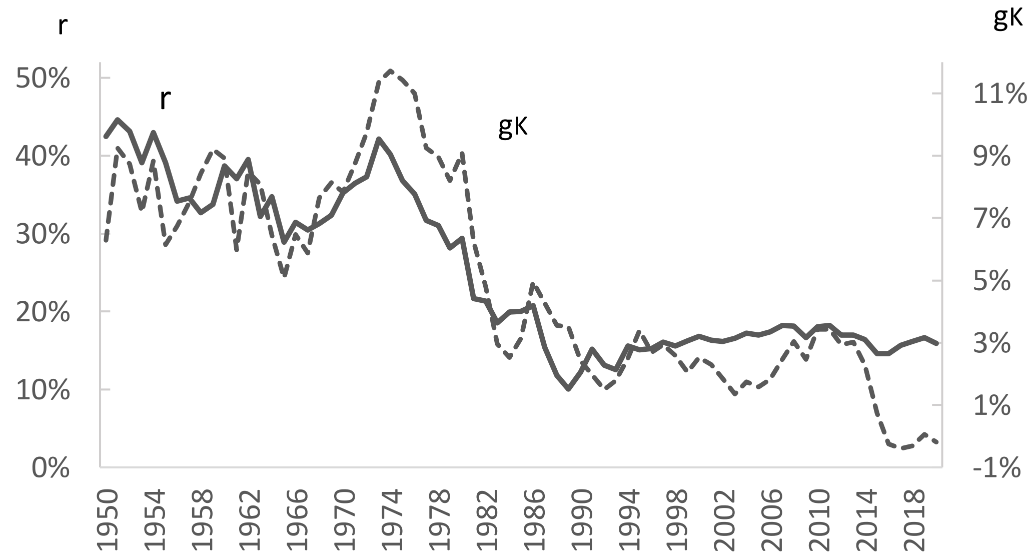
Finally, the last column of Table 2 exhibits the numbers for capacity utilization. There are three crucial differences between the periods 1950-1980 and 1980-2020. Firstly, the average level of utilization of installed capacity was 4.9 percentage points higher in the period 1950-1980 than between 1980 and 2020, indicating that the drop in the profit rate also resulted from the lower capacity utilization. Secondly, the recessions between 1980 and 2020 were more intense than in the 1950-1980 period. Thirdly, there were a more significant number of contractions in the 1980-2020 period. In the Marxist approach, capacity utilization reflects the effective demand and has a short-term impact on profits and the profit rate. These results, linked to the centrality of technology in determining the profit rate, are consistent with the Marxian analysis of technical change.

The profit rate and capital accumulation

Capital accumulation measures the speed at which the country is enlarging its stock of physical capital, which comprises non-residential buildings, machinery, and equipment. Consequently, if labour is available, capital accumulation measures the speed at which the country's capacity for producing wealth is expanding. The profit and investment rates determine the net capital accumulation rate. If the profit rate declines, the trend of the accumulation rate ought to be downward, tracking the falling rate of profit.

Figure 2 pictures Brazil's accumulation and profit rates in the 1955-2020 period. Capital accumulation reached its maximum in 1975, showing a strong downward trend from that year onwards. The fall in the rate of accumulation between 1975 and 1980 is explained by the sharp decline in the profit rate that occurred after 1973. Form late 1980s until early 2010s, the accumulation displayed cyclical movements around 2% per year. After 2011, the net accumulation rate declined strongly, reaching negative values between 2016 and 2020.

Figure 2: Profit rate and net capital accumulation rate in Brazil: 1950-2020



Source: Marquetti et al. (2022)

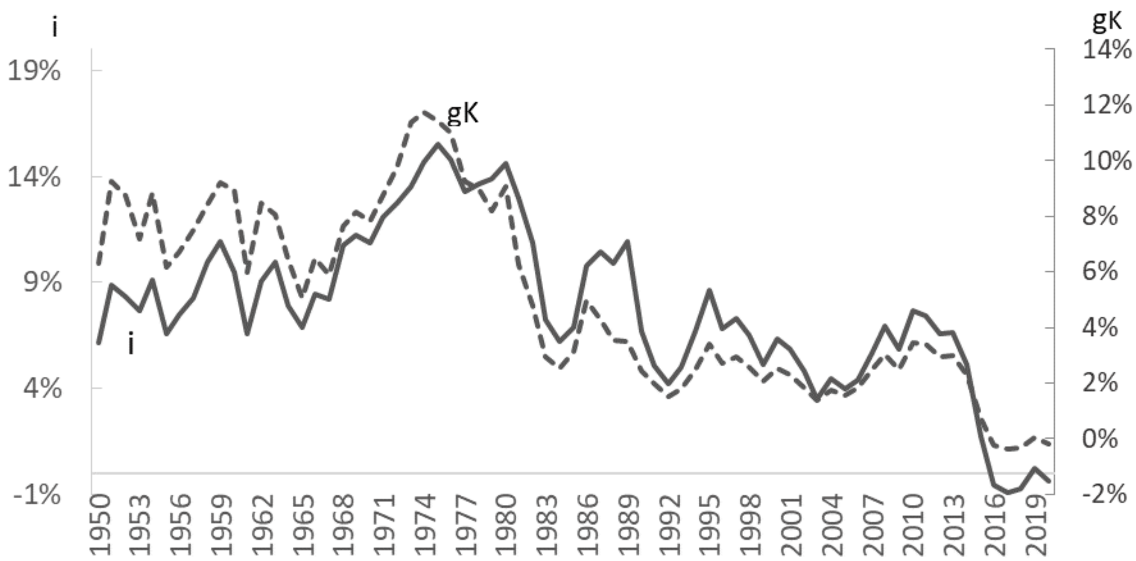
Specifically, three significant aspects of capital accumulation can be underscored. Firstly, five cycles can be distinguished in the study period: 1950-1974; 1974-1986; 1986-1995; 1995-2010; and, lastly, the present cycle, which began in 2010. Secondly, the net accumulation rate shows a downward trend like the movement of the profit rate. The peaks, except that of 1974, and troughs of each successive cycle were lower than those of the previous one. Thirdly, two different periods can be observed for the capital accumulation rate. Between 1950 and the late 1970s, economic growth was led by the industrial sector in the framework of an import substitution industrialization model. The rate of profit fell sharply in the second half of the 1970s and 1980s, which marked the transition from the stage with a high capital accumulation rate and growth to the great stagnation. From the early 1980s to the start of the 1990s, the low rate of accumulation was due to poor profitability and the external debt crisis. A neoliberal model was applied in Brazil in the early 1990s; despite slightly higher profitability, the accumulation rate did not increased due to the fall in the investment rate.

Figure 3 pictures the path of the capital accumulation rate and the net investment rate. The net investment rate influences cyclical changes in the capital accumulation rate. The Goal's Plan (In Portuguese, Plano de Metas) provided a significant increase in investment from 1956 to 1960, led by the public sector and state enterprises and with strong participation by external capital, resulting in rapid investment growth. The early 1960s was a time of great political upheaval, culminating in the 1964 military coup. After a series of institutional changes, investment recovered in the late 1960s. The net accumulation rate thrived during the so-called Brazilian economic miracle between 1968 and 1973, exceeding 12% a year between 1974 and 1976. Noticed that the investment rate peaked during the second National Development Plan, a time of sharply falling profitability.

The high investment rate was due to state leadership in the process, which was financed by external borrowing. The strategy adopted with the second National Development Plan resulted in higher external debt, exacerbating the country's financial fragility. The effects of the second oil crisis and the rise in international interest rates were very damaging to the Brazilian economy. As measured by the labor productivity growth rate, generating wealth was necessary for the country to cope with future payments, but it barely increased relative to the rise in external debt and the likelihood of adverse external shocks. The servicing of this debt meant a massive transfer of resources abroad in the 1980s, causing the net investment rate to decline.

The reduction in accumulation in 1975 is accounted for by the sharp fall in the rate of profit after 1973. In the 1980s, the accumulation rate also suffered the adverse effects of the declining investment rate.

Figure 3: Capital accumulation and investment rate in Brazil: 1950-2020



Source: Marquetti et al. (2022)

Moreover, the concurrent increases in the domestic debt, the domestic real interest rate, the indexation mechanism associated with high inflation resulted in a transfer of resources from the productive to the financial sector. Together with the falling profit rate, these factors account for the reduction in the accumulation rate in the Brazilian economy from the late 1970s onward. The origin of the Brazilian economic crisis lies in the falling profit rate in the mid-1970s due to the decline in capital productivity. The reduction in the net investment rate in the 1980s worsened the situation.

This study endorses the analysis of the causes of Brazilian inflation in the late 1970s and early 1980s conducted by Celso Furtado in 1984. According to that author: […] the root cause of the inflation is the decrease in the productivity of the economic system […] The average productivity of investments has traditionally been high in Brazil. To achieve a one per cent increase in domestic product it was only necessary to invest two per cent of this same product […] What has been occurring recently is a notable fall in productivity. Today, we need to invest four to six per cent of domestic product to achieve a one per cent increase in the product […] the main reason [for this] is the lack of coordination of public investments, and of private investments induced by it (Furtado, 1984, pp. 7-8).

Notice that the downward trend in the capital accumulation rate and the net investment rate continued throughout the 1990s, despite rising profitability. The so-called lost decade of the 1980s was a period of crisis and transition from the import substitution industrialization model to the neoliberal model. Neoliberalism represented adopting a "market-friendly" growth model whereby the state's role in the economy was changed, state firms were privatized, capital and labor markets were liberalized, and there was international integration. This model's supporters believed that, by introducing neoliberal reforms, Brazil would benefit from globalization and receive a fresh inflow of global investment that would increase capital accumulation and productivity in the economy (Franco, 1998). From 1990 onwards, the Brazilian economy underwent a series of neoliberal reforms. They included adopting a new form of international integration via trade and financial liberalization (Cysne, 1998) and the privatization program, involving sell-offs of firms in the petrochemical and metal ores sectors being sold off.

External debt renegotiation under the Brady Plan enabled Brazil to return to the international financial market and build up sufficient reserves to launch the Real Plan in 1994. The Plan comprised two parts: a macroeconomic policy to control inflation and a program of neoliberal reforms to stimulate growth. High interest rates and Brazil's return to the international capital market allowed the currency to appreciate and inflation to fall to single-digit levels. After 1994, the privatization of public services began, with the selloffs of telecommunication, electricity, and banking firms. One of the main problems with the Real Plan was that it increased the economy's external financial fragility, which, combined with the volatility of international capital flows, caused the real to depreciate in 1999.

The Brazilian crisis was preceded by a string of international upheavals that started with the 1994 Mexican crisis, followed by the 1997 Asian crisis and the 1998 crisis in the Russian Federation. The country's economic authorities responded to the crisis by adopting a policy that combined an inflation target, a primary fiscal surplus, and a floating exchange rate. Monetary policy played a fundamental role in controlling the exchange rate via an interest rate high enough to attract international capital and thus keep inflation down to near the desired level. With the Real Plan, Brazil fully adopted the neoliberal agenda. Although the policies successfully brought down inflation, they were unable to restore dynamism to the Brazilian economy. The net accumulation rate was meager, despite the shift in the pattern of technical change in the Brazilian economy, which meant only limited recovery in profits. After picking up again between 1993 and 1997, the net investment rate fell again, bottoming out in 2003.

The net investment rate and the accumulation rate recovered from 2004 to 2010. The combination of the developmentalists aspects of the Workers' Party government's strategy with the commodity boom of the period allowed the recovery of state investments. The private sector investments were also stimulated by the rising profitability and the growing demand.

After 2011, there was a substantial decline in the investment rate and accumulation rate. Private capital reduced its investments as profitability started to fall. Roussef's government tried to encourage private investments through fiscal exemptions in federal taxes and lowering interest rates. The strategy was not successful in sustaining the investment rate, nonetheless, employment remained high. High employment meant a tight labor market and further fall in profitability as wages increased at higher pace than labor productivity. Also, the government failed to preserve the state investment rate, especially after the political effects of the scandals around Petrobras.

These contradictory developments contributed to the profound economic and political crises that marked the 2011-2020 period. After the fall of the Rousseff Government, the neoliberal policies, as it was expected, failed to recover accumulation and investment rates. However, the measures were sucefful in transferring income from labor to capital, the profit share expanded between 2015 and 2020. The Brazilian economic perspective is bleak, the Country has the daunting task of reigniting its economy.

Final remarks

The article presented an interpretation of the economic performance of the Brazilian economy between 1950 and 2020. The evolution of the profit rate, its determining factors, and institutional changes are used to explain capital accumulation and GDP growth rates. Our results demonstrated the role of the profit rate in determining the accumulation rate and the economy's growth rate. Moreover, our work explored the interplay between the rate of profit, capital accumulation, investment and institutional change in Brazil.
The results can be summarized as follows:

1. The profit rate exhibited a downward trend from 1950 to the late 1980s; subsequently, its direction was slightly upward up to 2007 and downward from then on. A relationship between the phases of the profit rate and the crises of the Golden Age and neoliberalism was observed;
2. The decline in capital productivity was the primary determinant of the fall in the profit rate. This finding is consistent with Marx's theory of the profit rate. Profit share was relatively stable, averaging 48.7 percent. The level of capacity utilization was lower in neoliberalism than in developmentalism.
3. Neoliberalism was unable to significantly increase the rate of profit, reduce the cost of capital goods and provide a robust increase in capital and labor productivities.
4. There are limits on the ability to resume the process of capital accumulation and growth through the market. The state also has limits on applying Keynesian policies in periods of structural crisis associated with a fall in profitability. Countercyclical policies have a reduced capacity to spur profitability and accumulation, being unable to fight profit crises.

These results have relevant implications for the challenges faced by the Brazilian society in overcoming the reduced growth rate of the last 40 years and, in particular, the multiple drawbacks of the last decade. A declining profitability trend in a capitalist economy, especially in undeveloped country, implies in difficulties in the incorporation of technical change which requires high capital accumulation. Fot its turn, the high capital accumulation depends on profit rate and investment. The profit rate and the investment rate had declined in the Brazilian economy since the 1980s. The neoliberalism prioritizes short-term financial profits which reduces source for productive investment. It reduces the productive investment even in the context of higher profits. Public investment has an important but limited role in expanding capital accumulation. Keynesian policies were not able to avoid the structural crises associated with a fall in profitability in Brazil. Moroever, the state has its own contradictions, the economic policy in last decades played a fundamental role in the implementation of neoliberalism.

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