BRAZIL

Equity postponed

Social policies are still subject to economic logic, and although President Lula's government has encouraged civil society to participate in their construction, the big question is how to overcome inequality without making significant changes in the dominant neoliberal system. The priority given to fiscal adjustment practically obliterates even the intention of creating equity in Brazil.

Brazilian Social Watch Reference Group

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In 1995 the Brazilian Government assumed several commitments to fight poverty and social exclusion at the World Summit for Social Development in Copenhagen, as well as at the IV World Conference on Women in Beijing.

The Social Watch Report[2] (Brazilian edition) presented an evaluation of social development in the five years following these conferences. It raised the following questions, among others: to what extent can we actually assert that in this five-year period social policies were not merely "residual and subsidiary" to economic policy? To what extent have those policies not boiled down to distributing consolation prizes to the losers of the new order?

The premise of the report was that social development could not be subjected to the market. The authors warned against how increased valorization of markets in the 1990s led to the belief that the market is capable of resolving social issues, and that struggling against its logic and imposition was a useless effort.

International conferences like Copenhagen and Beijing put forward another vision: markets are not blind bearers of solutions, but mere instruments created by societies to organize their productive lives. Lessa and Cardim affirm that "markets are instruments, not ends in themselves."[3] Using markets as the regulating basis of relations is a mystification sponsored by the International Monetary Fund (IMF) and other multilateral institutions. In fact the market discriminates, assigns privileges, and excludes human beings from the benefits that it occasionally produces.

Formulating public policies in the spirit of Copenhagen and Beijing means reaching beyond markets. It implies reflecting on social development as a goal of economic progress, and abandoning the belief that social development is a natural corollary of economic development separate from the implementation political democracy.

Lessa and Cardim conclude that a positive agenda for a new State requires a firm commitment to social development, and a new perception of the role of public policies and their connection to organized civil society. This means radicalizing democracy and strengthening the State in order to exercise its moderating role, as well as expanding participatory democracy.

During the 1990s the State adjusted itself to capital globalization under the hegemony of the United States of America. The objective of this type of globalization was to build the country's capacities to support international capital competitiveness, to the detriment of its function of fostering domestic development. Privatization caused the transfer of state assets to private corporations, that is, from the public sphere to the market, a shift that hit at the heart of the State. In other words, public assets collectively built by Brazilian society were privately appropriated, in most cases increasing the assets of multinational corporations.[4]

The 2000 Social Watch Report (Brazilian edition) analyzed the perpetuation of inequality in the Brazilian context. Starting with a colonial history marked by slavery and patrimonialism,[5] Brazil's socio-economic inequality continues to exclude a significant proportion of the population from social, cultural, economic, technological and scientific benefits. After looking into the macroeconomic policy and sectoral policies related to universal rights, such as education, health, and race and gender dimensions, the report states: "The central conclusion of what was discussed here is irrefutable: the Brazilian government has not honoured Copenhagen's essential commitment. Despite the implementation of important sectoral programmes, affected by the adverse economic conjuncture and by restraints imposed by the IMF agreement, not even the most Panglossian evaluator would fail to notice that social policies continued to be subordinated to the logic of economic policy."[6]

The Lula Era

Amidst great expectations, Luís Inácio Lula da Silva assumed power in 2003 with strong popular support and an explicit demand from the people for a change in the country's course. During the first two years of his term social movements withheld their criticism and tried to understand the trends and clashes of the various political and economic forces. However after two years' observation it is clear that the Lula Government has opted to continue implementing his predecessors' model of macroeconomic policy. This model subordinates social policies to economic policy while at the same time, paradoxically, encouraging organized civil society to participate more actively in the design of public policies. However it is not clear how one can change such deep-seated patterns of inequality without altering economic policy. This is the challenge: to have a system in which access to universal policies is ensured to all people.

Brazil's inequality is a complex matrix shaped by class, race, ethnicity, and gender dimensions. Public policies have been cut back because public expenditures were redirected to fiscal adjustment. This logic was initiated by the Fernando Collor de Mello Government (1990-1992). It permeated the Fernando Henrique Cardoso administration (1995-2002) and lives on now in the Lula Government. Although the current administration created two special secretariats at ministerial level to apply a cross-cutting approach to gender and racial-ethnic perspectives in all public policy, the priority assigned to fiscal adjustment all but nullifies these agencies. One might ask if peripheral national states actually have the autonomy to discuss their policies in order to fight historical inequalities and inequalities created and aggravated by the logic of the dominant neo-liberal system.

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2 Kerstenetzky, Célia Lessa and Fernando J. Cardim Carvalho. "Até que ponto o Brasil honrou os compromissos?", in *Social Watch, No. 4*, Instituto Brasileiro de Análises Sociais e Econômicas (IBASE), Rio de Janeiro, 2000.

3 *Ibid.*

4 Faleiros, Vicente "A Era FHC e o Governo Lula: Transição?", INESC, 2004. See also Prado, Luiz Carlos and Leonardo Weller. "The implicit agenda of a conservative patrimonial reform", in *Social Watch Report 2003. The Poor and the Market.* Montevideo: ITEM, 2003, p. 100.

5 Patrimonialism: a traditional political system in which government is personal, and government administration is an extension of the ruler. The individual national leader controls the political and economic life of the country, and personal relationships with the leader play a crucial role in amassing personal wealth.

6 Lessa Kerstenetzky and Cardim Carvalho, *op cit.*

In a recent report issued by the Budget and Financial Overseeing Consulting Services of the House of Representatives,[7] we can see the country's budgetary strangulation resulting from various economic adjustment plans implemented to allay the fears of the international financial system. The report states that in the last ten years (1995-2004) the country has achieved significant success in fighting inflation, not only through fiscal measures, but also due to a tight monetary policy in which high interest rates have played a crucial role. However this policy also had a strong impact on budgetary expenses and on nominal public deficit. To this high-interest policy, one should add the generation of a primary surplus of 4.25% of GDP. These economic policy options have caused budgetary strangulation and made it impossible to invest and implement public policy to comply with the international agreements signed at UN-sponsored world conferences.

Public debt

According to abovementioned report, the federal Government spent USD 267.89 billion (in December 2004 values) on debt servicing from 1995 to 2004. This amount is equivalent in real values (and for the same period) to:

- 4.5 times total investments made in the country
- 5.7 times total expenditure on public security
- 10 times total social security expenses
- 3 times total spending on education
- 43% of the estimated GDP in 2004

Expenditures with debt interest and charges, and the net debt of the federal Government and Central Bank more than doubled, increasing from 12.9% of the GDP in December 1994 to 32.43% in 2004, despite extraordinary payments of interest and amortizations with funds from privatizations carried out in this period.[8]

Salary inequality

During the same period the average real income of workers fell 21% and the average monthly unemployment rate increased 31%.[9]

The complexity of the inequality issue and the need to address it in all of its dimensions become evident when data is disaggregated and analyzed by race and gender. In 1993 white people earned on average 3.6 minimum wages while black people received 1.7, a difference of 111.7%. Ten years later, there was little change: white people earned 3.9 minimum wages on average, and black people 1.93.

TABLE 1

Income concentration indicators

YEAR	INCOME SHARE OF THE POOREST 20% (% OF TOTAL INCOME)	INCOME SHARE OF THE RICHEST 10% (% OF TOTAL INCOME)	INCOME INEQUALITY-GINI INDEX	POVERTY: PROPORTION OF PEOPLE LIVING BELOW THE POVERTY LINE (% OF TOTAL POPULATION)
1995	2,31	47,85	0,601	35,08
1996	2,16	47,52	0,602	34,72
1997	2,21	47,67	0,602	35,18
1998	2,31	47,80	0,600	33,98
1999	2,41	47,27	0,594	35,26
2000	n/d	n/d	n/d	n/d
2001	2,32	47,45	0,596	35,13
2002	2,52	47,02	0,589	31,28

Source: Instituto de Pesquisa Econômica Aplicada (IPEA).
Prepared by the Financial Overseeing Consulting Services of the House of Representatives.

Therefore the average wage difference between whites and blacks was still 102% despite the efforts made by Afro-descendants in education. In this period black community members managed to increase their average number of years of schooling from 4.5 to 6.[10] However black people have not been able to reap benefits in proportion to these efforts, nor to close the historical gap of having on average two years less schooling than the white population.

An intersectional analysis of gender and race dimensions using the same data reveals that women workers earn on average half of what male workers do, that the income of a white woman is twice a black woman's earnings, and that white male workers earn 3.8 times the wage of black women workers.[11]

There was no significant shift in income distribution during the period, as shown by analyzing the share of total income of the richest 10% and the poorest 20%. The Gini index reflects this picture (see Table 1).

Wage earners' income, both total average monthly real earnings and the total wage earnings as a share of GDP, decreased during this period. The average real income of wage earners also fell 21% in the 1995-2004 period.[12] In relative terms, the total remuneration of workers as a share of the GDP also decreased 7% in the same period according to the Brazilian Institute of Geography and Statistics.

Unemployment has remained at an extremely high level since 1995. For example, in the São Paulo metropolitan region, the average monthly unemployment rate increased from 13.16% in 1995 to 18.82% in 2004,[13] while per capita GDP rose 3% during the 1995-2003 period (from USD 2,742 to USD 2,824).

Income concentration

The share of income appropriated by the poorest 20% and the richest 10% of the population underwent small variations during the period. The share of the poorest 20% grew from 2.31% to 2.52% of total income, while the proportion of the richest 10% fell from 47.85% to 47.02%.

The absence of substantial changes in the appropriation of total income by these two social layers indicates that the significant reduction of inflation in the period (the annual average inflation in these ten years was 9% compared to 1,024% in the previous decade) was not sufficient to improve income distribution in the country. The stability of the Gini index around 0.6 during the whole period confirms this observation.

Adjustment priority

Brazil spent much more in 2004 than in 1995 on debt amortization (454.79% more), and debt interest and charges (443.59% more) than on investment (229.95% more). Resources and public policies were not directed to overcoming inequalities and eradicating poverty. Government guidelines led to fiscal adjustment and increasingly moved away from the commitments assumed Copenhagen and Beijing, which were grounded on the ethical and political framework of human rights, and still represent a victory over the neo-liberal perspective. The Government does however prioritize the Millennium Development Goals (MDGs) since these goals, merely constitute the social face of the adjustment and commercial integration policies implemented with the funds and political will of the more powerful countries in the international arena.

The MDGs do not touch on the foundation of economic-productive-technical development. This type of development is unsustainable in socio-environmental terms, concentrates wealth and power, generates poverty and exclusion, and promotes inequalities within societies and between nations. Maintaining this model and its institutions and pursuing goals which tolerate the exclusion of so many people from leading a decent life is to deny the universality of human rights. Clearly this was not the road for development that the Copenhagen and Beijing conferences set out to build. ■

7 *Evolução dos Juros, da Inflação e de Indicadores Sociais nos últimos Dez Anos - 1995/2004* - in Estudo Técnico (Technical Study) No. 01/2005. Financial Overseeing Consulting Services of the House of Representatives. Brasilia, February 2005.

8 Between 1991 and 2002, USD 70.8 billion were raised with privatizations in the telecommunication, steelwork, petrochemical, and electricity sectors, among others.

9 Fundaçao Sistema Estadual de Analise de Dados (SEADE) and Departamento Intersindical de Estatística e Estudos Sócio-Econômicos (DIEESE) - Pesquisas de Emprego e Desemprego (PED).

10 Instituto Brasileiro de Geografia e Estatística (IBGE), Pesquisa Nacional por Amostra de Domicílio (PNAD) 1994 and PNAD 2004.

11 IBGE, PNAD 2004.

12 SEADE and DIEESE, *op cit.*

13 *Ibid.*