

STABILITY AND CHANGE IN INDUSTRIAL POLICIES IN BRAZIL: A Public Policy

Perspective

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Resumo

Apesar de décadas de políticas públicas implementadas para impulsionar a indústria e do estabelecimento de um campo robusto de estudos de políticas públicas no Brasil, a maioria das pesquisas sobre políticas industriais continua a ser conduzida por meio de uma lente econômica. Esta pesquisa postula que as políticas industriais podem ser analisadas a partir de uma perspectiva de políticas públicas, e perguntamos: qual foi o padrão de implementação de políticas industriais no Brasil entre 1985 e 2022? Para investigar esse padrão de estabilidade e ruptura, empregamos a teoria do equilíbrio pontuado, pois esse modelo tenta explicar ambas as possibilidades. Nossa pesquisa adota uma abordagem qualitativa, empregando entrevistas com 26 participantes que estiveram diretamente envolvidos em parte dessas políticas. Em oposição à maioria das pesquisas do ponto de vista econômico, a maioria dos governos nos últimos 40 anos implementou uma política industrial, geralmente por "ação", mas também por "inação". Nesse último caso, muitos instrumentos ainda estão em vigor, embora sem objetivos claros nem coordenação. Houve duas grandes rupturas: a PICE, política industrial "liberal" (governo Collor), e a PITCE (primeiro mandato de Lula), uma política mais "desenvolvimentista". Essas rupturas não foram repentinas, pois foram precedidas por políticas industriais de caráter ambíguo.

Palavras-chave: Política industrial. Política pública. Incrementalismo. Teoria do Equilíbrio Pontuado.

Abstract

Despite many decades of public policies implemented to propel Brazil's industry and the establishment of a robust field of public policy studies in Brazil, most of the research on industrial policies continues to be conducted primarily through an economic lens. This research posits that industrial policies can be analyzed from a public policy perspective, and we ask: what was the pattern of the implementation of industrial policies in Brazil between 1985 and 2022? To investigate this pattern of stability and disruption, we have employed the punctuated equilibrium theory, as this model tries to explain both possibilities. Our research adopts a qualitative approach, employing interviews with 26 participants who were directly involved in part of these policies. In opposition to most research from an economics' point of view, most governments in the last 40 years implemented an industrial policy, usually by "action", but also by "inaction". In the latter cases, many instruments are still in place, although with no clear goals nor coordination. There were two major punctuations: PICE, a "liberal" industrial policy during Collor's administration and PITCE, during Lula's first term a more "developmental" one. Those punctuations were not sudden, since they were preceded by industrial policies with ambiguous nature.

Keywords: Industrial Policy. Public policy. Incrementalism. Punctuated equilibrium theory.

1 INTRODUCTION

The phrase "50 years in 5" holds relevant cultural significance among Brazilians, as it symbolizes the ambitious plan devised by President Juscelino Kubitschek in 1956 to propel the country's industrialization and enhance its infrastructure. However, despite the passage of nearly 70 years since the inception of the "Plano de Metas" and subsequent implementation of the First and Second National Development Plans during the 1970s, which aimed to foster domestic industry, and the establishment of a robust field of public policy studies in Brazil (FARAH, 2011), most of the research on industrial policies continues to be conducted primarily through economic lens (MACHADO, 2022).

Our contention is that this narrow focus on economic analysis, while disregarding the broader perspective of public policy, poses the risk of overlooking crucial elements for comprehensive policy analysis, such as key actors and publics, problem framing, and the political context.

Henceforth, the premise of this research posits that industrial policies can be categorized as public policies, and we ask: what was the pattern of the implementation industrial policies in Brazil between 1985 and 2022? To investigate the stability and change of those policies in almost 40 years, we have employed the punctuated equilibrium theory (BAUMGARTNER; JONES; MORTENSEN, 2014), as this model tries to explain both phases of stability and incrementalism in the governmental agenda, as well as moments of abrupt and significant change. To the best of our knowledge, no previous studies have applied this theory to analyze industrial policies specifically or economic policies in general in Brazil (CAPELLA; SOARES; BRASIL, 2014; BRASIL; REY, 2022).

We focus on the industrial policies since the redemocratization, with a focus on the three full-fledged industrial policies launched since 2004. To analyze them, we conducted 26 semi-structured interviews, with participants who were directly involved in formulating and implementing at least one of the policies. For the industrial policies under Sarney, Collor and Cardoso's administrations we took advantage of literature review.

This paper is organized as follows: the second section presents our theoretical framework. The third section briefly states our methodology. The fourth section analyses the industrial policies from 1985 to 2022. The following section analyzes the data generated based on the interviews and the literature review. Finally, in the last section we make our final remarks.

2 THEORETICAL BACKGROUND

Challenging the rational school of public policy analysis, Lindblom (1959) proposed that policy makers make incremental decisions, as they muddle through the policy environment in a satisfactory way instead of being able to implement the best policy to address an objective problem. However, incrementalism failed to explain big and disruptive changes in public policies. If incrementalism is a political pattern, if policy makers usually perform changes in small steps, how can big changes be explained? To address such a question, Baumgartner and Jones (1993) draw from the evolutionary biology "Punctuated Equilibrium Theory" - that argue that evolution in biological term does not always happen slowly and gradually, but in fact can happen through mutation, recombination and natural selection in isolated populations (SILVA; NASCIMENTO; DA SILVA, 2020) - to propose that changes in public policy can be both incremental and, sometimes, vigorous. Hence, the punctuated equilibrium theory (BAUMGARTNER; JONES, 1993) tries to explain both phases of stability and incrementalism in the governmental agenda, as well as moments of abrupt and significant change.

Punctuated equilibrium model holds some assumptions (BRASIL; REY, 2022). First, Baumgartner and Jones (1993) distance themselves from the objective rationality perspective and follow the limited rationality background proposed by Herbert Simon. That is, individuals take satisficing decisions, but not necessarily the best ones, due to several reasons such as the lack of time, lack of information and the incapability of understanding or foreseeing the impact of each decision. This understanding of decision-making process, affirm Baumgartner, Jones and Mortensen (2014), that take place in a limited attention span, must be extrapolated to governments as well. Second, the model puts more attention on institutions than on individuals, "depersonalizing the factors behind agenda-setting and policy-making dynamics" (BRASIL; REY, 2022, p. 53). This emphasizes the role institutions play in defining the path of public policies, comprehending that public policies are made within political systems and not by single individuals. Hence, incrementalism is a common ground in the policy making process, as limited rationality (cognition friction) and the role of institutions (institutional friction) pose challenges to abrupt changes.

However, despite limited rationality and existing institutions, policies sometimes do change abruptly. Punctuated equilibrium theory explains these abrupt changes through the interrelation of policy subsystems and macrosystems. What does that mean? Policy subsystems are groups of actors, or policy communities (as would call Kingdom), that assume ownership over a specific issue and delimit how this issue must be framed and what are the possible solutions for it. That is, they act as information receptors and processors, delimiting problems and developing actions to alleviate them. By doing this, the policy subsystems

develop a policy image, a causal comprehension of the involved problem and the framing of the problem - solution. Of course, the actors in the subsystems also have limited rationality and this process of policy formulation, framing and developing a policy image is not linear, but they do hold a monopoly over the policy image (and over the policy itself) - even if precarious. This monopoly is somehow secured by the attempt to limit access and participation to such subsystems to actors who hold similar understandings of the issue and causal connections. Hence, as there is little dissent and conflict is reduced, the policy image is unison, stable and monopolized, controlling the changing process and encouraging incrementalism. Baumgartner and Jones (1993) call this process "negative feedback", which impose barriers to change and to a maintenance of the status quo.

However, policy subsystems do not exist in the vacuum. According to the Punctuated Equilibrium Theory, they exist and act within macrosystems, which in turn are formed by other actors and institutions (as presidents, prime ministers, the great media) who have the power to change how specific political matters and issues are perceived. These actors are also information receptors and processors, but as the number of issues they must deal with is much greater, they process them serially (that is, they tend to be dealt with one after the other). When a specific policy or issue reaches the macrosystem, the greater is the chance of a positive feedback, that is, of going through amplified changes or even of setting a new policy image, as the monopoly of the policy image by its subsystem is severed. That is, it is the fluidity of an issue or a policy between subsystem and macrosystem that explain the possibility of abrupt changes. As explained by Brasil and Rey (2020 p. 62), three mechanisms can take a specific issue to the macrosystem:

1) events of great magnitude or structural changes. 2) change in the image of the public policy itself: "If the construction of the image of the policy makes the participants of the subsystems stable, changes in their understanding can cause moments of rupture and instability. [...] 3) Manipulation of institutional arenas by political actors. When they cannot change the image of the policy by entering its subsystem, actors can change the institutional arena that built that image (this process is known as venue shopping).

When the policy monopoly by the subsystem is severed, reforms can be implemented and new institutions remain, establishing a new equilibrium to the policy. This equilibrium will likely last under the responsibility of an altered policy system (BAUMGARTNER; JONES; MORTENSEN, 2014), until another punctuation takes place.

3 METHODOLOGY

We chose to approach the industrial policy as a public policy. We carried out qualitative research relying mainly on a grounded theory approach, looking at the state in action and the

policy process of industrial policymaking since the redemocratization process, with a focus in recent full-fledged industrial policies. Our research adopted a qualitative approach, employing semi-structured interviews conducted between October 2020 and August 2021. The sample consisted of 26 participants who were directly involved in formulating and implementing at least one of the policies. For the industrial policies under Sarney, Collor and Cardoso's administrations we took advantage of literature review. All transcripts were coded using Nvivo in two different cycles. On the first, most codes were descriptive, emotions, evaluation, dramaturgical or *in vivo* when the interviewees presented interesting or surprising metaphors and expressions. On the second, we grouped the first cycle codes into general themes to help us tell the "story" of the formulation of the recent industrial policies and some aspects of its implementation.

4 INDUSTRIAL POLICIES IN BRAZIL

Many authors share the comprehension that PITCE, PDP and PBM represent the return of industrial policies to Brazil after approximately two decades of absence. This view is present in official documents (TEIXEIRA; SALERNO; DAHER, 2006), speeches by high ranking officers (JORGE, 2008) as well as several studies, with small differences and nuances in the periods analyzed (ABRAHAO; VIEIRA, 2014,; BRESSER-PEREIRA; NASSIF; FEIJÓ, 2016,; CANO; SILVA, 2010; CAVALCANTE, 2017; DIEESE, 2005; FERRAZ, 2009; FIESP, 2011; SCHAPIRO, 2013). In indicating that PITCE represents the resumption of industrial policies, those studies indicate that in the governments Sarney (1985-1990), Collor (1990-1992), Franco (1992-1995) and Cardoso (1995-2002) there were no "industrial policies".

4.1 Antecedents

4.1.1 Sarney (1985-1990)

In Sarney Government, in the context of the redemocratization process, a "New Industrial Policy" was announced in a speech by President Sarney (SARNEY, 1988) accompanied by 4 decrees published in the same day. Accordingly, the President (SARNEY, 1988, p. 231) claimed that the industrial policy announced would be analogous, from the economic sector perspective, to the democratization. He mentioned the industrial policy announced would "untie our economy so that it can enjoy the winds of freedom that have been already benefiting other sectors in our country" (SARNEY, 1988, p. 232, our translation). Despite those words, according to Guimarães (1996, p. 7), the policy did not mean a rupture with the industrial policies patterns of previous decades and was actually a consolidation,

revision and simplification of the whole legal system of industrial policies and the definition of a new framework of incentives. On the other hand, other authors mention that the new industrial policy was under the framework of opening to the external market, providing greater autonomy to the private sector, reserving to the public sector the role of regulator (RUA; AGUIAR, 1995). De Toni (2013) claims that, as it would be later in Collor's and FHC's, the concept of industrial policy under Sarney's administration followed a pro-market and liberal perspectives.

The "New Industry Policy" was responsible for "reorganizing" the Industrial Development Council (SARNEY, 1988, p. 235) to formulate, guide, coordinate and evaluate the policy execution. Though made up only of public sector members (Ministers of State), it foresaw a Consultive Body (*comissão consultiva*) made of representatives of the industrial sector, as well as sectorial chambers, which would be formed by public and private sector representatives in order to propose sectorial measures (BRASIL, 1988).

4.1.2 Collor (1990-1992)

When it comes to Collor's administration, in his first day in office, he scrapped import special regimes (eliminating exemptions and reducing import taxes and taxes on industrialized products from imported goods) and fiscal incentives (CASTELAN, 2010, p. 592). A few months later, the Foreign Trade and Industrial Policy (*Política Industrial e de Comércio Exterior - PICE*) was officially announced, through a Ministry Ordinance (MINISTÉRIO DA ECONOMIA FAZENDA E PLANEJAMENTO, 1990), and not through a presidential decree or a law. Referring to the previous "New Industrial Policy", the ordinance mentioned that the former policy included fiscal incentives and benefits and special regimes which made it an "inadequate legislation" for the guidelines foreseen in PICE. (MINISTÉRIO DA ECONOMIA FAZENDA E PLANEJAMENTO, 1990).

PICE aimed to increase the efficiency of production and marketing of goods and services through the modernization of the industry. This was to be achieved through the "progressive" elimination of tax protection to imported products, "planned" exposure of the national industry to foreign competition, restructuring of the industry, strengthening potentially competitive sectors, and increasing the technological capacity of national firms. The ordinance which created PICE was clear regarding the roles of the public and private sector. The former, should be responsible for macroeconomic stabilization and creating a favorable environment for investments, with reduced role as producer. The latter should be the main actor in the productive process. Finally, two mechanisms are mentioned for implementation of PICE:

Industrial Competitiveness Program and Brazilian Quality and Productivity Program (MINISTÉRIO DA ECONOMIA FAZENDA E PLANEJAMENTO, 1990).

According to Guimarães (1996), PICE meant a significant rupture with the pattern of industrial policies implemented in preceding decades, because it shifted the focus of the policy from expanding productive capacity to increasing competitiveness. In a more critical perspective, Cano and Silva (2010) argue that PICE promoted the exposure of industry to international competition in a sharp and accelerated manner and it was, in this sense, a “reverse” industrial policy. In a similar fashion, Ferraz (2009) points out that, in practice, the only component of the Policy actually implemented was foreign trade liberalization.

4.1.3 Cardoso (1995-2002)

Different authors mention that though Brazil embraced the Washington Consensus in the 1990s, government continued providing sectorial incentive policies through different measures such as special regimes for some sectors. In the same sense, it is also mentioned the creation of Mercosur and the sectorial chambers as exception to the “neoliberal avalanche”. Besides, even privatization had the participation of the government through the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social – BNDES*) that financed the winning groups (ALMEIDA, 2009; CANO; SILVA, 2010). Despite these authors recognize the measures implemented focusing on the industrial sector in this period, they not to deem them “industrial policies”, preferring other terms such as “sectorial incentive policies”. An exception is Hollanda Filho (2003) who claims that the automotive sector was the only sector with a broad **industrial policy** during Cardoso’s administration.

In a slightly different point of view, Resende (2000) claims that in the post-Real¹ period there was an “implicit industrial policy” (the macroeconomic policy to sustain the Real Plan), but also an “explicit industrial policy”. The latter would be made of three large blocks: industrial policy in the strict sense, technology policy, and foreign trade policy. In the same vein, Amadeo (2002,) claimed that despite what was usually thought, Brazil had an industrial policy.

Other authors even recognize different periods in Fernando Henrique Cardoso’s administration when it comes to industrial policies. They (DELGADO et al., 2010) claim there were no industrial policies guidelines until 1999, though recognizing one-off industrial policy measures in the automotive, software, and medicines. However, the authors claim that approaching the end of FHC’s second term, industrial policy enters the public agenda, through the competitiveness forums and the sectorial funds.

¹ The stabilization Plan put in place in 1994.

In 1996, the Ministry of Industry published the “Foreign trade, Technology and Industrial Policy” document, which was the first formal document to explicitly refer to an industrial policy, focusing on horizontal measures, the business environment, exports and foreign capital attraction (DE TONI, 2013). In the last year of FHC’s first term, the document “New Industrial Policy – Development and Competitiveness” (BRASIL, 1998) was published. It focused on improving the institutional environment, competitiveness, productive modernization, reduction of “Brazil Cost” (*custo Brasil*) and labor training. According to De Toni (2013), the document defended a smaller role for the state, restricted to market failure situations.

4.2 The Recent Industrial Policies

4.2.1 Industrial, Technological, And Foreign Trade Policy - Pitce

On March 31, 2004, PITCE was launched (TEIXEIRA; SALERNO; DAHER, 2006). Many respondents (Interviews 10, 13, 21, and 22) see it as the return of industrial policies in Brazil, after many years of absence and as a consequence of President Lula taking office in 2003 (Interviews 9, 10, and 23).

From our interviews, two interpretations emerged regarding the process of formulation of PITCE. The first highlights the individuals who arrived in a new government, started to get to know one another, and began discussing a new industrial policy (Interview 15). The second gives more importance to the formal institutions/agencies in place. Besides institutions such as BNDES, Ministry of Development, Industry, Commerce and Services (*Ministério do Desenvolvimento, Indústria, Comércio e Serviços – MDIC*), and the Ministry of Finance, the participants mentioned the Strategic Affairs Hub (*Núcleo de Assuntos Estratégicos*), with importance at the beginning of the process (Interview 24), and the Economic Policy Chamber (*Câmara de Política Econômica - CPE*), an inter-ministry forum coordinated by the Minister of Finance, which created the PITCE Executive Group (*Grupo Executivo da PITCE*) (Interviews 23 and 24). The PITCE Executive Group generated proposals that would later be taken to CPE, discussed by the ministers, and eventually became PITCE’s guidelines (Interviews 11 and 23). The role of outside experts and academics in this process was also mentioned (Interview 11).

In general terms, different interviewees convey an idea of a collective undertaking in the formulation of PITCE, highlighting the importance of the forums and committees and mentioning many names and different agencies and ministries. One name that stands out is Glauco Arbix, Professor at the University of São Paulo (USP), who was involved both in the

Strategic Affairs Hub and the CPE, then president of the Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada – IPEA*) (Interviews 11, 17, 23, and 24).

PITCE was eventually published as “guidelines” (BRASIL, 2003), since there was lack of critical mass inside the government regarding what would be the policy measures (Interview 15). In other words, it was seen more as a “protocol of intentions” than a proper policy (Interview 16), though with a legacy of important legal frameworks (Interviews 9, 11, 15 and 23). The creation of the Brazilian Agency of Industrial Development (ABDI) and of the National Industrial Development Council (CNDI) was also mentioned, the latter as a public-private forum, which convened several times during PITCE, but then withered away in the following policies.

4.2.2 Productive Development Policy - PDP

Lula’s second term started in 2007 and on May 12, 2008, PDP was launched, in the context of a positive economic outlook (Interviews 8, 12, and 26) and a similar political orientation of key players in positions of power (Interviews 22 and 26), such as the President of BNDES (Luciano Coutinho), and the then Ministers of Finance (Guido Mantega) and MDIC (Miguel Jorge). The policy was launched in BNDES’ headquarters, in Rio de Janeiro, and amongst the interviewees there is relative consensus that the formulation of PDP was concentrated in BNDES (Interviews 6, 8, 9, 10, 15, 16, 17, and 21), with leading roles taken by Luciano Coutinho and João Carlos Ferraz (Interviews 5, 6, 10, 15, 16, and 19). Coutinho, professor at the University of Campinas (UNICAMPO), was the longest serving President in the Bank’s history, from 2007 to 2016 and Ferraz, professor at the Federal University of Rio de Janeiro (UFRJ) was Director of Research, Planning, and Risk Management during Coutinho’s presidency and Vice-President between 2011 and 2013.

The main line of reasoning for the prominence of BNDES in PDP is related to the relationship between the Bank and MDIC. More specifically, a more “hands-on” approach by Luciano Coutinho (and João Carlos Ferraz) and a more hands-off attitude by Miguel Jorge. While some respondents mentioned that Miguel Jorge was at the fringes of the process (Interview 15), others mentioned that he maintained his prerogative of Minister and, when needed, acted accordingly (Interview 26).

When it comes to the measures of PDP actually implemented, the policy final reports (SECRETARIA-EXECUTIVA DA PDP, 2010a, 2010b, 2010c, 2010d, 2010e) also highlighted measures not anticipated in the launching document (ABDI, 2008), which is only natural. However, the discrepancy between the number of measures included in both documents stands out. They were also extremely diverse in various aspects: difficulty to put in place,

importance, scope, and size. Most of those measures present in the final reports emerged from private sector demands, which were discussed in public-private sectors forums and then sent to the respective executive committees that analyzed them and formulated the measures that would be part of the Action Agenda (Interviews 1, 4, 6, 9) (SECRETARIA-EXECUTIVA DA PDP, 2008).

4.2.3 Greater Brazil Plan - PBM

In 2011, President Dilma took office and PBM was launched on August 2 of the same year. Respondents mentioned both elements of continuity - in terms of the main concepts and ways of dealing with the private sector and the governance through councils (Interviews 2 and 7) and keeping a sectorial approach (Interviews 7, 9, and 25) - though with some qualifications and change in relation to PDP. In terms of change, respondents mentioned the differences between President Lula and President Dilma, with the latter giving less importance to industrial policies than the former (Interview 21) and having different personalities (Interview 26). Also mentioned was the desire of President Dilma to impinge her own “brand” of public policies to dissociate herself from her charismatic predecessor (Interview 25). Therefore, she changed key positions in relation to industrial policy while keeping others.

During PBM, it was clear that BNDES lost the prominence it had in PDP (Interviews 6, 17, and 26). There is consensus among respondents that the formulation of PBM was either led by MDIC or by ABDI, or by both (Interviews 2, 8, 12, 15, 16, 25, and 26). There are two lines of reasoning regarding BNDES’s process of leaving the core role it played during PDP. The first relates to the orientation of the Minister of MDIC. When it changed from a more hands-off perspective by Miguel Jorge to more hands-on by Fernando Pimentel (the MDIC minister appointed by Dilma, who had a different profile from his predecessor Miguel Jorge, being a politician with political aspirations, leading to different perspectives and interests and a desire to be the political leader of PBM (Interviews 8, 25, and 26)), BNDES complied and followed the new orientation, stepping aside (Interview 26). The second relates to how the president spreads authority over the process of industrial policymaking across different institutions (Interview 26). In this sense, respondents mentioned how Luciano Coutinho and João Carlos Ferraz, the main “craftsmen” of PDP who were still at BNDES, lost centrality and were pushed aside (Interview 6).

Also frequently mentioned were the highest-ranking officers of MDIC and ABDI, Fernando Pimentel and Mauro Borges, respectively, who came with their own *modus operandi* and a desire to establish the main parameters and goals of the policy so that other areas of the government would not dominate intellectually (Interviews 19 and 25). Different respondents

(Interview 6, 7, and 25) identified Mauro Borges as the main author of a document which would be the basis for PBM (ABDI, 2011), which eventually counted on contributions from BNDES (Interviews 6 and 25).

As in PDP, the public-private forums (under PBM named Sectorial Competitiveness Councils) were a source of the specific measures of the policy and the measures were formulated in a similar process. Also similarly, it is worth noting the high number of measures included in PBM, along with a lack of screening and hierarchy among them (Interview 7).

4.2.4 Post-PBM (Temer and Bolsonaro)

President Dilma was reelected at the end of 2014, starting her second term in 2015, and impeached the following year in a controversial process. In her second term, no new industrial policy was announced. Different respondents mentioned initiatives for a new industrial policy (Interviews 7, 12, and 16), but none saw the light of day during her brief second term. A respondent (12) argued that the political deterioration and conflictual relationship of the Legislative and the Executive, which would be instrumental for the impeachment process to move forward, was already present in 2015.

In Bolsonaro and Temer governments, there were no new announces of full-fledged industrial policies. Though most instruments remained in place, that did not mean that they were employed (Interviews 3 and 16). For instance, the “BNDES financing” instrument was dismantled, not only in terms of the reduction of resources available but also its scope of action (Interviews 3 and 13). Besides the instruments, interviewee 17 affirmed that there was a bureaucratic body that kept the industrial policy agenda alive waiting for a window of opportunity to open, regardless of the lack of political (and superior) sponsorship.

Also, there were new industrial policy instruments created after PBM. One such example is the Program “More Productive Brazil” (*Brasil Mais Produtivo*), launched in April 2016 still under President Dilma, roughly one month before her temporary removal from the presidency (BRASIL, 2016; SEBRAE, 2018). With total cost of only R\$50 million (CEPAL/IPEA, 2018), it continued during Temer’s Government², and then, apparently, taken up and rebranded as “More Brazil” (Brasil Mais) in Bolsonaro’s Government (BRASIL, 2021). To our mind, it is more similar to an industrial policy measure than to a full-fledged industrial policy.

² Though launched in 2016, only in 2018, two months away of the end of Temer’s term and after the election) would be “institutionalized” through a presidential decree (BRASIL, 2018).

Finally, interviewees not only emphasized the lack of industrial policies in Temer and Bolsonaro's governments (Interview 16), but also mentioned they were opposed to it (Interview 20).

5 ANALYSIS

Based on our data, it is possible to identify an industrial policy subsystem in Brazil. It is made of public organizations such as BNDES, MDIC, ABDI (after it started to operate in 2005), and their bureaucracies (many of them are also scholars with research on the subject). Also present are the public-private forums such as CNDI and others especially created for sectorial public-private discussion, especially during PDP and PBM. Besides these public organizations and public-private forums there is a very active community of experts, made of scholars, mostly economists, but occasionally also political scientists who research industrial policy and related issues. Sometimes, some of these scholars with long academic trajectories are tapped to key positions in government and become also policymakers. This was the case of Luciano Coutinho, João Carlos Ferraz, Glauco Arbix, Mauro Borges, to name a few.

There is no consensus in the literature (DE TONI, 2013; GUIMARÃES, 1996; RUA; AGUIAR, 1995) if the "New Industrial Policy", formulated during Sarney's years represents continuity or change in comparison to the industrial policies implemented during the preceding authoritarian years of the military dictatorship. On one's hand, President Sarney announced the policy as one that would untie the economy so that could enjoy more freedom, comparing it with what was happening from a political standpoint, during the redemocratization. On the other hand, the clearly "liberal" industrial policy of the Collor years (PICE), would distance itself from "the New Industrial Policy" claiming it was an inadequate framework for implementing PICE. In other words, PICE's formulators claimed the "New Industrial Policy" was "developmental" and not "liberal".

The ambiguity of the "New Industrial Policy" makes us argue that during this period, there was no abrupt change of the policy image regarding industrial policies, but a gradual change from a more "developmental" (as is the authoritarian years) industrial policy to a more "liberal" one (as is in the following years of Collor's administration). Therefore, it may be the case that a positive policy image of industrial policy as a developmental endeavor (increasing the productive capacity and developing the national industry), slowly transmuted into a negative one.

This gradual change laid the groundwork for new policy image for industrial policy in Collor's administration, shifting the focus from expanding the productive capacity of domestic firms to increasing their competitiveness. That was made through the opening of the market to

foreign companies, with a rationale of “exposure” and not “protection” from foreign companies. Therefore, the literature calls PICE a “reverse” industrial policy (CANO; SILVA, 2010, p. 3), saying that there is an usually accepted policy image by the community of academic experts³, but what was actually formulated during Collor’s government was the opposite of it. Therefore, the conflict between different policy images for industrial policies could not be clearer.

In other words, PICE represented a punctuation in the equilibrium present in industrial policies since the authoritarian years, though this punctuation was not abrupt, but gradual. It is relevant to notice that, as mentioned, PICE was very different from what is usually understood as industrial policy. Despite of this, they nevertheless presented it as an industrial policy, using this term which was associated with a more “active” role of the state, but in proposing a more “liberal” industrial policy. Therefore, we argue that the term industrial policy was so strong that it could not be avoided, even though its content and intentions were fairly different from its predecessors.

When it comes to the Cardoso’s years, there is no clear consensus regarding the existence or not of industrial policies in the period. On one’s hand, authors (ALMEIDA, 2009; CANO; SILVA, 2010) emphasize the adoption of the “Washington Consensus” measures, but on the other hand they also recognize the implementation of sectorial policies (carefully avoiding the term “industrial policy”). From this period, there is the famous sentence attributed to the Brazilian former Finance Minister Pedro Malan (although it is not clear when, where, or even if he actually said it): “the best industrial policy is not having industrial policy at all”(FLEURY; FLEURY, 2004, p. 7). However, other authors (AMADEO, 2002; DELGADO et al., 2010; HOLLANDA FILHO, 2003; RESENDE, 2000) identified public policies they deemed industrial policies. Besides, though with a different nature if compared to the following years, there were official documents presenting an “industrial policy”, though with a more liberal nature (DE TONI, 2013).

The ambiguity of the industrial policies in the Cardoso years makes us consider a similar, though reverse, hypothesis if compared to the Sarney years. During Cardoso’s tenures, there was no abrupt change of the policy image regarding industrial policies, but a gradual one from a more “liberal” nature to a more “developmental”, which would be the dominant policy image in the following years. In other words, there was a gradual more positive view of industrial policies in the sense of increasing the productive capacity and developing the national industry, which would be fully completed with the arrival of Lula to power in 2003.

³ Usually identified with a “developmental” view, which perhaps and more specifically could be claimed a epistemic community in Haas’ terms (HAAS, 1992).

The issue reached the macrosystem in 2003 with the election of Lula, and a new policy image is produced, generating an important change in the industrial policies and the formulation and implementation of PITCE. The punctuation in that moment is illustrated by most of the literature and our interviewees that deem it the return of industrial policies (at least, of what they consider industrial policies). After PITCE, the issue returned to the subsystem, which formulated PDP and PBM, in more incremental terms.

The incrementality is more observable between PDP and PBM, and less between PITCE and PDP, though the changes between those two seem to be related to a different policy paradigm, instead of changes in the policy image. In other words, the policy image of industrial policy in all three policies (PITCE, PDP, and PBM) was similar. This similar (and positive) policy image of industrial policy produced two sets of industrial policies. PITCE was more “focused” and concentrated on fewer strategic areas, though it lacked a clear institutional arrangement to its implementation. PDP and PBM were broader, more comprehensive and organized around many sectors and cross-cutting issues (which attracted criticisms of the bureaucracy and a share of experts). However, PDP and PBM had a clear institutional arrangement to their implementation, based on inter-ministry and public-private forums. It seems that, as officials in key positions changed from one policy to the other, as well as the relationship between the organizations they led, different policy paradigms came to the fore and informed the formulation of the respective industrial policies.

Finally, after PBM no new full-fledged industrial policies were announced. In the case of Dilma’s second term, some interviewees mentioned an inflection in the more developmentalism approach (Interview 3), other mentioned that the number of sectorial meetings diminished, and it seemed like “there was no industrial policy anymore” (Interview 21). Finally, another interviewee pointed out that the political capacity of the government withered away and then, from mid-2014 on, “the bureaucracy simply didn’t follow what [President] Dilma ordered them to do anymore” (Interview 11). Be as that may, it does not seem there was a significant change of the positive policy image during President Dilma’s second term, even considering that the interpretation of the inflection in the developmentalist approach holds. Despite a positive policy image, it seems the issue was restrained to the industrial policy sub-system, with the inertia of industrial policy instruments and measures, but with no new full-fledged industrial policy being formulated.

With Temer, and even more strongly in Bolsonaro, the policy image of industrial policy turns negative, with a new punctuation in the direction not only to avoid full-fledged industrial policies but also avoid using this term. One may wonder if during these governments there were an active strategy to dismantle the State capacity to formulate and implement industrial

policies. The different instruments and measures continued being carried out (such as BNDES' financing) but with reduced scope and resources and no effort of coordination whatsoever. The issue remained in its subsystem, and it was kept alive by its bureaucracy, waiting for a window of opportunity to move it once more to the macrosystem, generating a new punctuation and a new industrial policy.

6 FINAL REMARKS

It is clear there is a subsystem of industrial policies in Brazil. It is made of public organizations such as BNDES, MDIC, ABDI and their bureaucracies, and high level and sectorial public-private forums. There is a very active community of experts, made of scholars, mostly economists, who research industrial policy and related issues. Occasionally, some of these scholars with long academic trajectories are tapped to key positions in government and become also policymakers.

In opposition to most research from an economics' point of view, our view is that most governments in the last 40 years implemented an industrial policy, usually by "action" (deliberately formulating public policies using the term "industrial policy"). The exceptions are Temer and Bolsonaro's government, where we could say an industrial policy was implemented through "inaction", because there was no public policy deemed as an industrial policy. However, even in those cases, the many instruments of industrial policy (for instance, financing from BNDES, tax breaks, etc.) are still in place, although there is no industrial policy with clear goals and coordination.

In other words, there is some level of inertia of industrial policy agendas, which are kept alive by part of the state bureaucracy located mainly in BNDES, MDIC and ABDI, waiting for a window of opportunity. However, with no "political sponsorship" it is clear the issue is on the fringes, with not even an intent of coordination, and reduced resources. Therefore, there are no bases for comparison between the industrial policies instruments still in place in the post-PBM period and the full-fledged recent industrial policies, despite the latter mentioned shortcomings.

Hence, there were two major punctuations in industrial policies in the period analyzed. The first took place during Collor's administration, producing PICE, a "liberal" industrial policy, after years of more developmental ones. The second, during Lula's first term with PITCE, a more "developmental" industrial policy after a period of more liberal ones. However, those punctuations, were not sudden. They were preceded by industrial policies with ambiguous nature, mixing "liberal" and "developmental" components, perhaps showing that the change in the policy images required to create punctuations in the industrial policies is not sudden, but

gradual. As the theory (BAUMGARTNER; JONES; MORTENSEN, 2014) recognizes, an election is a major opportunity to policy image change. But our data suggests that other aspects also influenced this change, which is illustrated by the ambiguous nature of industrial policies in the preceding years of the major punctuations.

In other words, it may be the case that there are conflicting policy images in the macrosystem of some of the periods analyzed, which opens space for ambiguous industrial policies. This is the rationale behind so many debates in the economics' literature regarding whether a particular government had or not an industrial policy, or, even when accepting there was an industrial policy in that period, there is disagreement over its nature (for instance, if it was a more "liberal" or a "developmental" one).

Besides, in recent industrial policies, two different policy paradigms were present (PITCE on one side and PDP and PBM on the other). They were both embedded in a similar positive policy image of industrial policy, which was in place across different governments, though with the same president in office (Lula in the case of PITCE and PDP) or another president, but a successor from the same political party (Dilma in the case of PBM). As people in key positions changed from one policy to another, as well as the relationship between the organizations they led, different policy paradigms came to the fore and informed the formulation of the respective industrial policies. We have not delved into the different measures included in industrial policy, so future research could try to reflect whether the profile of measures has indeed changed across policies, and to investigate the role of the different locus of power, which took a leadership role in defining the general guidelines, and the economic context, in defining the profile of the measures.

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