Impact of the authoritarian government on Brazil's economy

NEGAR LALEH

Political research method

5/30/25

Contents

Abstract

This paper examines whether authoritarian governance had a significant impact on Brazil's economic performance. Employing a Differences-in-Differences (DiD) methodology and leveraging RStudio for data analysis, the study evaluates the relationship between political authority and economic outcomes in Brazil. Using Varieties of Democracy (V-Dem) data on regime characteristics, the analysis isolates the effects of authoritarian rule on a key economic variable ,GDP growth per capita.

Concepts

Authoritarianism is a political system defined by the concentration of power in a single leader or a small, unaccountable elite. Its general defining features include:

1. **Centralized, Unaccountable Power**: Authority rests with a leader or ruling group that operates without democratic accountability.
2. **Suppression of Opposition**: Dissent is systematically repressed through media censorship, restrictions on civil liberties, and the marginalization of political rivals.
3. **Limited Total Control**: While authoritarian regimes exert dominance over political life, they often tolerate existing economic, religious, or social institutions, provided they do not threaten the regime's authority.

Unlike totalitarian systems, authoritarian governments do not necessarily seek to transform all aspects of society but instead prioritize political control and stability.

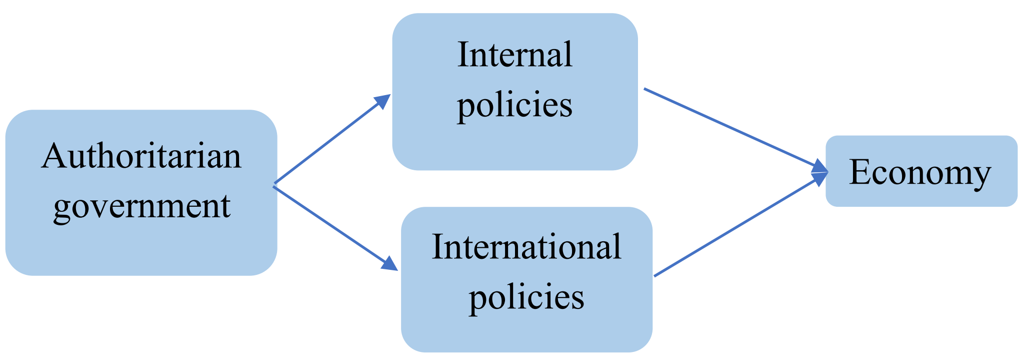
Background

The 1964 Brazilian coup d'état was the overthrow of Brazilian president João Goulart by a military coup and the start of the authoritarian government. In 1984, More than one million people occupied the streets of São Paulo to demand direct presidential elections. Finally, in 1985, Tancredo Neves was elected President of Brazil by the Congress, ending the 21-year military rule. Brazil has been a democratic country since then.

At the same time period Switzerland has been a resoundingly democratic country the same as Canada. Singapore has also operated as a democratic country since its independence in 1965. But this fact is often debated due to the dominance of a single party, restrictions on political opposition, and constraints on civil liberties.

Causal diagram

To make the start of this research paper more understandable, a causal diagram was used. Which indicates that the authoritarian government affects internal and international policies, which in turn have an impact on the economy. To be more specific, the effect of tariff hikes (a common act by authoritarian governments) on the GDP growth per capita of countries is measured.



Research method

Differences in Differences (DiD) measures the causal impact of a policy, intervention, or event by comparing the *pre-post* outcome differences of a treatment group to those of a control group. Key concepts of this research method include Treatment and Control Groups and Time periods.

The period for this research is between 1964 to 2000. The Treatment group for this paper would be Brazil, and the Control Group would have countries with varying states of democracy in the mentioned period such as Singapore, Canada, and Switzerland.

Process

To compare the degree liberalism in each country V-Dem Datasets have been used. By integrating both datasets, this analysis reduces potential biases in a single metric.

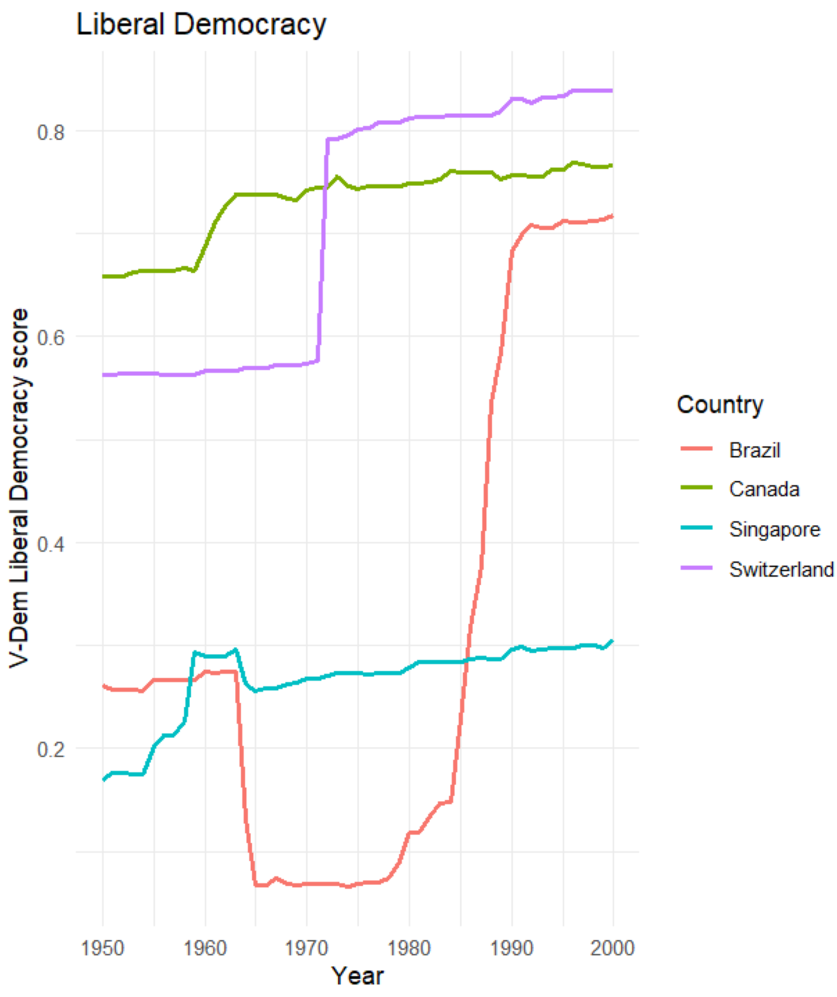


Figure 1: Liberal democracy indicated by the V-Dem dataset

As anticipated, the data highlights the stability of Switzerland and Canada's democracy, while Singapore and Brazil experienced fluctuations over time.

Tariffs

Next, the tariffs for Brazil, Switzerland, Singapore, and Canada are presented from 1964 to 2000.

Brazil [1]:

Military Dictatorship Period (1964–1985)		
1964–1967	Average tariff: ~52%.	High tariffs and import restrictions as part of the Import-Substitution Industrialization (ISI) strategy.
1968–1973	tariffs: ~40–45%.	Gradual reduction in tariffs but still high protectionism
1974–1985	tariffs: ~50–60% (with many non-tariff barriers).	Increased protectionism due to balance of payments crises.
Democratic Transition & Economic Crisis (1985–1990)		
1985–1990	tariffs: ~40–56%.	Continued high tariffs due to hyperinflation and economic instability.
Trade Liberalization (1990–2000)		
1990	Average tariff 34%	Drastic trade liberalization under Finance Minister Zélia Cardoso de Mello.
1994	Average tariff: 14.46%	Further tariff reductions to stabilize the economy.
1995–2000	Tariffs stabilized around 14–17% with some exceptions for protected sectors (e.g., automobiles).	

[1] Obtained from world integrated trade solution (WITS)

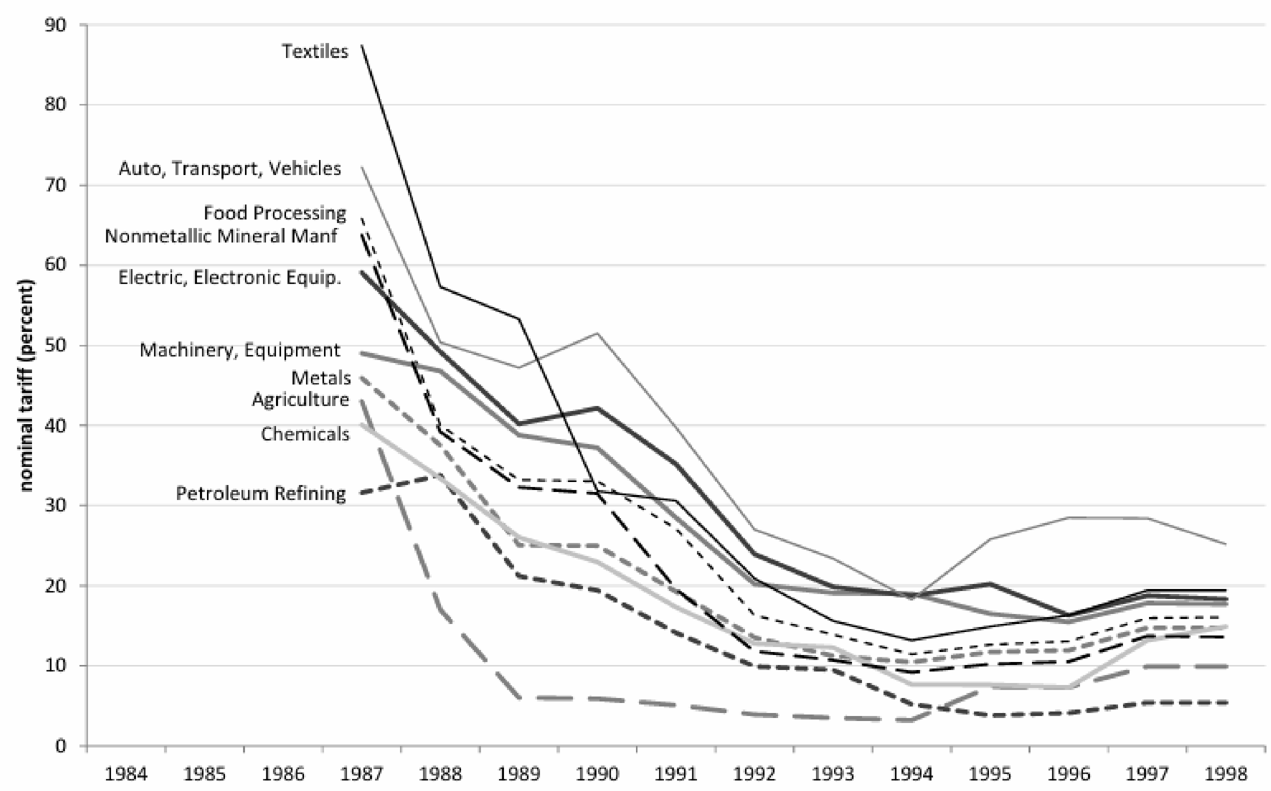


Figure 2: Tariff rates by Kume and Piani

Switzerland [2]:

1960s–1970s	Average tariffs were around 4–7% for industrial goods, but higher for agricultural products.	Switzerland maintained a moderate tariff regime with relatively low duties compared to other European countries.
Key Trade Agreements & Changes		
1960s	Switzerland was a founding member of the European Free Trade Association (EFTA) in 1960, which reduced tariffs among member states. Industrial tariffs were gradually eliminated between EFTA members by 1966.	
1972	Switzerland signed a bilateral free trade agreement with the European Economic Community (EEC) in 1972, eliminating tariffs on industrial goods. Agriculture was excluded and remained protected.	
1994–1995	The average Swiss tariff was around 3.5% for industrial goods. Agricultural tariffs remained high .	Switzerland participated in the Uruguay Round (1986–1994), leading to the creation of the WTO in 1995.
Late 1990s	Average tariffs 4.5%	

[2] Obtained from UN Trade and Development (UNCTAD), world integrated trade solution (WITS) and the World Trade Organization (WTO)

Singapore [3]

Post-Independence Liberalization (1960s–1970s)		
1965	Most manufactured goods had zero tariffs.	Singapore adopted a free trade policy, with minimal tariffs except on a few "luxury" goods (e.g., tobacco, alcohol, and automobiles).
1967	The majority of ad valorem tariff rates were below 25%. The average nominal and effective protection rates for manufacturing were estimated at 3% and 6%, respectively	
1967–1973		Progressive reduction of tariff levels continued, aligning with Singapore's export-oriented growth strategy
Further Trade Liberalization (1980s)		
1980s		Singapore continued reducing tariffs, aligning with its export-driven economy. Automobile tariffs were among the few remaining, but even these were lowered.
1983	Average tariffs 6.4%	Singapore participated in ASEAN's tariff reduction scheme, but its own tariffs were already minimal.
WTO Commitments and Free Trade Agreements (1990s)		
1990s	Singapore bound most tariffs at 0% upon joining the WTO (1995).	

[3] Obtained from World Integrated Trade Solution (WITS), the World Trade Organization (WTO), and National Archives Singapore (NAS)

1993	Singapore committed to average 0–5% tariffs on ASEAN trade, though most tariffs were already near zero.	
Late 1990s	Average tariffs ~1%	Singapore began negotiating FTAs (e.g., with New Zealand, Japan, US), further reducing tariffs.

Canada[4]

Kennedy round of GATT		
1964-1967	Average tariff ~22%	
1987	Average tariff 6.7%	
1988	Average tariff 8.1%	Just before the implementation of the Canada–United States Free Trade Agreement (CUSFTA
North American Free Trade Agreement		
1993	Average tariff 8.92%	North American Free Trade Agreement (NAFTA)
1997	Average tariff 6.74%	Canada–Israel Free Trade Agreement (CIFTA)
2000	Average tariff 4.72%	

The graph below shows the overall tariff structure.

[4] Obtained from World Integrated Trade Solution (WITS) and wikipedia

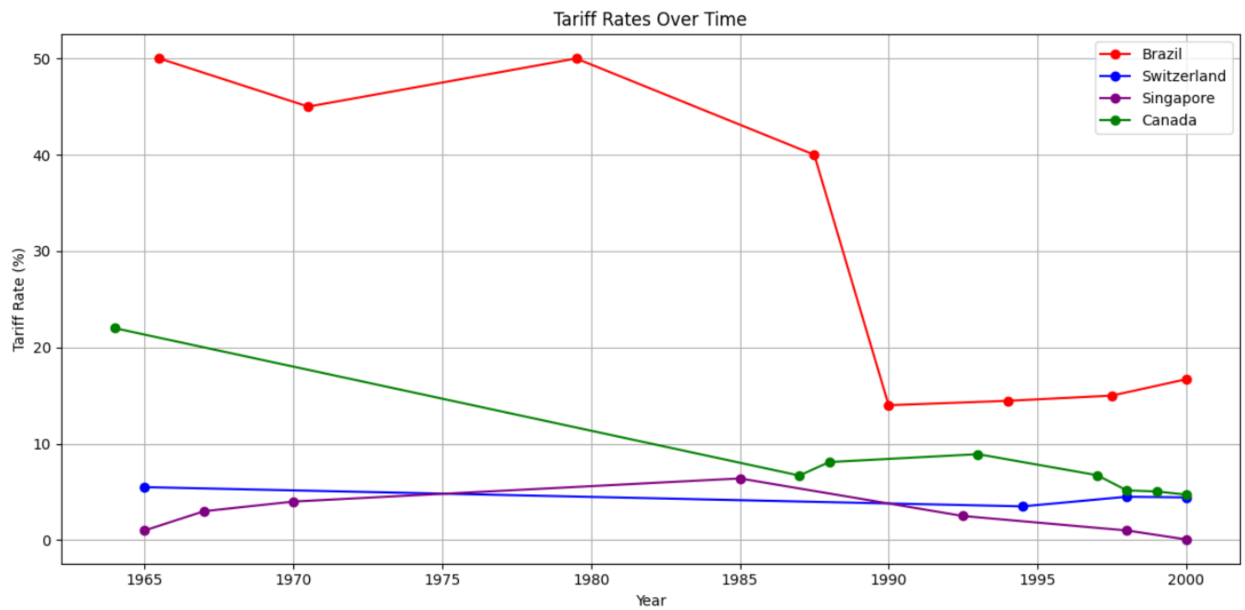


Figure 3: tariffs over time (1965-2000)

GDP

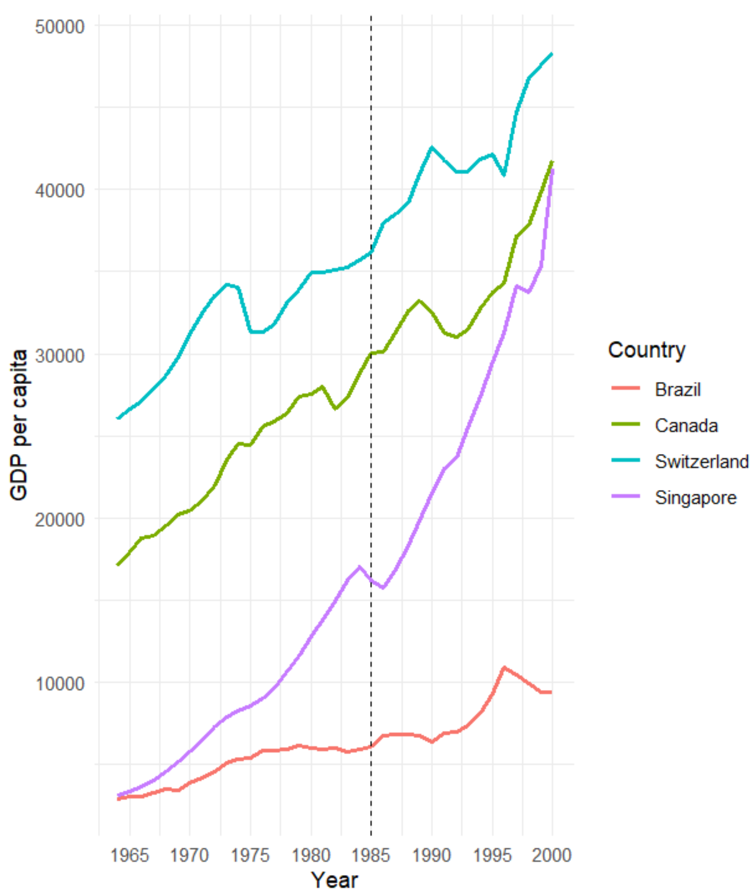


Figure 4: GDP per capita comparison with pwt10 dataset

In the graph above, the GDP growth of these countries is compared.

As the data shows, Switzerland has consistently maintained the highest GDP, followed closely by Canada, while Singapore experienced significant growth after the 1980s. In contrast, Brazil recorded the lowest GDP growth over the years.

Conclusion

The control group was selected based democratic governance and low tariff policies. Since the study focuses on the economic impacts of authoritarian governments, especially Brazil, It needed to be compared with stable democracies that maintained open or free trade policies.

Switzerland, Canada, and Singapore were chosen as ideal control cases:

1. **Switzerland** has long been a highly democratic nation with consistently low tariffs, with steady GDP growth over time.
2. **Canada** similarly maintained low trade barriers and experienced stable, high economic growth.
3. **Singapore**, while not fully democratic, kept tariffs low and stable, and also had remarkable GDP growth, particularly after 1985, when it surged dramatically.

In contrast, Brazil, under authoritarian rule from 1964 to 1985, had the weakest GDP growth between 1964 and 2000. While it showed a slight improvement after 1985, its performance lagged significantly behind the control group, highlighting the potential economic disadvantages of authoritarian governance compared to open, democratic systems.

As can be seen, the decrease in tariffs is likely a sign of the government moving away from authoritarianism. While there appears to be some correlation between the tariff rates and GDP growth, it is essential to consider that multiple other factors are also at play. A more detailed analysis would be necessary to establish causation, as GDP is influenced by a wide range of economic, political, and social factors.

Reference:

1. Huntington-Klein, N. (2021). *The effect: An introduction to research design and causality*. Chapman & Hall/CRC.
2. Snyder, T. (2017). *On tyranny: Twenty lessons from the twentieth century*.
3. Baumann, R. (Ed.). (*Year*). *A political economy analysis of import tariff policy in Brazil*.
4. Kume, H., Piani, G., & Souza, C. F. (2003). *Trade Liberalization and Industrial Organization in Brazil*.
5. Kume, H., & Piani, G. (1991). *Regional effects of trade reform*