



**PUBLIC MANAGEMENT AND INVESTMENT ATTRACTION IN MINAS
GERAIS FROM THE 1940S**

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SUMMARY

This article aims to understand how the Public Management of the State of Minas Gerais started, from the 1940s, a set of actions, with the objective of modernizing the mining economy, jumping from an economy based on agriculture and mining to an economy based on semi-industrialized products. Its composition includes the following points: 1. Economic Development in Minas Gerais and Management in Attracting Investments; 2. The Minas Gerais economy before the 1940s; 3. The Institutional arrangement that enabled the development of the Minas Gerais economy; 4. Investment in gross capital formation in Minas Gerais and, in conclusion, State action, institutions and investment as vectors of development.

Keywords: Public Management, Investment Attraction, Institutions, Mining Economy, State Entrepreneurship.

1. Economic Development in Minas Gerais and Management in Attracting Investments

How did the State of Minas Gerais think of its Management to attract investments? It starts with the hypothesis that the State's capacity to organize government and private institutions constitutes a favorable environment for economic growth and will ensure institutional stability, economic and social infrastructure, where tax incentives are important factors in attracting investments, because, according to Figueiredo and Resende (2013, p. 62) there is empirical evidence pointing out that the characteristics of

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institutions are one of the factors that explain product differences between countries.

What is needed, according to Keynes, is not

tighten the vests tightly, but adopt a mood of expansion, activities, doing things, buying things, producing (...), because the patient does not need rest, but exercise. You cannot employ men for stoppage, for refusing orders, for inactivity. On the contrary, activity is the only possible way to restore, in motion, the wheels of economic progress and the production of wealth (Keynes, 1985, p. 37).

According to Diniz (1981), the State's presence in Minas Gerais was precocious and decisive for Minas Gerais economic dynamics. The action of the Government of Minas Gerais, regarding support and leverage of modernization, was decisive when it started in 1947 the assembly of a government-owned energy system; when building Contagem in the 40s, launching the first Brazilian experience of building an industrial city; and, assimilating the debate on planning that was taking place in that same decade, at the national level, he drafted a government plan, in the belief that industrialization was the only way out to overcome the economic backwardness in which the State was, and be encouraged through targeted and efficient Public Management. This early action by the State quickly attracted investment,

Table 1 - Relative share of selected states in Brazil's GDP in 1970, 1985 and 1999- (%)

States / Years	1970	1985	1999
Minas Gerais	8.3	9.6	9.6
Sao Paulo	39.4	36.1	34.9
Rio de Janeiro	16.1	12.7	11.7
Parana	5.5	5.9	6.3
Rio Grande do Sul	8.7	7.9	7.7
Brazil	100.0	100.0	100.0

1970: Adapted from IBGE. Historical statistics of Brazil.

1985 and 1999: Adapted from IBGE. Regional accounts of Brazil, 1985 - 1999. Elaboration of the FJP (cited in 21st century Minas Gerais. A Vision of New Development. [Special Volume]. Belo Horizonte: Rona Editora., P. 28).

In Table 1, it can be seen that Minas Gerais jumps from 8.3% of participation in the national GDP, in 1970, to 9.6% in 1999; while the State of São Paulo, the most industrialized in the country, fell from 39.4% to 34.9% in the same period, a fact that also occurred with the other states, except the State of Paraná, which in the same period had a growth of 5.5% to 6.3%. Therefore, it is important to specify the role and the tools that Public Management, as an area of knowledge, can offer in order for the State to organize itself to attract and enhance investments in its territory.

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Therefore, this article wants to understand the economic processes that the State of Minas Gerais built since 1940, when seeking to organize itself to coordinate its development process, what obstacles were identified to be worked and overcome.

2. The Minas Gerais economy before the 1940s and efforts to modernize the economy

First, it is important to note that in 1940, the Minas Gerais economy was at an enormous disadvantage in relation to the national economy, as is so well highlighted in 1947, in the First Plan for the Recovery of the Economy and Promotion of Production. This Plan emphasized the strong dependence on the mining-based mining economy and its limited progress in industrialization, marking its specialization in the production of raw materials and industrially poorly prepared products. More importantly, the Plan registered the dependence of the mining industry in relation to industry in the states of Rio de Janeiro and São Paulo, together with its small connection with the other states. Commercial transactions in the states of Brazil were, in essence, intraregionally, since in the 1940s, Brazil was like an immense archipelago of relatively isolated economic islands, as described by Galvão (1993, p. 260). That is why the commercial matrix between the states in 1947 clearly registered the importance of trade between Minas Gerais, Rio de Janeiro and São Paulo, which came to represent 88% of the total interstate trade carried out in that year in Brazil. Exports from Minas Gerais to the other states in the Southeast region represented 95% of exports in 1947, while to the rest of the country, only 5%, according to Galvão (1993).

The 1947 Plan also pointed out several weaknesses in infrastructure as the most serious obstacle to leveraging mining industrialization, warning that the production agenda essentially based on sectors such as agriculture, food, textiles and the production of poorly prepared raw materials and inputs inhibited a greater participation of the mining economy in the National GDP. In the search for solutions to the weaknesses of the mining economy, the 1947 Plan “indicated the creation of an 'Economic Recovery Rate' to finance enterprises and the implementation of programs under the responsibility of the State to build infrastructure, the development of programs aimed at complement and sustain new investments in the industrial sector.” (BDMG, 2002b, p. 16). In this sense,

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The question is: since the 1947 Plan, what management instruments and institutions have the State of Minas built to enhance its development?

3. The Institutional arrangement that enabled the development of the Minas Gerais economy

The first action was the creation of Companhia Energética de Minas Gerais - CEMIG, an institution created to support mining development and the result of a message sent to the Minas Gerais legislature in 1951. This produced Law No. 828 of 12.14.1951 and, endorsed by decree nº 3.710 of 02.22.52, created Cemig with the responsibility of managing the electrification plan of the State of Minas Gerais, combining a highly qualified technical team and, at the same time, freedom of action, without much political interference.

In order to comply with its work program, CEMIG held 4/14 of the Economic Recovery Services Fee, linked by Decree No. 760 of 10.26.1951 for the constitution of the electrification fund. These resources were essential to ensure the institution's work program in its first phase, in addition to the contributions of state resources, corresponding to more than 50% of the investments made by the company in the period. In addition to the contributions from the State of Minas, Cemig also had financing from the National Bank for Economic Development - BNDE. Thus, CEMIG was born adjusted to the idea of a public company to support capitalist expansion, considering the incapacity of private national capitalists and the search for national autonomy in relation to foreign capital.

But, as the investments the institution made ended up generating a lot of energy (mainly from the construction of the Furnas and Três Marias hydroelectric plants - Furnas was a Federal investment and Três Marias was Cemig's own investment), industrialization in the State of Minas became a need for Cemig's existence to become viable as a company. For this reason, the Governor of Mines, José de Magalhães Pinto, in a message sent to the legislature in 1962, stated that it would be “necessary to speed up the industrialization of the State to guarantee the consumption of energy to be generated by Três Marias and Furnas” (Diniz, 1981, p. 94). It is based on this reality that Diniz (1981, p. 74) says that “Cemig has become the most important institution in the government of Minas Gerais”.

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In the 1950s, the industrial sector in Minas Gerais grew at high rates (147%), compared to the other sectors (primary 46%; tertiary 74%); increasing the participation of this segment in the formation of the State's GDP. This growth was led by the mining industry (13.7% per year), non-metallic minerals (16.2% per year) and metallurgy (11.8% per year). Then there was the maturation of public and private investments in large projects in the steel industry (Acesita, Usiminas and Mannesmann); mining (Companhia Vale do Rio Doce); (Companhia Portland Itaú) carried out in the 40's and 50's, as recorded by BDMG (2002, p. 17). As a result, the aggregate relative share of these three segments in the production value of the manufacturing industry, between 1949 and 1962,

jumped from 19.8% to 36.3%, in contrast to the traditional branches of the manufacturing industry (food and textiles, which in 1949, represented almost two thirds of the value of manufacturing production, saw their relative share decrease sharply over the 1950s (BDMG, 2002b, p. 17).

Even in the face of this incipient advance, the State of Minas Gerais lacked an institutional apparatus to support and articulate the necessary mechanisms to promote its industrialization; there was a lack of a center that could capture the benefits of its economic activities and interconnect its economic space; there was a deficiency in the supply of basic inputs and in the road infrastructure; entrepreneurial entrepreneurs were lacking; there was a concentration of industry in São Paulo and Rio de Janeiro and a strong presence in the Minas Gerais market for industrialized products from these two states, requiring new actions by the Minas Gerais State, to highlight Minas Gerais in the national economic scenario. In the 1960s, already at the end, the mining economy still maintained a low performance in relation to the national economy, because, on the one hand, the time lag between the mining and national economy cycles was clear (it being clear that the mining economy had its economic matrix linked to the expansion of the intermediate products industry); on the other hand, the loss of relative participation of Minas Gerais in the Brazilian GDP was caused by the stagnation of the agricultural sector; in the 60s and 70s, Minas Gerais agricultural GDP grew at an average annual rate of 1.6%, according to the BDMG record (2002b. p. 18) Only in the late 60s, the mining economy reacts, led by the mining and the manufacturing industry, surpassing the national economy as a whole, a time when the institutional apparatus for supporting and promoting industrial development in the state is being consolidated.

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It was the Diagnosis of the Minas Gerais Economy, according to BDMG (1968) (quoted in BDMG, 2002b, p. 18) that organized the arguments that justified why the State was being harmed, since the gold exploration phase, emphasizing the late advance of the economic development of Minas within the national framework, exposing as causes the specialization in the production of intermediate goods and the dependence of Minas Gerais in relation to the main industrialized centers of the country, once again, since this assessment had been carried out in the 1947 Plan. This diagnosis, emphasizing the need for a modernizing and industrializing plan for Minas Gerais, made the 1968 BDMG Diagnosis serve as the basis for both the creation of INDI, CDI and the João Pinheiro Foundation, as well as for the elaboration of the I Mineiro de Economic and Social Development -I PMDES. It was only after the 1970s that the state of Minas Gerais underwent profound changes in its economy, when a large volume of investments changed the state's position in the context of the national economy, initiating a process of diversification and densification of the industrial structure, consolidating new industrial sectors and the expansion and national and international insertion of the mining economy, as shown in Table 2.

Table 2 - Relative share of federation units in national GDP at market prices in the 1970s and 1980s (%)

Federation Units	1970	1980
Minas Gerais	8.34	9.44
Sao Paulo	39.36	37.66
Rio de Janeiro	16.07	13.55
Parana	5.53	5.94

Federation Units	1970	1980
Rio Grande do Sul	8.73	8.07
Brazil	100.00	100.00

Adapted from IBGE. Historical statistics of Brazil (quoted in BDMG. (2002b). Minas Gerais of the 21st Century. The starting point. Volume I. (p.20) Belo Horizonte: Rona Editora.

It can be seen that the state of Minas Gerais jumps from 8.34% in 1970 to 9.44% in 1980 in its share in the national GDP, with São Paulo and the other States listed in Table 2 losing participation, except for the State of Paraná.

The Minas Gerais economy achieved this favorable performance due to these factors: existence of abundant natural resources; availability of economic infrastructure; existence of basic industry, such as metallurgy and cement; mineral extraction industry,

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generating externalities and a market for the capital goods industry; privileged geographical position of the State; a policy of tax incentives; the institutional apparatus to support industrialization, combined with active political leadership. These factors were the main factors responsible for the volume of investment in the 1970s, according to (Diniz, 1981), in addition to two other aspects that strengthened the mining economy in the national scenario during this period: the process of industrial deconcentration of São Paulo, because the geographical proximity of the South of Minas and the Mineiro Triangle with São Paulo and the existence of an already structured urban network provided these two regions with alternative locations for the industrial deconcentration process in São Paulo; and, a second aspect, was the prominent position of the state of Minas Gerais in the II National Development Plan - II PND, of the Federal Government, due to the comparative advantages that held those sectors considered priority to industrial restructuring. According to Diniz (1981), the state of Minas Gerais received, on average, 25% of the amount of investments approved by the Ministry of Industry and Commerce, from 1971 to 1979.

Another institution that has contributed a lot to Minas Gerais development is the Development Bank of Minas Gerais - BDMG, which was created in 1962, as a result of a campaign for its creation that has developed since 1955. At that time, there was a conviction that the Minas Gerais was lagging behind and that industrialization was an exit door for the State to modernize. Thus, on January 5, 1962, by means of Law No. 2,607, regulating it by means of Decree No. 6,555 of April 13, 1962, Governor Magalhães Pinto created the BDMG, with the objective of supporting mining industrialization. BDMG, from a very early age, was committed to promoting the modernization of the mining industry. The result of this effort was that the Bank called itself the functions of the Government's study body, becoming a space to gather technical mining intelligence, with a new fact:

Beginning its activities in 1963, with capital difficulties and facing resistance in the business environment, as this segment already had a tradition of relationship with commercial banks (not paying attention to the new Banco Estadual de Fomento), the team of the Banco de Desenvolvimento de Minas Gerais was forced to raise external resources, having to produce studies that would support this demand. Diniz (1981) records that these studies ended up having a decisive importance in the history of this institution. According to him, in 1963, the

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BDMG sent a request for financing to the Agency International Development (AID), accompanied by a study of the Mining Economy (...). This is the first study that the BDMG carried out on the mining economy, being the embryo for future initiatives and hence its historical importance. (p. 152).

Determined to contribute to overcoming underdevelopment in Minas Gerais, BDMG sought new paths, since its effective implementation, seeking to enlist the best available in technical resources to create its Studies and Planning Department, with the objective of producing studies for the Bank itself, as promoted by BDMG. In one of its regional seminars, BDMG traces the diagnosis of the Minas Gerais economy, emphasizing that its strong underdevelopment features: there was a low degree of urbanization, with a predominance of agricultural activity, with differences in productivity; with the low levels of health and education caused by the type of settlement that had occurred in the state; with livestock activity managed extensively and with predatory extractive activity. For this diagnosis,

Minas Gerais had been explored initially through the extraction of gold and precious stones, then through the supply of iron ore and primary products to Brazilian industrial hubs and, finally, through industrialized inputs (steel and cement) and electricity, to accelerate the industrialization of the State of São Paulo. (p. 157)

It is certain that the Diagnosis of the Minas Gerais Economy, elaborated by the BDMG in 1968, became the fundamental milestone of the development reached at the end of the last century, since it was from there that the institutional fomentation apparatus was established, which was in force until today without major changes and that articulates the action and participation of the Public Management of the State of Minas Gerais in attracting investments. BDMG had a significant participation in the economic development of the state, mainly until the beginning of the 1980s, when the abundance of federal and external resources ensured its leverage power, allowing the Minas Gerais economy to grow at rates higher than the national average in the period.

Another institution that contributed to the development of Minas was the Industrial Development Institute - INDI, created with the objective of supporting and promoting the mining industry. The INDI of Minas Gerais was born on 05/30/1968, with the signing of the contract for the establishment of the Institute between the Minas Gerais Development Bank (BDMG) and the Minas Gerais Power Plants (Cemig). In December

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of that year, INDI, Cemig and BDMG started to elaborate the “Action Plan for Accelerating the Development of Minas Gerais”. INDI was the main mining institute with the mission of developing the state's industrial sector. The Institution's objective was to arouse the interest of potential national and foreign investors to the potential or comparative advantages that the State would have in relation to other regions of Brazil. It was an institution that was concerned with the elaboration of studies in search of opportunities for the industrialization of the State. The Institute took advantage of the knowledge accumulated by BDMG about the economic situation in Minas Gerais, including the first experiences of industrial opportunity studies, making use of Cemig's experience in dealing with international consultants, including hiring the American firm Arthur D. Little Inc. (ADL), a company that had experience in industrial development projects in some regions of the world, to assist in the assembly of INDI itself and the first works. In addition to Arthur D. Little's experience, this relationship represented the bridge for international investors,

The initial work plan of INDI was based on the following bases and stages: analysis of the economic situation of the state of Minas Gerais with reference to its natural resources; identification of its main problems and possible solutions, with the identification of priority sectors; detailed study of the sectors identified in the first stage; detailed study of selected industrial opportunities and identification of potential investors and promotion through contact with investors. INDI had the instrument to reimburse companies for their investment through a portion of the Tax on Circulation of Goods - ICM. This incentive constituted a strong instrument for attracting private investments to the State of Minas, as these, provided by Law No. 12,159 of 10.11.

During the 1970s, INDI's contribution was essential for the modernization and diversification of the mining economy. Companies from the electronics, automotive, chemical and fertilizer industries emerged. There was also a considerable expansion of the steelmaking park, one of the traditional sectors of the state economy. In the 1980s, with the unfolding of the second oil shock, INDI acted in the search for new alternatives for Minas Gerais to face the problems that then affected the whole world economy, participating in studies that made possible the substitution of imports from the mining industry and the search new fuel alternatives to boost development. Despite the difficulties, INDI expanded its international relations in the period, participating in the Minas-Germany Industrial Cooperation Program (PCI),

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The Minas Gerais Industrial Districts Company - CDI-MG, now the Minas Gerais Development Company - CODEMIG, was another important institution that resulted from the transformation of the Industrialization Department of the State Secretariat of Agriculture. When created in July 1971, by means of state law 5.721, it proposed an industrial deconcentration work plan, having thus built industrial districts in cities such as Montes Claros, Pirapora, Uberlândia, Juiz de Fora and, later, in Betim, Nova Lima, Vespasiano and Santa Luzia, municipalities in the metropolitan region of Belo Horizonte. CDI-MG was responsible for promoting the creation of Industrial Districts (DI) in other parts of the State, evaluating the areas where it would be interesting to introduce this type of industrial organization and promoting studies necessary for the most appropriate choice within the municipality. After these preliminary studies were completed, it promoted the purchase or expropriation of the land to later coordinate the execution of the infrastructure works according to the urbanization projects already concluded. It also granted companies a set of benefits, such as tax incentives for a fixed period, as well as infrastructure for the implementation of production units, and also provided technical support to the municipal governments where the districts were created. That is why Mendes Oliveira, in his research *The Mining Experience in the Implementation of Industrial Districts in Small Municipalities: The Case of Elói Mendes*,

Finally, the João Pinheiro Foundation - FJP was another Minas Gerais institution for development support, created in 1969 and with the participation of BDMG, as attested by Diniz (1981, p. 162.), with the objective of being a research institution and teaching. Linked to the State Secretariat of Planning and Management of Minas Gerais, it provides knowledge and information for the development of the State and the country, with the characteristic of continuous innovation in the production of statistics and in the creation of economic, financial, demographic and social indicators, as well as as, rendering services to federal, state and municipal institutions, companies and private organizations, universities, research institutes, international organizations and entities representing different social segments.

It was from that time that the definition of the Mining Area of the Polygon of the Drought, since in 1965 the Secretariat of Economic Development contracted a study with the Society of Regional Economic Technical Studies - SETER, on the economic and social situation of the mining area of the Polygon of the Secas. In 1966, the REGMPE, Brasil-BR, V.1, N°4, p. 89-110, Jul./Aug.2016 <http://www.regmpe.com.br>

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Northern Minas Gerais Development Superintendence - SUDEMINAS was created, through State Law No. 10,023 of 8/23/1966 and by Decree No. 18,064 of 8/24/1976, to defend and represent the interests of the State with the Development Superintendence do Nordeste - SUDENE. Subsequently, SUDEMINAS came to be called SUDENOR, and shortly thereafter IDENE. However, it was once again up to the BDMG to carry out a broad study, called the Minas Gerais area of the Polígono das Secas: situation and problems. In that study, a survey of the economic and social situation of the region, its main problems and economic potential was carried out, and this work was presented at the first meeting of Investors in the Minas Gerais Area of the Polígono das Secas, in August 1967 in Pirapora, and several investors were invited in potential. During this period, the Fund for the Financing of Studies and Projects for the Mining Area of the Dry Polygon - FINEPOL and the Special Portfolio of Applications in the Mining Area of the Dry Polygon - CEAPS, to support initiatives in and in the region. Once again Diniz (1981) records that the “improvement of infrastructure and the support and promotion scheme brought great repercussion to the region, making SUDENE's mining area, due to its strategic position, an indicated location.” (pp. 164-165). its main problems and economic potential, and this work was presented at the first meeting of Investors in the Mining Area of the Polígono das Secas, in August 1967 in Pirapora, and several potential investors were invited. During this period, the Fund for the Financing of Studies and Projects for the Mining Area of the Dry Polygon - FINEPOL and the Special Portfolio of Applications in the Mining Area of the Dry Polygon - CEAPS, to support initiatives in and in the region. Once again Diniz (1981) records that “the improvement of infrastructure and the support and promotion scheme brought great repercussion to the region, making SUDENE's mining area, due to its strategic position, an indicated location.” (pp. 164-165). its main problems and economic potential, and this work was presented at the first meeting of Investors in the Mining Area of the Polígono das Secas, in August 1967 in Pirapora, and several potential investors were invited. During this period, the Fund for the Financing of Studies and Projects for the Mining Area of the Dry Polygon - FINEPOL and the Special Portfolio of Applications in the Mining Area of the Dry Polygon - CEAPS, to support initiatives in and in the region. Once again Diniz (1981) records that “the improvement of infrastructure and the support and promotion scheme brought great repercussion to the region, making SUDENE's mining area, due to its strategic position, an indicated location.” (pp. 164-

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It can be said that, in the 1960s, the State of Minas Gerais structured an efficient institutional apparatus to support industrialization in Minas Gerais, with strong

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influence from two institutions, BDMG and Cemig, and, in these two institutions, as already registered, there was the mining intelligence, from the Ouro Preto School of Mines and the UFMG School of Economics. This strategy of building a group of institutions in the state produced significant changes in the mining economy, incorporating new producers of capital goods and durable consumer goods and of different intermediate products, enabling the densification of industrial relations within the regional economy itself, expanding the service domestic and foreign markets, however,

Table 3 Institutions that boosted development in Minas Gerais from the 1950s

YEAR	INSTITUTION	GOAL
12/14/1951	Companhia Energética de Minas Gerais - Cemig	Support the development of Minas Gerais.
4/13/1962	Development Bank of Minas Gerais - BDMG	Support mining industrialization.
08/23/1966	Northern Minas Gerais Development Superintendence - SUDEMINAS / SUDENOR / IDENE	Defend the interests of the State of Minas Gerais with the Northeast Development Superintendence - SUDENE.
05/30/1968	Industrial Development Institute - INDI	Acting in the prospecting, induction and attraction of investments for the development of Minas Gerais.
00/00/1969	João Pinheiro Foundation - FJP	Produce and share knowledge and statistics, train managers and induce public policies.
07/1971	Company of Industrial Districts of Minas Gerais - CDI-MG	Promote the creation of Industrial Districts within the State.

Diniz (1981, p. 165) states that the BDMG-INDI-CDI-FJP had been the support arrangement for industrialization in Minas Gerais, supported by the Secretariat of Finance and the tax incentive system. These bodies facilitated access and eliminated the labyrinths of public bureaucracy and due to their character of administrative and financial autonomy, they had facilities, speed and efficiency in their actions, including the recruitment and hiring of people.

4. Investment in gross capital formation in Minas Gerais

As for the investment, object of this work, the 70's can be considered as the main time of investment in the economy of the State of Minas (Table 3), since the Gross Fixed Capital Formation (GFCF) indicators have always performed above the average

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Brazilian. Investments (GFCF) in the state, both public and private, grew in that decade at an annual average rate of 14.3%, while in the same period, in Brazil, they grew 8.7%. With this place of prominence in attracting investment, the state of Minas increased its share in total Brazilian investments, significantly over this period (Table 4).

Table 4 - Comparative data of the GFCF of Minas Gerais / Brazil 1970/1985 (%)

YEARS	Relative share	Growth rate		Investment rate (FCBF / GDP)	
	MG / BR	BR	MG	BR	MG
1970	9.50	---	---	18.80	21.00
1971	8.70	15.30	3.10	19.70	20.00
1972	8.90	16.70	12.80	20.20	21.30
1973	9.50	21.00	29.00	21.40	24.90
1974	9.90	13.30	21.80	22.80	25.10
1975	11.20	9.70	35.50	24.40	30.20
1976	13.10	6.80	28.70	22.50	33.00
1977	14.30	-1.40	14.80	21.30	32.70
1978	13.70	3.10	2.90	21.8	31.90
1979	12.40	4.70	1.40	22.80	29.70
Annual average	11.12	8.69	14.34	21.57	27.08
1980	13.30	8.50	-4.30	22.00	31.20
1981	13.00	-13.30	-6.20	22.20	30.40
1982	13.10	-5.40	-2.60	20.60	27.70
1983	13.50	-17.00	-8.30	17.10	25.20
1984	9.80	4.10	-22.80	16.50	19.10
1985	8.80	11.60	-2.70	18.00	18.10
Annual average	11.92	-2.52	-8.10	19.40	25.28

Adapted from the State Planning Secretariat of Minas Gerais - Regional Aggregates: Gross Fixed Capital Formation 1970-1985. (quoted in BDMG. (2002b). Minas Gerais in the 21st Century. The starting point. Volume I. Belo Horizonte: Rona Editora.

In the first half of the 1980s, Minas had an average of -8.10%, while Brazil had an average of -2.5% pa in the fall of its investment (GFCF), confirming once again the behavior of the mining economy compared to the national, due to its sectoral and industrial productive structure, because, when it is doing well, the mining economy grows at higher rates and when the national economy is not doing well, the mining company follows at a pace well below that.

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On the other hand, according to Table 3, regarding the investment rate, the mining economy obtained, on average, in the 70s, 27.08% against 21.6% in Brazil; and maintained an investment pattern 27.1% above the national average in the early 1980s, with Minas having 25.3%, while Brazil had 19.4%, reaffirming the pattern of growth and investment in the mining economy. This extraordinary expansion of investments in Minas Gerais in the 1970s is justified by its advantages of geographic location in the country; the natural resources existing in the State; the policy of fiscal incentives and the articulated institutional support for industrialization, as well as the privileged position of the State in the great goals of the II National Development Plan - PND, of the Federal Government. The 1980s, on the other hand, were marked by the retraction and stagnation of economic growth, both in Brazil and in Minas Gerais, where the process of transformation and dynamization of the economy, accelerated in the 1970s, experienced an unequivocal discontinuity from the 1980s, characterized by the drop in the growth rates of the Gross Domestic Product - GDP. As a result, the participation of the state of Minas Gerais in the national GDP remained practically unchanged (Table 5).

Table 5 - Relative share of federation units in Brazil's GDP, in the 1980s and 1990s, at market prices

Federation Units	1980	nineteen ninety
Minas Gerais	9.44	9.29
Sao Paulo	37.66	37.02
Rio de Janeiro	13.55	10.88
Parana	5.94	6.35
Rio Grande do Sul	8.07	6.13
Brazil	100.00	100.00

Adapted from IBGE. Regional Accounts. (quoted by BDMG. [2002b]. The starting point. Volume I. Belo Horizonte: Rona Editora.p.35)

One of the reasons for this drastic investment contraction in the 1980s is associated with the external debt crisis that put the Brazilian State's spending capacity in check, and investments by state-owned companies reached very low levels, as recorded by the BDMG (2002b): "(between) 1980 and 1984, public investments fell dramatically, not reaching a third of the 1980 level. Most of this fall can be attributed to the contraction of federal investments in state-owned companies". (p. 94) It can be seen in Table 5 that only the state of Paraná, in the 1980s, had its relative growth potentialized to the detriment of the other States of the Federation, which saw their participation in the national GDP decline. This discontinuity was not evident because the State of Minas

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Gerais registered higher growth rates than that observed for Brazil as a whole in the 1970s, due to the use of the previously expanded productive capacity and the significant volume of public investments that were being financed. through external loans and transfers negotiated with the Federal Government in the sectors of basic sanitation, side roads, popular housing, hydroelectric power transmission networks. (Fernandes & Oliveira, 2010, p. 7). due to the use of the previously expanded productive capacity and the significant volume of public investments that were being financed through external loans and transfers negotiated with the Federal Government in the sectors of basic sanitation, side roads, popular housing, hydroelectric power transmission networks . (Fernandes & Oliveira, 2010, p. 7). due to the use of the previously expanded productive capacity and the significant volume of public investments that were being financed through external loans and transfers negotiated with the Federal Government in the sectors of basic sanitation, side roads, popular housing, hydroelectric power transmission networks . (Fernandes & Oliveira, 2010, p. 7).

Table 6 - GDP growth rate in Brazil and Minas Gerais from 1981 to 1994

YEAR	Brazil	Minas Gerais
1981	- 4.5	- 2.1
1982	0.5	- 0.7
1983	- 3.5	- 3.1
1984	5.3	2.3
1985	7.9	9.4
1986	7.6	5.4
1987	3.6	3.5
1988	- 0.1	- 0.3
1989	3.3	- 2.6
nineteen ninety	- 4.4	3.4
1991	1.1	4.1
1992	- 0.9	-1.2
1993	5.0	2.8
1994	5.9	7.0
Average 1981-1985	1.14	1.16
Average 1986-1990	2.00	1.88

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FJP (quoted in Oliveira, FA & Siqueira, WB [Org.]. [2010]. *The Many Mines: essays on the Minas Gerais economy*. Belo Horizonte: Regional Council of Economics of Minas Gerais).

It can be seen in Table 6 that the oscillation presented in the 1980s was not only greater, as normally occurs in the mining economy, due to the investments that occurred in the 1970s. 14%, while for Minas it was 1.16%; from 1886 to 1990, the average for Brazil was 2.0% and for Minas Gerais it was 1.88%.

At the beginning of the 90s, the retraction of investments deepened in the midst of the Brazilian economic and political crisis with the Collor Government, but this scenario was changed from 1994 to 2007, with the advent of the Real Plan that succeeded

contain inflation without inducing recession. . . . caused, in the short term, remonetization and credit expansion, as well as an expansion of demand associated with the effects of income and wealth. At the same time, the opening of trade and the overvaluation of the exchange rate substantially reduced the prices of imported machinery and equipment. As a result, in the two years following the real plan, there was a Miniboom of investment, concentrated, to a large extent in the sectors producing consumer goods (BDMG, 2002b, p. 95).

Minas Gerais was one of the states that benefited the most from this moment, second only to São Paulo in the announced investments. The performance of the mining economy in the period from 1994 to 2007 can be explained by these factors: the privileged position of the state in the movement of capital devolution from São Paulo; ability to organize its institutions and promote government-private enterprise links in order to create a favorable environment for new and existing ventures; good economic and social infrastructure and a high degree of institutionalization of rules to encourage private investments, reducing the uncertainties of companies that wanted to settle in the State. Table 6 shows the behavior of the Brazilian and mining economy from 1990 to 2012.

Table 7 - GDP growth in Brazil and Minas Gerais - 1990 to 2012 - % pa

Year	Brazil	Mines
nineteen		
ninety	-4.4	3.4
1991	1.1	4.1
1992	-0.9	-1.2
1993	5.0	2.8
1994	5.9	7.0
1995	4.42	3.57
1996	2.15	5.96
1997	3.38	4.01
Year	Brazil	Mines

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1998	0.04	-0.12
1999	0.25	2.01
2000	4.31	6.19
2001	1.31	0.39
2002	2.66	2.11
2003	1.15	1.45
2004	5.71	5.90
2005	3.16	3.99
2006	3.97	3.86
2007	5.67	5.73
2008	5.2%	5.2%
2009	0.3%	-4.3%
2010	7.5%	8.9%
2011	2.7%	2.5%
2012	1%	2.3%

Adapted from IBGE and FJP (quoted in Oliveira, FA & Siqueira, WB [Org.]. [2010]. The Many Mines: essays on the Minas Gerais economy. Belo Horizonte: Minas Gerais Regional Economic Council. P. 6 and 15).

Analyzing Table 7, the performance of the Brazilian economy in the 1990s, as measured by GDP growth, was modest, with the exception of the period 1993-1995, which corresponds to the beginning of the implementation of the Real Plan. During this period, there was a phase of reduced growth rates, as in the years 1998 and 1999, marked by a recession in economic activity. In 1999, the country was faced with a strong devaluation of the Real, due to international financial crises (such as that of Russia in 1998) that resulted in an increase in real interest and Brazilian domestic debt and a strong capital flight.

In 2000, after overcoming the difficulties of the previous years, the Brazilian economy grew 4.3% and the mining economy by 6%, coming to face a new phase of low growth rates from 2001, as a result of the energy crisis that adversely affected the consumption and production in the country, the financial crisis in Argentina and the terrorist attack on the World Trade Center in the United States. In the years 2002 and 2003, the economy was affected by market uncertainties about the presidential election and the conduct of economic policy by the new president.

The mining economy showed good growth rates in the years 1996 and 1997, with a sharp drop in 1998 and 1999 and a growth in 2000, higher than that seen in the country. In 2001, the Minas Gerais economy showed a very small growth rate and a recovery in

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2002, reducing growth in 2003. From 2004 to 2007, following the trajectory of the national economy, Minas Gerais registered a growth above 4% pa

It should be noted that in the most critical years of the analyzed period (1997-1998-1999 and 2001), the growth rates of the Minas Gerais economy were lower than the rates of the Brazilian economy and that in the other years the growth of the Minas Gerais economy was higher growth rates of the national economy. It can be seen that, due to the nature of its productive structure, the mining economy has cycles that accompany the national economy, but that make it react more intensely positively in the expansion cycles and more negatively in the retraction of national economic activity. , as shown in Table 7. As an example, again, there is the 2009 phenomenon, in which Brazil had a retraction in its GDP of 03,% and Minas Gerais -4.3%, recovered positively in 2010 when Brazil grew 7.5% and Minas Gerais 8.9% (see Table 7). The mining economy in this period consolidated its specialization in the production of intermediate goods, increasing its participation in the production of durable and capital goods. This process had the inductive role of the State government, which was fundamental, with its policy of tax incentives structured in the 1960s, with the aim of diversifying the mining economy, as seen, through the institutions mentioned above.

4. Investment and institution as vectors of development

In concluding this article, two aspects deserve to be highlighted. The first is about investment and the second is about the institutional capacity that the State of Minas Gerais has created to attract and manage investments. It must not be forgotten that investment, as Marshall teaches, is a driving force that links the present to the future. It is worth reminding him when he points out that

As civilization has progressed, man has always developed new needs and new and more expensive ways of meeting them. . . . From all sides new perspectives are offered, all of them tending to transform the character of our social and industrial life, to enable us to employ large reserves of capital, in order to provide new satisfactions and new means of saving efforts by the early application of these in view of remote needs. . . . The whole history of man shows that his needs expand with the growth of his wealth and knowledge. (Marshall. 1996. pp. 277-278).

To be concerned with investment management as a task of the State, as Keynes teaches, is, above all, to anticipate, prevent the future, as human needs expand with the growth

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of their wealth as well as with the expansion of their knowledge, as above marks Marshall.

The second concerns the Institutional capacity that the State of Minas Gerais created to attract and manage its investments, as Denise Andrade Rodrigues taught (1988), because with hard work that Minas Gerais undertook to build an institutional structure (INDI, CEMIG, FJP, CDI and BDMG) in order to not only to attract and manage investment, but also to change the characteristics of the mining economy, transforming it from an agricultural and extractive economy to an economy of intermediate, durable and capital goods..

Finally, the third aspect, is the subscription, from this study, to the position of Keynes (1996) that the State must “assume an ever greater responsibility in the direct management of investments based on the general interests of the community” (p. 171). For this reason, it is essential "not to abandon the private initiative to regulate the current volume of investments, but that the State coordinates this process." (ibid).

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