

02

JOURNAL

Nº2_July_2015
ISSN 2358-9841

Politika



Thirty Years of Redemocratisation



HUMBOLDT-VIADRINA
Governance Platform

Fundação João Mangabeira



JOURNAL **PolitiKa**

Organization

Fundação João Mangabeira



Colaboration



HUMBOLDT-VIADRINA
Governance Platform

POLITIKA JOURNAL

EDITORIAL BOARD

Renato Casagrande
Carlos Siqueira
Gesine Schwan
Alexander Blankenagel
César Benjamin
Marcia H. G. Rollemberg
Rafael Araripe Carneiro
Adriano Sandri
Paulo Bracarense
Manfred Nitsch
Osvaldo Saldias
Tania Bacelar de Araújo
Raimundo Pereira

MANAGING DIRECTOR

Renato Casagrande

EDITOR

César Benjamin

EXECUTIVE CO-ORDINATOR

Marcia H. G. Rollemberg

MANAGING JOURNALIST

Frédi Vasconcelos

TRANSLATION AND REVISION

Ricky Toledano

GRAPHIC DESIGN AND LAYOUT

Traço Design

DADOS INTERNACIONAIS DE CATALOGAÇÃO NA PUBLICAÇÃO (CIP)

R454 Revista Politika = Journal Politika / Fundação João Mangabeira.
– N. 2 (2015) – Rio de Janeiro, 2015.
Semestral.
Edição bilingue.
ISSN 2358-9841

1. Política – Periódicos. 2. Políticas públicas – Periódicos. I
Journal Politika

CDU 32(05)
CDD 320

(Librarian: Sabrina Leal Araujo – CRB 10/1507)

Portuguese edition: 2,000

English edition: 1,000

FUNDAÇÃO JOÃO MANGABEIRA

Sede própria – SHIS QI 5 – Conjunto 2 casa 2
CEP 71615-020 - Lago Sul - Brasília, DF
Telefax: (61) 3365-4099/3365-5277/3365-5279
www.fjmangabeira.org.br
www.tvjoomangabeira.org.br
facebook.com/Fjoomangabeira - twitter.com/fj_mangabeira
tvjoomangabeira.org.br/revistapolitika

HUMBOLDT-VIADRINA GOVERNANCE PLATFORM

Pariser Platz 6, Im Allianz Forum
10117 Berlin - Germany
Tel. +49 30 2005 971 10
office.schwan@humboldt-viadrina.org

FUNDAÇÃO JOÃO MANGABEIRA

EXECUTIVE BOARD

PRESIDENT

Renato Casagrande

MANAGING DIRECTOR

Milton Coelho da Silva Neto

COURSE DIRECTOR

Vivaldo Vieira Barbosa

FINANCIAL DIRECTOR

Renato Xavier Thiebaut

ADVISORY DIRECTOR

Jocelino Francisco de Menezes

BOARD OF TRUSTEES

Members

PRESIDENT

Carlos Siqueira

Luiza Erundina de Sousa

Serafim Corrêa

Dalvino Troccoli Franca

Kátia Born

Álvaro Cabral

Adilson Gomes da Silva

Eliane Novais

Paulo Afonso Bracarense

Manoel Alexandre

Bruno da Mata

James Lewis

Silvânio Medeiros dos Santos

Francisco Cortez

Gabriel Gelpke

Joilson Cardoso

BOARD OF TRUSTEES (SUBSTITUTES)

Jairon Alcir do Nascimento

Paulo Blanco Barroso

Felipe Rocha Martins

Henrique José Antão de Carvalho

SUPERVISORY BOARD

Cacilda de Oliveira Chequer

Ana Lúcia de Faria Nogueira

Gerson Bento da Silva Filho

SUPERVISORY BOARD (SUBSTITUTES)

Marcos José Mota Cerqueira

Dalton Rosa Freitas

EXECUTIVE DIRECTOR

Márcia H. G. Rollemberg

CO-ORDINATION FROM THE ESCOLA JOÃO MANGABEIRA

Adriano Sandri

COMMUNICATIONS ADVISOR

Handerson Siqueira

contents

4 editorial
Renato Casagrande

6 democracy
AN OVERVIEW OF THIRTY YEARS
OF DEMOCRACY IN BRAZIL
Carlos Siqueira

16 economy
THE EVOLUTION OF THE
MACROECONOMIC POLICY REGIME
IN BRAZIL (1999-2014)
José Luis Oreiro

34 social policy
THE FINANCIALISATION
OF SOCIAL POLICY
Lena Lavinas

52 the agrarian
question
THE BRAZILIAN
COUNTRYSIDE: THE
CONSOLIDATION OF
DEMOCRACY AND THE
TRANSFORMATION OF
ECONOMIC LIFE
Zander Navarro

68 the urban
question
FROM THE
TOTALITARIAN
CITY TO THE
NEOLIBERAL
CITY
Carlos Vainer

86 politics
THE BRAZILIAN
DEMOCRATIC-
BUREAUCRATIC
REGIME
Júlio Aurélio Vianna Lopes

98 society
A CERTAIN IDEA
OF BRAZIL
César Benjamin

106 information
CONTEXT MATTERS:
THE ROLE OF ICTS FOR
SUPPORTING DEMOCRACY IN
THE SOUTHERN HEMISPHERE
Rüdiger Schwarz

112 african countries
ICT AND GOVERNANCE
IN EAST AFRICA
Varyanne Sika

120 Interview
DEMOCRACY, RELIGION AND
ECONOMICS IN LATIN AMERICA
Manfred Nitsch

Thirty years of democracy in search of full freedom



Renato Casagrande

President of the João Mangabeira Foundation

After twenty years of living in a regime of exclusion and without freedom of expression – imposed upon the country by a military dictatorship – Brazilians challenged authoritarianism and backwardness to rebuild public institutions and consolidate a modern democracy. To understand what happened in the last three decades since the return to democracy, we have gathered an analysis of the struggles and victories of this journey that have allowed us to build a new Brazil. The second issue of *Politika* magazine, published simultaneously in Portuguese and English, is a joint initiative of the João Mangabeira Foundation and the Humboldt University of Germany. The magazine brings together Brazilian and European scholars, as well as an African scholar in this issue, to discuss important contemporary issues.

In the early 1980s, the economic crisis resulting from the shock of interest rates in the international system was added to the massive popular movements for direct elections (“*Diretas Já*” - *Direct Elections Now*) to avoid the continuation of the military regime. It was a slow process that experienced defeats and victories, but which finally led to the election of Tancredo Neves to the Presidency in January 1985 – the first civilian president since 1964. Not even his death in April of that year interrupted the impulse of re-democratization, an important

milestone of which was the convening of the fifth Constituent Assembly in the history of Brazil. With joy and optimism, the Citizen Constitution was written and thus began the New Republic.

Thirty years have passed since the election of Tancredo. What happened to Brazil? Where did we succeed? Where did we make mistakes? What new paths do we need to follow? In order to answer these questions, with multiple approaches, *Politika* has invited a multidisciplinary group of scholars.

Carlos Siqueira, national president of PSB, presents a comprehensive assessment of the achievements of the Brazilian people in recent decades. He points out that through democracy we could overcome the inflationary crisis, create the National Health System (SUS), institute the universal access to basic education, establish unemployment insurance and start vigorous income transfer policies. For a long time, none of these innovations was appropriated by a political party, as they were born and established as state policies and not merely governmental ones. We have experienced a backward movement in recent years: the “*Bolsa Família*” program, which has never been institutionalized as a state program, has been used to renovate and expand the patronage politics that negatively marked the history of Brazil. Siqueira highlights

other shortcomings of our democratic period and concludes: “The solution to the Brazilian crisis is not managerialism, whether right or left-wing, but the quality of political activity, which is responsible, in an irreplaceable way, for defining strategies, priorities and resources to build a national project of sustainable and integral development.”

José Luís Oreiro analyses the evolution of the three macroeconomic policy regimes that have been in place for the last fifteen years in Brazil: the “macroeconomic tripod”; the one he calls “inconsistent developmentalism”; and finally, the “new macroeconomic matrix”. The last two regimes, he says, are unsustainable, for pursuing goals that are not simultaneously achievable. Oreiro points out that the second mandate of President Dilma Rousseff began with the scourge of stagnation and fiscal imbalance, bringing the threat of a currency crisis of major proportions. The ongoing fiscal adjustment may avoid this development, but is unable to restore the competitiveness of our manufacturing industry, a necessary condition to restore growth. Therefore, a major impasse for the Brazilian economy remains.

Lena Lavinás shows how the foundations of the social security system established by the 1988 Constitution were deeply changed in the 2000–2010 period, with the expansion of monetary income transfer programs directly to

families, to the detriment of the financing of goods and services of collective use, such as the National Health System (SUS). Designed to support individual consumption, the recent social policy has been hijacked by the agents that have financialised the economy, rendering such social policy an auxiliary mechanism of credit expansion, private health plans and private schools. Instead of boosting public services, the social policy has commodified all aspects of life, which, after all, increases the risks and uncertainties surrounding the life of the poor populations. A reversal of the economic cycle, as it occurs today, has left households indebted and even more dependent on private services.

Zander Navarro discusses the evolution of agriculture and the agrarian issue in these thirty years of democracy. According to him, the dramatic changes that have occurred in the Brazilian countryside have rendered the traditional demand for land reform unfeasible, despite remaining the main demand of most rurally-based social movements. Also due to demographic issues, social matters have definitively moved to the cities. The struggle for land ownership will tend to become residual, with the situations of conflict focusing mainly on labour issues or within the complex supply chains that predominate in modern Brazilian agriculture.

Carlos Vainer focuses on urban issues. The re-democratization of the country strayed from the institutions of the military dictatorship, which were characterized by excessive centralization and favoured participatory experiences, whether at the federal level, in the first operation phase of the Ministry of Cities, or at the municipal level, as the participatory budgeting implemented by the city of Porto Alegre, later replicated in many other

municipalities. However, such experiences have lost strength. Today the “neoliberal city” prevails, conceived as a company operating in a competitive environment, seeking to attract capital and events. Exclusionary social standards are reproduced and deepened in this context.

Julio Aurelio Vienna Lopes describes how the main political agents in Brazil negotiated the democratic transition and the creation of the new institutional order of the country, building a “semi-parliamentary presidentialism” which still needs to be consolidated. Our political system fails to meet various growing claims for better essential services related to life in society. During the first mandate of President Dilma Rousseff large mass mobilizations emerged, but they were quite different from those of the 1980s. Most of them were claims related to the improvement of transport, health and education public services, in addition to allegations of corruption.

The feature article in this issue of *Política* was written by César Benjamin, who retrieves the “idea of Brazil” that was gradually built in the twentieth century, highlighting five of our great thinkers: Gilberto Freyre, Sérgio Buarque de Hollanda, Caio Prado Jr., Celso Furtado and Darcy Ribeiro. According to the author, the most worrying aspect of the crisis in the recent decades is the loss of contact of Brazilians with a comprehensive interpretation of the problems and potentiality of the country, able to give meaning to our existence and qualify our development.

The German Manfred Nitsch is our interviewee of this issue. Professor of economics at the Free University of Berlin, he knows Brazil very well and has many interests: development banks, microcredit, social security

systems, biofuels, the Amazon and international economy, besides the involvement of religions in social and political life. The interview, conducted by Paul Bracarense from the Federal University of Paraná, tells the history of this professor from Germany, from his childhood in the post-war period until the protest demonstrations that occurred in many Brazilian cities in 2013, which he closely observed.

Finally, the German Rüdiger Schwarz and the Kenyan Varyanne Sika discuss the role of information and communication technologies (ICTs) in improving democratic governance. Both of them recognize that the simple transposition of experiences among continents, countries and even regions does not guarantee the success of initiatives. “Context matters,” emphasizes Schwarz, while Varyanne says, based on extensive field research, that citizens should be consulted from the very early stages in the development of each project.

The *Política* magazine will continue to pose the debate and promote the exchange between Brazilian and foreign thinkers in the common search for a Brazil with improved quality of life for all. Our goal is to provide a source of quality research, in contrast to the trend of oversimplification of the facts, present in many different countries nowadays. But we also aim to contribute to the formulation of public policies that are so necessary in an environment marked by extreme electoral polarisation, with its personal confrontations, and suffering from a lack of comparison among projects and programs that can transform Brazil into a more modern, fair and egalitarian country.

Have a good read.

democracy



Carlos Siqueira

Attorney-at-law and National President of the Brazilian Socialist Party (PSB) and member of the Board of Trustees of the João Mangabeira Foundation (FJM).



An overview of thirty years of democracy in Brazil

Brazil now has a three-decade long democracy that has led to a wide range of achievements, the most important of these being the institution of democracy itself, from which the 1988 Civic Constitution and a classic democratic and secular state with mutually moderating powers were founded.

As citizens, and indeed as citizens under a secular state, we are guaranteed the freedom to express our opinions and our ideological and religious beliefs, this safeguarding our right to exercise our differences in relation to aspects such as gender, ethnicity and sexual orientation, among others.

It is important not to live in function of the past, however, and once a certain level of social, political and cultural development has been attained, the next natural

step is to make further advances. In this respect, the country has not made as much progress as it achieved with the construction of its democracy. It is as though we are stagnating in patterns and possibilities that can no longer meet the public's expectations.

The reasons for this are highly complex, and to broach all would go beyond the scope of this article. However, it would be neither mistaken nor an oversimplification to present the country's current situation as being the result of two fundamental elements.

Firstly it must be considered that we are struggling against the full weight our past, in which the state was essentially an instrument of power employed by a dominant elite to conduct clientelistic and patrimonialistic activities. There-



fore, we can consider the country's economic, political and social development to have ground to a halt, as to make further advances we would need to reject the privileges that have long been embedded in our culture, the way we conduct politics and the priorities we have focused on throughout our history. We need to break away from a specific type of historically determined political tradition that is largely against the interests of the people, and this cannot be achieved without creating some difficulty and tension.

Secondly, it is important to consider that the powers that have governed the country during this period of democracy – which should also include the Itamar Franco administration, to which full credit is not always given –

did not truly embody the principles and expectations laid out in the Civic Constitution. On the contrary, these hegemonic powers have proven to be obstacles to the progress advocated in our Magna Carta, although civil society movements have managed to overcome these on various occasions, pushing the country to universalize access to basic public services such as health, education and social security, etc.

As we shall demonstrate in this article, the Worker's Party (PT) governments fit within this definition despite their leftist origins, principally owing to the lack of regard that they have demonstrated towards the constituent efforts and inaugural achievements associated with this period of democracy.

It is worth remembering that the PT refused i) to participate in the body that elected Dr. Trancredo Neves as the first civil president after the dictatorship, ii) to sign the 1988 Federal Constitution – certainly the most progressive in the history of the republic, iii) to participate in Itamar Franco's national government and punishing the militants that did so, as was the case for Deputy Luiza Erundina, and lastly, iv) to support the *Plano Real*. Perhaps enthused by a sense of leftism that called for more radical solutions, it missed out on the opportunity to build on the social achievements brought about by the political climate that emerged from the enactment of the constitution, the principles of which could be considered to be the minimum stan-

dards required in order to create the Brazil desired by so many: a developed country.

Our current difficulties are not just limited to our inherited hegemonic model. Our biggest weakness as a country up to now is clearly linked to our inability to promote effective social inclusion, the result of a compromise solution at the heart of the administration of recent governments led by the PT.

Generally speaking, public policy developed over recent years to tackle poverty and promote social inclusion (with the exception of the policy to increase the minimum wage) amounts to nothing more than handouts; in other

words, these policies are limited in how they address poverty, which the party actually benefits from. This is the compromise solution: redistributive tensions leftover from the dictatorship are allayed and the elite win; once a clientele based on welfare programs has been created, those in power gain increasing strength as time goes on.

Completing the picture of our social stagnation – now fully evident in the current crisis – is a profound inability to promote development, given that a strategic project for such has still not been formulated. Once again we are faced with the conservative order that has consolidated itself in power: there is a direct relationship

between the absence of a consistent project for development and the agreement made with financial capital, symbolized by the appointment of a PSDB deputy as president of the Central Bank at the beginning of the period of PT governance. Perhaps this is why the PT government has not attempted to carry out a single structural change in the country.

It is not by chance that despite all of the criticism aimed towards previous PSDB governments, their framework was preserved by the new president of Brazil's Central Bank: this inhibited development corresponds to the extraordinary profits made by the banks, who never gained so much money in



DABLDY/SHUTTERSTOCK.COM

the entire history of Brazil. Development is of much less interest to banks and profiteers than the country's integration as a subordinate player on the international stage, a process that the government has been carrying out methodically over recent years with rather obvious consequences, especially within the manufacturing industry.

Now that we have presented the situation in which the arguments of this article are based, we will now back up our theories through a brief analysis of the achievements and shortcomings that Brazil has witnessed along the thirty years of democracy installed after the fall of the military dictatorship.

The democratic period overcame the inflationary crisis and created new strategies to face poverty and promote social inclusion in the predominant and more advanced form of state policies.

The achievements of the democratic period

Overcoming the hyperinflationary crisis

Once the democratic process had been consolidated, with the full and adequate institutionalization of the democratic regime, Brazil faced the task of tackling inflation. As well as being a monetary debacle in itself, this fully placed on the agenda the distributive conflicts that the military dictatorship created but did not know how to address. It is worth noting that the cycle of growth observed during the dictatorship was widely based on foreign debt, a strategy that came crashing down when the 1974 oil crisis drastically reduced liquidity on the international credit markets.

This cyclical inversion, or transition from growth to stagnation, was accompanied by a distributive conflict, which inflation “resolved” through the penalization of anyone who did not manage to index-link their income to rising prices. Tackling inflation therefore implied supplanting a scenario in which low-income segments were submitted to a perverse income transfer mechanism, referred to at the time as “inflationary taxes”.

In addition, it is worth noting that the macroeconomic management developed by the military government developed in response to inflation consistently employed wage squeezes and unemployment as tools to deal with distributive conflict in favour of high-net-worth segments.

The long and erratic path to overcoming this hyperinflation-

ary surge resulted in the Plano Real, the consolidation of which led to a departure from a culture of automatic price correction, to the point that indexation, automatic salary adjustments and “overnight” investments, etc., could be practically forgotten.

Monetary stabilization, essential in its own right, also endowed us with increased transparency in terms of distribution, eliminating the situation in which low-income segments loose out in times of inflation through the perverse mechanism by which income is transferred from the poor to the wealthy. This extremely important achievement came about thanks to initiatives developed by the Itamar Franco and Fernando Henrique Cardoso administrations.

Strategies to combat poverty and promote social inclusion

The attention directed towards poverty in the constitution is something completely new in terms of public policy in Brazil, as the activities of the state would no longer be performed based on the concepts of merit or charity, but from a perspective considering the basic rights of the population.

It is worth noting that the state social policies described below pre-date the PT's period of governance and that the credit for these lies with the influence of democratic forces and popular social movements.

The Universal Healthcare System (SUS)

The founding of the Universal Healthcare System (SUS) and the reorganization of social welfare, including social security, public

healthcare and social assistance, had a highly significant social, economic and political role in the history of Brazil. Therefore, it is worth remembering that health and social assistance is not based exclusively on contributory criteria according to the right-wing mindset, where only those who participate in the formal labour market and accumulate social security contributions are covered. It is a free universal public healthcare system.

Evaluation of the wider impact of these policies reveals the significant extent of their inclusiveness and the scope and capillarity of the actions developed. Promoting health on this scale impacts mortality indicators, especially maternal and infant mortality, life quality and expectancy, family planning and subsequently family composition and income, etc.

Given this context, we should consider that the SUS has supported Brazilians along a demographic transition into a population that is older, has a lower fertility rate among women and produces fewer children per couple, etc., and where all of these variables have an immense impact on the way that people plan their lives, their income and their expectations, etc.

In addition, it should be remembered that when considering the impact of social security and the SUS in particular we are dealing with state policy and not government policy, meaning that neither the



The creation of the Unified Health System, rural social security, and unemployment and social assistance policies are achievements of the entire Brazilian society - not just of one or another political party exercising power.

services provided to the population nor their financing should be attributed to those in power and that these cannot therefore be assumed as belonging to any particular party.

Universalization of education

The academic canon has recognized the essential role that education plays in determining a series of socioeconomic variables, most notably individual and family income, the quality of jobs in a determined region, the dissemination of the values of democracy and citizenship and the general competitiveness of the economy *vis-à-vis* the rest of the world.

Bringing these different factors together, we can infer that education and the universalization of access to its different variations and stages plays an important role in social inclusion, with the advantage of simultaneously promoting autonomy and broadening civic life. These two dimensions – education for life and education for work – complement each other in contributing to the emancipation of low-income segments more successfully than welfare and clientelistic policy, which as a rule deliver what they promise yet lead to the subservience of their beneficiaries.

Therefore, the universalization of access to basic education should be considered to be an important achievement of the democratic years in terms of combating poverty and social inclusion, once again within the framework of state policy.

Rural Retirement Pension

The Rural Retirement Pension was implemented before the 1988 constitution, but the latter recognized a relevant set of rights, of which the following are worth mentioning:

- Equivalence of the rights of rural and urban workers;
- Reduction of retirement age;
- The right of spouses to receive a pension, and;
- The definition of this benefit as the same as the minimum wage.

It is also worth noting that the value gained by beneficiaries is significant in relation to income transfer mechanisms linked to welfare policy, such as the *Bolsa Família* (family allowance) and the Continuous Cash Benefit Program. This can be easily observed, as the basic benefit of the *Bolsa Família* totals R\$77.00 and the benefit provided through rural social pensions is equivalent to the minimum wage, or R\$788.00 (seven hundred and eighty eight reals).

Where tackling poverty is concerned, there is no comparison between the programs in question. The value of the Rural Retirement Pension, which may be small in terms of purchasing power, is not below the poverty line. The value of the *Bolsa Família* benefit, on the other hand, is below the poverty line, especially considering that the matter of food security is hardly covered.



In the presidential elections of 2014, the candidacy itself was dependent upon the *Bolsa Família* programme, as if all the other parties, if victorious, would extinguish mechanisms for income transfer.

Unemployment benefit

Another great achievement in favour of the low-income segment is the unemployment benefit, which is part of social welfare policy and helps workers to face the hardships associated with losing their jobs. This provision predates the 1988 constitution, but with the enactment of the latter it gained increased institutionality, being regulated by Law no. 7,998 of January 11, 1990 (José Sarney administration), which determined the resources for this with the institution of the Workers Support Fund (FAT).

Although this benefit is generally not referred to, it is important to emphasize that it represents a percentage of GDP equivalent to that of the Continuous Cash Benefit Program (0.6%) and that of the *Bolsa Família*.

In absolute terms, in 2014 the expenditure designated for unemployment benefits reached the mark of R\$36 billion (current values), while the number of beneficiaries increased from 5.1 million (2003) to 9.2 million (2014).

Welfare policy

Although PT administrations have advocated the fundamental importance of programs such as the *Bolsa Família* in social inclusion and addressing poverty, it is important to emphasize that such programs are inscribed on the list of government policies.

It is therefore essential to observe that any criticism made

towards these types of policies does not refer to the importance of the Bolsa Família as such, but to the quality of its institutionalization, given that the program is subject to the possibility of being discontinued with every election and that it creates a type of “clientele” over time that benefits incumbent political powers.

This scenario was evident during the 2014 presidential elections, in which the candidate seeking re-election claimed that the *Bolsa Família* was their own, as though any other political party would be committed to wiping out income transfer programs – which was not actually true.

In any case, considering the range of policies directed at the eradication of poverty and promotion of social inclusion, both the *Bolsa Família* and the Continuous Cash Benefit Program

are government and not state policy, and do not stand out in terms of resource allocation as together they correspond to approximately 1% of GDP.

The political forces driving change

The progress that the country has achieved over its democracy until now were essentially spearheaded by the Brazilian people and the political powers on the centre-left of the political spectrum, including those in the former MDB-PMDB, where from this position they were able to resist the dictatorship.

It is important to recognize this so that we can understand the nature of our elite and the type of development that it preaches, which is generally both exclusionary and authoritarian, and we can do this through a simple analysis

of the policies implemented during the military dictatorship.

Maybe we could have progressed further and at a faster pace over the past thirty years if these forces had demonstrated more unity in terms of the interests of the people, which unfortunately has not been the case. Therefore, a small evaluation of the shortcomings of the democratic period will indicate how much there is to do in terms of bringing popular agendas into effect.

The shortcomings of the democratic period

Political challenges

It is clear at the moment, at a time when our National Congress is discussing political reform, that the country’s democratic, political, and electoral party system has many weaknesses to be over-



We still have a precarious political, electoral and party system, in which there is an excessive pulverisation of parties.

come. Of particular note is the high number of political parties, far exceeding the range of ideological and political convictions, which totals an incredible three dozen.

Evidently, this is not a result of our society's political ideological differences or nuances – a large number of parties could be justified in the name of freedom of organization and expression of opinion – but of “business deals” to gain television air time, critical stances in relation to other candidates and the strategic “renting out” of smaller parties to more powerful parties to push initiatives through parliament or for electoral purposes.

At the same time, another very serious political issue can be observed in our democratic model: the financing of political campaigns by private companies. This practice essentially creates ways in which political activities are controlled by economic forces, which undermines the democratic process and limits the sovereignty of the people.

The governments in power over the last sixteen years have done little to change these issues, and indeed may have purposefully contributed to aggravating the matter with the expansion of the pre-existing system based on favours. Along this period they have not developed any initiatives that would pave the way to political structural reform, which would at least foster hope for a better future.

The powers of the left, tuned into the perspective of the people, should be able to overcome this

situation, expanding and intensifying the democratic process by promoting the restructuring of party institutions, eliminating the “renting out” of smaller parties and facilitating and encouraging the use of tools for participatory democracy, including plebiscites, referendums and projects for the common good, etc.

Limitations to development

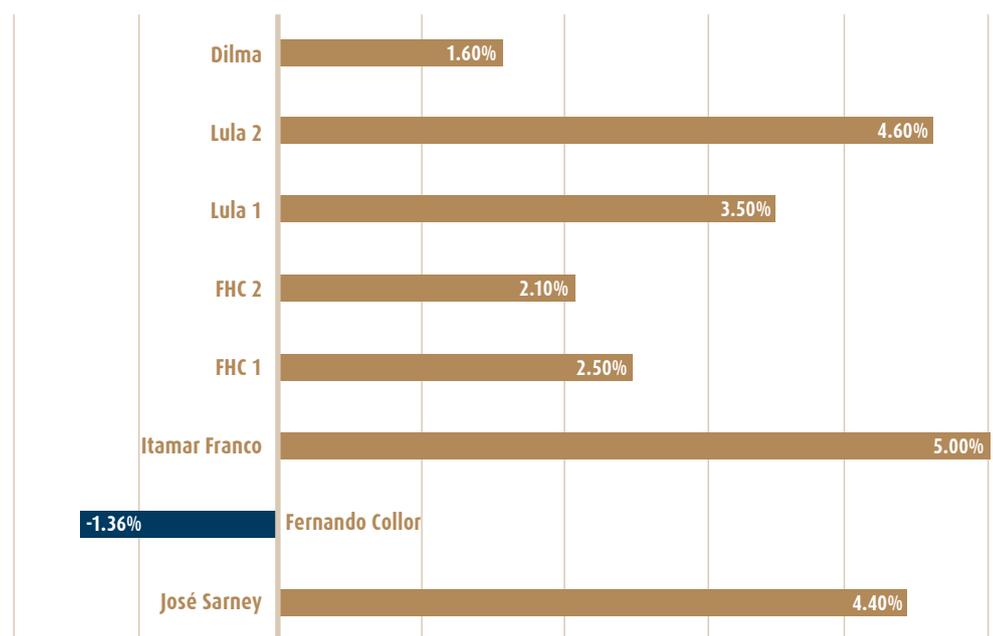
The progress achieved in Brazil over the democratic period, particularly the control of hyperinflation, has had a significant impact on the momentum of the economy. Chart 1 shows how the average rate of growth in GDP for each presidential mandate since the Sarney administration has decreased over the democratic period.

This low economic growth is a result of significant deficiencies

in policy, in which the main problems have been low investment in infrastructure and logistics, limited conditions for workforce training and a macroeconomic structure (interest rates and exchange rates) that severely punishes national industry. At the same time, until recently exchange rate and monetary policy meant that it was far more attractive to import goods than to produce them in national territory.

As well as these limitations, investment in research, innovation, science and technology has been minimal, which added to the factors described above has placed Brazil in a disadvantageous position on the international stage, causing the extractive industries (mining) and agribusiness to be prioritized at the expense of the manufacturing industry.

Average annual GDP variation during the mandate of each president





MARCELLO CASAL JR./ABR

These policies have left the Brazilian people with low quality and badly paid jobs, put pressure on the environment and natural resources and led to a range of limitations associated with low-growth and stagnating economies.

Backlogs in social policy

Although Brazil has made progress in the area of social policy, especially in terms of this now being perceived as a civil right, the first oversight during the democratic years that should be considered is the lack of attention given to the universalization of access to services. This means that if everyone has the right to health services, there is an implicit cost in the long lines and poor

quality with which they are often associated. It should be recognized, however, that people who previously had no right to medical attention can now undergo highly complex surgery at no cost whatsoever.

Therefore, significant investment should be made in improvements to the public health system, state education and public security, strengthening state policy aimed at combating poverty and social exclusion.

The country's cities, where approximately 85% of the population resides, are in need of real urban reform that prioritizes policy in the areas of transport and mobility, housing, culture, sport and leisure in order to guarantee

the universal right to the city, which is currently limited just to those who have the financial means to live in areas where all services are duly provided – from private universities to the public services that are abundant in wealthy neighbourhoods and lacking in the poorer suburbs.

The theme of public security, with rare exceptions treated by the left and right with equal apathy, should be given priority and viewed from a socio-territorial context in order to eradicate the social exclusion through which organized crime and drug trafficking thrive. Establishing a safe society requires the dissemination of a culture of peace, which cannot be accomplished in cities and

societies that are totally segregated and where the state is present in some areas and completely absent in others.

Hope for a new type of politics

There is unmistakable evidence that Brazilians would like a revival of the political process, party institutions and the politicians themselves. These hopes are largely driven by the elements discarded during the period of democracy, despite the promises that were made at its start.

The deficiencies in the party-political system, the prevalence of economic factors during elections and endemic corruption are nothing other than the pure and simple usurping of the sovereignty of the people that we all fought for through the Direct Elections Now movement, the enactment of our constitution and all the other episodes involved in the construction of our democracy.

Public policy continues to prioritize the wealthy and seems to indefinitely postpone any agenda in the interest of the people, which is nothing but an assault on the principles of democracy. Servicing the public debt has taken precedence over all other objectives; fiscal responsibility practically gives licence to social irresponsibility; the list of misfortunes, as is the case with current fiscal adjustment proposed by the Dilma government, almost exclusively seem to fall on those on the bottom. Aren't the people justified in becoming dissatisfied?

They are. And this is indeed what has happened. We therefore need to reform our political system, party institutions and politicians. This is a huge challenge, as it involves fighting against the conservatism that has dominated the national agenda for centuries. The reason that the population is now backing the movement towards progression, however, is simple: we need to subject all political figures to the demands of the people; we have to develop among politicians a real sense that they are working at the service of the population, so that the objective of each party and deputy is not exclusively in winning elections but in implementing a truly emancipative political project in which political mandates are a means and not an end in themselves.

This is not a play for power, however, since many such initiatives already exist. It is crucial that we create and implement a project for the country, which will require new actors with the conviction that urgent matters in the interest of the people can no longer be delayed. One of the many forces that could participate in this undertaking is the Brazilian Socialist Party, which has been preparing itself for some time to provide an effective alternative for the construction of our place in the world.

Our project is based on the simple idea that the Brazil we want is far from ready and needs to be constructed not just *for* Brazilians, which would once again place us in the position of spectators simply “witnessing the birth of the republic”, but *by* Bra-

zilians, which would require an extensive reorganization of our political system and institutionality. This will demand an intensification of our democracy, characterized by popular protagonism and a combination of representa-

The Brazil we want should not be built only for Brazilians, but by Brazilians. This requires a wide reorganization our political process and the political institutions we have.

tive democracy, without its current defects, and a vibrant participatory democracy.

From our point of view, the solution for Brazil's current crisis is not in managerialism, whether by the right or the left, but in reforming political activity, which is responsible for defining the strategies, priorities and resources that will bring about a sustainable and integrated project for national development. Contrary to popular belief, what is lacking in Brazil is political engagement, to the extent that politics has been reduced to a business transaction of interests and economic power. This type of politics has nothing to do with the noble pursuit of organizing the *polis* from which true politics emerges. ■

From the Macroeconomic Tripod to the Failure of the New Matrix

The Evolution of the Macroeconomic Policy Regime in Brazil (1999-2014)



José Luis Oreiro

Professor at the Institute of Economics at the Federal University of Rio de Janeiro, 1B-level researcher for the National Council for Scientific and Technological Development (CNPq) and President of the Brazilian Keynesian Association.
E-mail: jose.oreiro@ie.ufrj.br

The article analyses the evolution of macroeconomic policy regimes in Brazil over the past fifteen years, showing the progressive abandonment of the “macroeconomic tripod” and its replacement by the “inconsistent developmentalism” followed by the “New macroeconomic matrix”, arguing that the last two regimes are inconsistent and unsustainable in the long run. The economic policy goals of “inconsistent developmentalism” are largely shared by the “new macroeconomic matrix”, which cannot be obtained simultaneously.

Macroeconomic policy in Brazil has undergone significant transformation over the last 15 years. Indeed, between 1999 and 2005, the country’s prevailing macroeconomic policy regime¹ was characterized by the “macroeconomic tripod”, in which monetary policy consisted of an inflation targeting regime, exchange rate policy followed a relatively free-floating nominal exchange rate and fiscal policy was guided by the generation of substantial primary surpluses as a percentage of GDP. Within this context, the goal of macroeconomic policy was to control inflation, bring about an “automatic” balance of payments equilibrium and stabilize or reduce public debt as a percentage of GDP.

Brazil’s macroeconomic policy regime started to change in 2006 at the end of former president Lula’s first mandate. The macroeconomic tripod was maintained, although it was made more

flexible. The first important element of this flexibility was the removal of investments made by the federal government from primary surplus target calculations, particularly the investments contained in the country’s Growth Acceleration Program after July 2009. This removal was a clear sign that from that moment on, fiscal policy would be guided in order to achieve two goals, namely the stabilization or reduction of public debt/GDP and an increase in public investment as a percentage of GDP.

With regard to the inflation targeting regime, the resignation of Antônio Palocci as finance minister and his substitution by Guido Mantega led to the abandonment of the “declining inflation targets” system, in which the monetary authority pursued increasingly low inflation targets in order to achieve a long-term inflation target of 3% YOY. In fact, from 2005 the National

Monetary Council maintained the target inflation rate at 4.5% year on year. The declining inflation targets system paved the way for a further reduction in interest rates (in both nominal and real terms), allowing real interest rates to remain below the 9% YOY baseline, the rate maintained during the initial years of the Workers Party's administration.

Finally, with regard to exchange rate policy, the high increase in nominal and real exchange rates observed after 2005 led Brazil's Central Bank at the end of 2006 and beginning of 2007 to adopt a policy to bulk purchase interna-

tional reserves, with the implicit aim of reducing the rapidly increasing nominal exchange rate and in this way attempting to preserve the competitiveness of Brazil's industry within international markets.

The aim of the more flexible macroeconomic tripod was therefore to reconcile the stability obtained with the more "rigid" tripod and pave the way for further boosts to the economy through aggregate demand (higher public investment and reduced interest rates). The wider scope of this regime's objectives reveals a change in outlook on the part of the government's economists in terms of

the nature of economic growth. At the time of the more rigid regime, economic growth was seen as being determined by the level of supply. With the flexible tripod, growth started to be seen as determined by aggregate demand. From this moment on, macroeconomic policy began to focus on generating increased levels of domestic aggregate demand.

An important element in attaining this objective was the policy to increase the minimum wage adopted by the Lula government. As a result, the minimum wage started to increase significantly in real terms, reducing the difference be-



tween this and the country's average wage. This reduced wage dispersion, leading to an improvement in personal and functional income distribution that stimulated consumer spending among the working class.

The solid expansion of domestic aggregate demand over this period, which was driven by government primary spending increasing after 2006 at a faster pace than GDP, occurred alongside a significant increase in real exchange rates, leading to the re-emergence of current account deficits from 2007 onwards. This currency appreciation was also one of the factors responsible for the growing trade deficit in the manufacturing industry and therefore one of the factors driving a "second wave of deindustrialization".² The loss of competitiveness and momentum in the industrial sector together with a reduced share of public investment in GDP stalled the growth in investment rates observed since the beginning of the Lula government. The loss of dynamism in both manufactured goods exports and gross fixed capital formation threatened the sustainability of the economy's upward trend, this being limited by restrictions to the intertemporal balance of payments equilibrium and the "inflationary barrier" produced by the imbalance between productive capacity and domestic aggregated demand.

In order to tackle these problems, Dilma Rouseff's government tried to discard the macroeconomic tripod once and for all, substituting it with a new macroeconomic matrix characterized by a

combination of low interest rates, "competitive" exchange rates and a more "public investment-friendly" fiscal policy.³ The problem with this new matrix was that it did not put a stop to the process of "inconsistent development" that had begun during President Lula's second term with the international financial crisis, and it inherited the political dilemma inherent to this type of growth regime, namely the trade-off between external competitiveness and controlled inflation. As a result, the macroeconomic policy put in place by Dilma Rouseff's government behaved like a sort of "windsock", sometimes adopting measures to reduce the nominal exchange rate in order to restore external competitiveness and at other times dropping these measures in order to reduce the inflation brought about by wages increasing at a faster pace than labour productivity. The result of this erratic behaviour was that the currency continued to be overvalued and real interest rates remained high, or in other words, the "interest-exchange rate trap" continued.

The aim of this article is to evaluate the evolution and consistency of the macroeconomic policy regime (hereby referred to as MPR) in Brazil over the last 15 years. We will argue that the MPR known as the new macroeconomic matrix, is a form of "inconsistent development", is *inconsistent in the Tinbergen sense of the word*, meaning that the objectives defined by Brazil's MPR cannot all be achieved at the same time and that on a day-to-day basis some of

The economic policy put in place by the government behaved like an airport "windsock", with contradictory decisions and erratic behaviour that only managed to produce an "inconsistent developmentalism".

these must be given priority over others.⁴ In particular, targets to increase real wages, government primary spending and real output are incompatible with maintaining a competitive exchange rate and a stable rate of inflation. In practice, this incompatibility is resolved by neglecting external competitiveness in favour of other macroeconomic objectives, causing growth to be unsustainable in the medium and long term.

The “macroeconomic tripod” and its increased flexibility (1999-2008)

Between 1999 and 2005, Brazil’s MPR was based on the macroeconomic tripod, consisting of inflation targeting, primary surplus generation and a relatively free-floating nominal exchange rate⁵. The theoretical basis for this tripod was the “new macroeconomic consensus”, the main, if not sole, objective of which is to stabilize inflation (Sawyer, 2009). In fact, not only was monetary policy driven specifically in order to control inflation, relegating the stabilization of economic activity to the background, but fiscal and exchange rate policy were also neglected in order to safeguard price stability. Indeed, the generation of substantial primary surpluses as a percentage of GDP with a view to stabilizing public sector debt was seen as necessary in order to restrict the monetization of public debt in the long term, thereby controlling inflation. Similarly, the floating exchange rate regime was seen as indispensable to price stability as this offers the Central Bank the

autonomy it needs to steer monetary policy in order to meet domestic objectives, instead of this being guided by the balance of payments.

Figure 1 contains the objectives, targets and instruments included in macroeconomic tripod policy. This demonstrates the predominance of “price stability” and a lack of concern over economic activity levels and/or long-term growth. Indeed, monetary policy is guided in order to stabilize inflation in the short-term (within the calendar year) and to attain low rates of inflation in the medium and long term. To achieve this, a declining inflation targets system was adopted, together with a convergence term of just one year for short-term targets. The only instrument used by monetary policy is the basic interest rate, known as the SELIC rate. On the other hand, the aim of fiscal policy is to stabilize/reduce pu-

blic debt as a of GDP. This objective requires the primary surplus target to be fixed above 3.5% of GDP for the public sector as a whole. *The absence of a formal model to control the growth of consumer and government spending* meant that in practice the instrument used to attain primary surplus targets was the control, if not reduction, of public investment. Finally, exchange rate policy was totally neglected in favour of monetary policy so that the latter had the freedom it required in order to achieve short-term inflation targets. There were no nominal exchange rate targets and the Central Bank’s interventions in the foreign exchange market were infrequent.

The result of this MPR in terms of growth was disappointing to say the least. In fact, the average growth in GDP was just 2.65% YOY for the period 1999–2005, whereas from 1995–1998 GDP had increased at an average rate of

Figure 1

Description of the components of the macroeconomic tripod			
Type of Policy	Objectives	Operational Targets	Instruments
Monetary Policy	Stabilization of inflation in the short term Low inflation rates in the long term	Declining inflation targets	Short-term interest rates
Fiscal Policy	Low and stable public debt as a percentage of GDP in the medium and long term	Primary surplus target	Reduction of public investment
Exchange Rate Policy	Autonomy of monetary policy	None	Free-floating nominal exchange rate

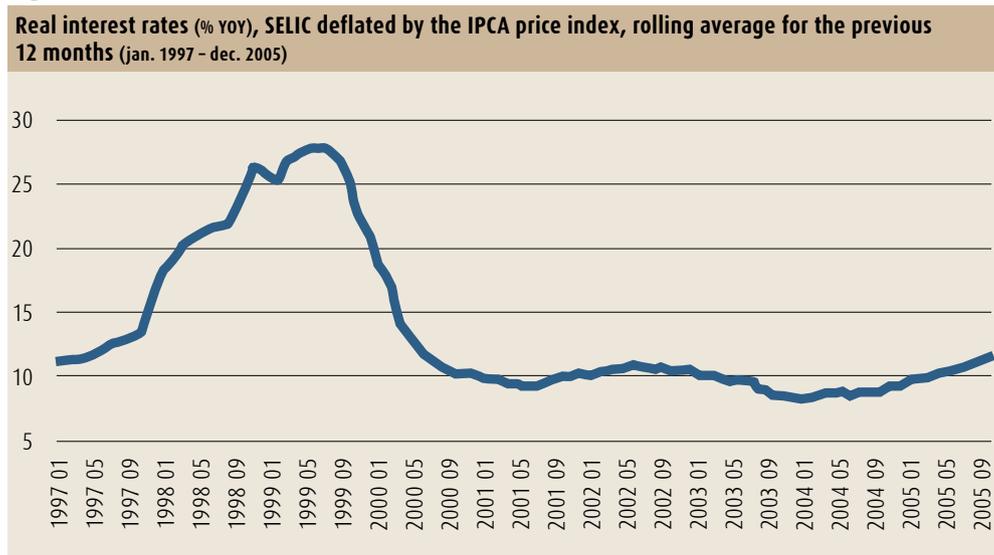
Source: Prepared by the author.

Figure 2

Compared performance of macroeconomic policy regimes in Brazil (1995 - 2005)			
Period	Average Growth Rate of Real GDP	Rate of Investment at Constant Prices ⁽¹⁾	Public Investment as a Percentage of GDP
Exchange Rate Anchor Regime (1995-1998)	3.06	16.76	3.62
Macroeconomic Tripod (1999-2005)	2.65	14.76	2.7

Source: IPEADATA. Prepared by the author. Note: (1) At 2006 prices.

Figure 3



Source: Prepared by the author using IPEADATA data.

3.06% YOY. This reduction in growth is largely explained by the shrinking of investment rates when the macroeconomic tripod was in force, reducing potential growth. Gross fixed capital formation at constant prices increased to 16.76% for 1995-1998 from 14.76% YOY for 1999-2005. Around 50% of this reduction in investment can be explained by the fall in public investment, a result of the policy from 1999 to generate substantial primary surpluses. Indeed, public investment

as a percentage of GDP went from an average of 3.62% for 1995-1998 to 2.7% for 1999-2005, representing a reduction in 0.91 percentage points in relation to GDP.

Another factor explaining this poor performance in terms of economic growth during the macroeconomic tripod period is the maintenance of elevated real interest rates (Figure 3). The adoption of a floating exchange rate regime made a rapid reduction in real interest rates possible, but the declining inflation targets system adopted by the National Monetary Council⁶ together with the reduced convergence term for short-term rates permanently prevented real interest rates from falling below 10% YOY, at least until the end of 2005 (Oreiro and Passos, 2005, p. 164).

The MPR started to change after Guido Mantega substituted Antonio Palocci as finance minister in March 2006. In the period between March 2006 and September 2008, the macroeconomic tripod started to be made more flexible through the reduction of primary surpluses as a percentage of GDP, the elimination of the declining inflation targets system and the significant accumulation of international reserves by the Central Bank. As a result, primary surpluses as a percentage of GDP fell from 3.61% for 2003/01-2006/03 to 3.48% for 2006/04-2008/09. In 2006 the target inflation rate was fixed at 4.5% YOY, from then on remaining constant. In the end, the Cen-

tral Bank started to intervene heavily in the foreign exchange market through the purchase of international reserves, which increased by 127.8% between January 2007 and September 2008, substituting the floating exchange rate regime for an administered exchange rate regime. This could be referred to as the “flexible tripod” regime.

Another important element in flexibilizing the macroeconomic tripod was wage policy, more specifically the policy adjusting the minimum wage. The minimum wage increased by 30.87% in real terms between January 1999 and February 2006, corresponding to an average real increase of 4.44% YOY. Between March 2006 and February 2008, however, the minimum wage increased by 16.82% in real terms, corresponding to a real average increase of 8.4% YOY, almost double the rate observed for the previous period. This increase in the real value of the minimum wage to a level higher than that of the country’s average labour productivity was institutionalized from 2007 when President Lula negotiated a wage adjustment formula with the trade unions, according to which the minimum wage increase for year t would be equivalent to the inflation rate observed for year t_1 added to the GDP growth rate observed for year t_2 .

These elements allow us to conclude that the aim of the flexible tripod regime was not just to stabilize prices, but also to accelerate economic growth, sta-

bilize the real exchange rate and bring about a solid increase in real wages. Acceleration of economic growth would result from increased public investment, made feasible through the reduction of the primary surplus target, increases in consumption driven by higher wages and the reduction in real interest rates made possible by the extinction of the declining inflation targets system. The real exchange rate would be stabilized through the purchase of international reserves, which would be responsible for absorbing the enormous capital inflows that the Brazilian economy started to observe from the year 2000. Finally, the sharp growth in real wages would be a consequence of the wage policy adopted by the government,

as Brazil’s relative wage structure is tightly linked to minimum wage behaviour.

The objectives, targets and instruments that comprise the flexible tripod are shown in Figure 4 below.

The performance of the flexible tripod in terms of economic growth was undoubtedly superior to that for the previous regime. In fact, the average GDP growth rate accelerated to 5.07% YOY for 2006–2008 compared to an average of 2.65% YOY for 1999–2005. This increase in real output was accompanied by a sharp rise in the rate of investment, which went from 14.76% YOY for 1999–2005 to an average of 16.05% YOY for 2006–2008. Public investment increased to an average of 3.2% of GDP for

Figure 4

Description of the components of the flexible tripod			
Type of Policy	Objectives	Operational Targets	Instruments
Monetary Policy	Stabilization of the rate of inflation in the short and long term	Constant inflation targets	Short-term interest rate
Fiscal Policy	Stable public debt as a percentage of GDP in the medium and long term Increase in public investment	Reduction of primary surplus targets	Increase in taxes Increase in primary spending as a percentage of GDP Stabilization of primary surplus as a percentage of GDP
Wage Policy	Increase in real wages Increase in share of wages in income	Not defined	Adjustment of the minimum wage according to rate of inflation for t_1 and GDP growth rate for t_2
Exchange Rate Policy	Autonomy of monetary policy Stabilization of the real exchange rate	None	Large-scale purchase of international reserves

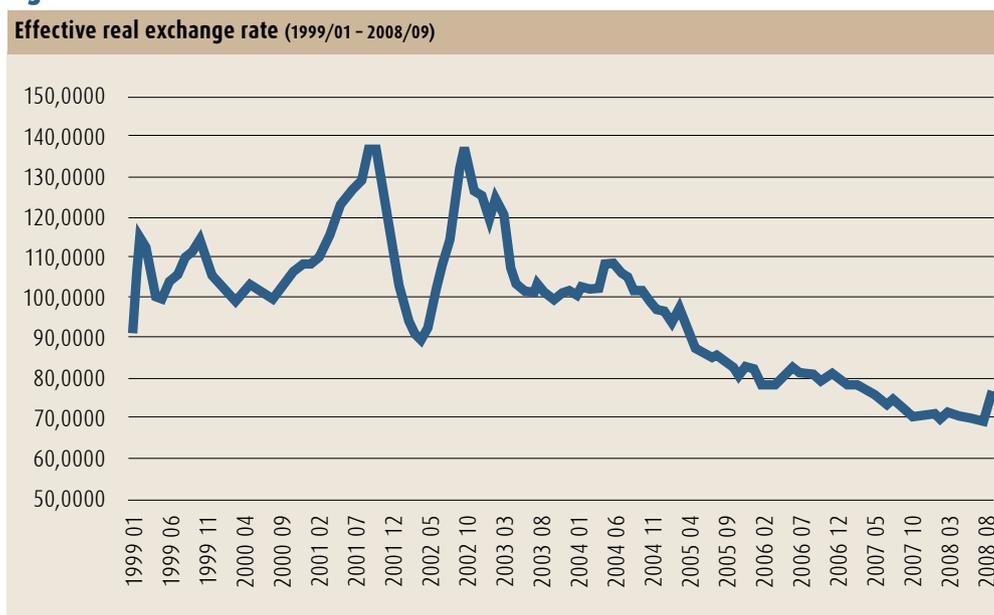
Source: Prepared by the author.

Figure 5

Compared performance of macroeconomic policy regimes in Brazil (1999 – 2008)			
Period	Average Growth Rate of Real GDP Prices ⁽¹⁾	Rate of Investment at Constant	Public Investment as a Percentage of GDP
Macroeconomic tripod (1999-2005)	2.65	14.76	2.7
Flexible tripod (2006-2008)	5.07	16.05	3.2

Source: IPEADATA. Prepared by the author. Note: (1) At 2006 prices.

Figure 6



Source: Prepared by the author using IPEADATA data. Real Effective Exchange Rate Series, INPC Exports.

US\$61.95 billion to US\$205.11 billion, corresponding to an increase of 231%.

The combination of accelerated economic growth and appreciated real exchange rates resulted in a sharp deterioration in the balance of payments, which went from a surplus of 1.4% of GDP in the first quarter of 2006 to a deficit of 1.56% of GDP in the third quarter of 2008; in other words a variation of almost three percentage points of GDP in a little over two years.

The appreciation of the real exchange rate played an important part in the reduction of the inflation rate observed for 2006–2008 compared to 1999–2005, as shown in Figure 7. While the annual variation of the IPCA price index went from 8.24% YOY at the time of the macroeconomic tripod, during the flexible tripod this reduced by almost 50% to 4.50% YOY. This significant deceleration in inflation rates during the flexible tripod regime can be explained as a result of the 3.14% IPCA rate in 2006, the lowest rate registered since the implantation of the inflation targeting regime in 1999. It is interesting to note in Figure 7 that the reduction in interest rates coincides with the appreciation of the real exchange rate between March 2005 and May 2007.

The combined effect of the appreciation of the real exchange rate, the corresponding reduction in the rate of inflation and the discontinuation of the declining inflation targets

2006–2008 compared to an average value of 2.7% for 1999–2005.

The flexible tripod was not able to stem the trend towards increasing real exchange rates, however, observed from March 2005 onwards (see Figure 6). In fact, the effective real exchange rate reduced from 112.61 in March 2005 to 83.28 in August 2008, just before the Lehman Brothers bankruptcy. Over the same period, the international reserves at the disposal of the Brazilian economy went from

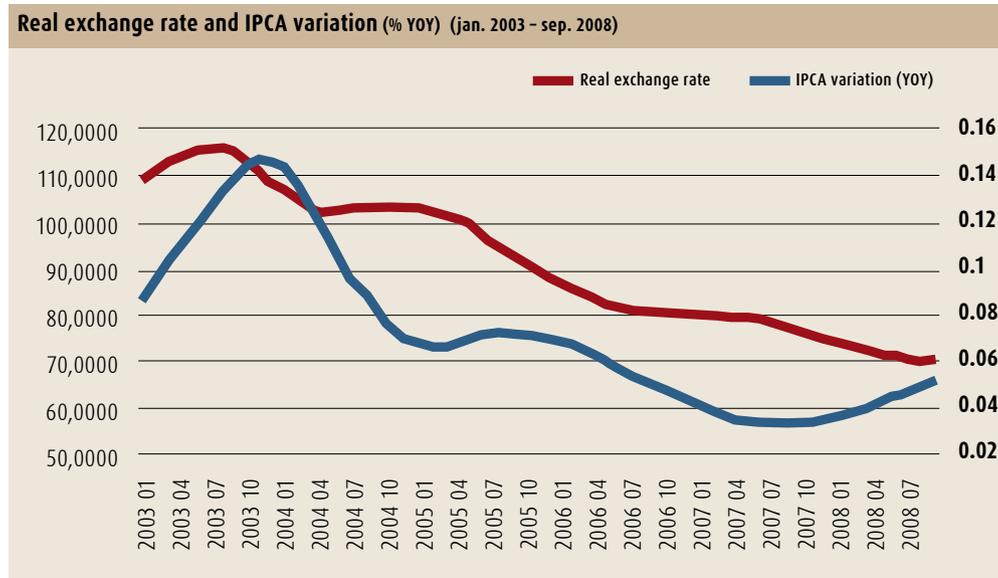
system led to a significant reduction in real interest rates for 2006–2008 compared to 2003–2005 (Figure 8).

Despite the accelerated growth observed during the flexible tripod regime, the continuity of high real interest rates from an international perspective ended up causing a sharp increase in the real exchange rate, which on one hand was useful in controlling the rate of inflation but on the other contributed to a strong deterioration in the balance of payments.

It can therefore be verified that in practice acceleration of growth, control of inflation and stabilization of real exchange rates are objectives that are incompatible with one other, meaning policy makers need to sacrifice stable real exchange rates in order to accelerate growth and control inflation.

This inconsistency within the MPR is partly a result of the *lack of coordination* between monetary, fiscal, wage and exchange rate policies. For example, during this period wage policy produced a real increase in the minimum wage to levels consistently higher than any reasonable estimate for growth in labour productivity, creating inflationary pressure in terms of production costs and complicating the task of controlling inflation through monetary policy. This is because Brazil's relative wage structure is more or less directly anchored to minimum wage behaviour, so raising the minimum wage to levels higher than the growth in labour productiv-

Figure 7



Source: Prepared by the author using IPEADATA data. Notes: (i) The real exchange rate is measured on the left-hand axis and IPCA variation is measured on the right-hand axis. (ii) Both of these series are calculated based on the rolling average over the previous 12 months.

Figure 8



Source: Prepared by the author using IPEADATA data. Note: This series is constructed using the rolling average for the previous 12 months for the annualized SELIC rate/Over Real and IPCA variation (% YOY).

ity induces similar behaviour in all wage bands, causing the unit labour cost to rise.⁷

The biggest lack of coordination could be observed, however, between fiscal and monetary policy. In fact, the central government's primary spending went from 15.37% of GDP for 1999–2005 to 16.83% of GDP for 2006–2008. As primary surpluses as a percentage of GDP were relative stable for 2003–2008, this increase in primary spending was essentially financed through tax increases, generating an impact on aggregate demand equivalent to the increase in primary spending as a percentage of GDP.⁸ In other words, the flexible tripod promoted a type of expansionary fiscal policy in a context where “cost inflation” caused by sharp increases in real wages was hindering the control of inflation through monetary policy, which contributed to keeping the level of real interest rates high from an international perspective and, therefore, to a tendency towards increasing real exchange rates.

The 2008 international financial crisis and inconsistent development (2008–2011)

The financial crisis, which began after the Lehman Brothers bankruptcy on September 15, 2008, led to further flexibilization of the macroeconomic tripod, establishing the basis for a new MPR in Brazil. As a result, the fall in almost 30% in industrial

production and 14% in GDP in the last quarter of 2008 (Oreiro and Araújo, 2012) led to substantial fiscal expansion,⁹ followed soon after by a significant reduction in the country's basic interest rate. At the same time, the public banks (Banco do Brasil and Caixa Econômica Federal) significantly increased their lines of credit in order to mitigate the “evaporation of credit” that arose after the collapse of the international financial markets in September 2008. The combined effect of this fiscal, monetary and credit expansion allowed the Brazilian economy to recover from the 2008 crisis fairly rapidly, exhibiting growth of 7.53% of real GDP in 2010.

The undeniable success of anti-cyclical policy in Brazil permitted a change in the government's economic discourse, with the phasing-out of the rhetoric associated with the macroeconomic tripod and its substitution with “new-developmental” discourse. As a result, the government's candidate for the 2010 presidential campaign, Dilma Rouseff, explicitly assumed this new-developmental stance, stating that her government's economic policy would be guided by the basic principles of this discourse (*O Estado de S. Paulo*, 27/12/2009).

New-developmentalism is a concept that disseminated throughout Brazil via the work of Bresser-Pereira (2006, 2007, 2009) and is defined as a set of proposals for institutional reform and economic policies through which medium developing countries seek to achieve the level of

per capita income observed in developed nations. This “obtainment” strategy is explicitly based on the adoption of an export-led growth regime, in which the promotion of manufactured product exports leads to a boost in the accumulation of capital and the introduction of technological progress into the economy.

The implantation of this strategy requires the adoption of an *active exchange rate policy*, which maintains the real exchange rate at a competitive level in the medium and long term, combined

In the new developmentalist model, economic growth is driven by exports. The public deficit plays no relevant role. Consumer spending should grow at a pace about equal to the GDP in the medium and long term.

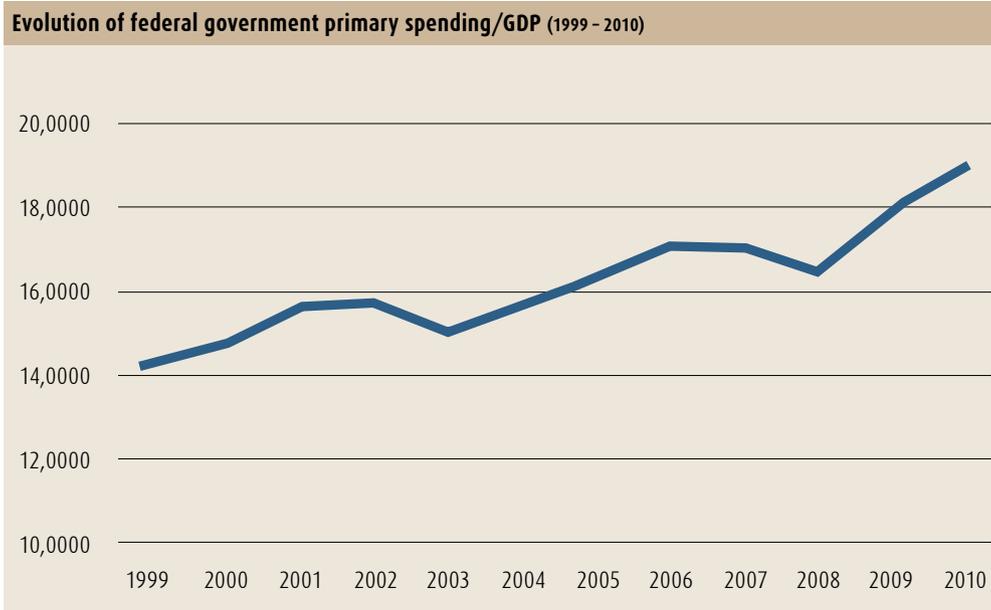
with a *responsible fiscal policy* that eliminates the public deficit and at the same time allows sustainable increases to be made in public investment. Maintaining the real exchange rate at a competitive level in the medium and long term demands not just the adoption of an active exchange rate policy, but also a wage policy that promotes wage moderation by linking real wage increases to growths in labour productivity, in this way guaranteeing the *stability of functional income distribution in the long term*.

The combination of responsible fiscal policy with wage moderation would maintain inflation stable and at a low level, allowing monetary policy to be used to stabilize economic activity and at the same time allow for a significant and permanent reduction in real interest rates.

In the new-developmental model, however, economic growth is driven through exports and sustained by private and public investment in the expansion of productive capacity and basic infrastructure. The public deficit does not have a relevant role in the induction and/or maintenance of growth. Lastly, the stability of functional income distribution ensures that consumer spending increases at a level approximately the same as that for real GDP in the medium and long term, guaranteeing the maintenance of growth in terms of domestic demand.¹⁰

Despite the government's official rhetoric, the MPR ad-

Figure 9



Source: Prepared by the author using National Treasury data.

opted after 2008 has very little to do with the new-developmental model. In first place this is because the new MPR regime permitted a considerable increase in the federal government's primary spending as a percentage of GDP, as can be observed in Figure 9. Although the primary surplus was kept at a reasonable level to ensure a modest reduction in the public debt/GDP ratio, a significant increase in primary spending signalled the execution of a highly expansionary fiscal policy in 2008-2010.

The evolution of primary spending in the period before the 2008 crisis reflects the choices made regarding the desired growth regime for the Brazilian economy. In fact, data seems to point towards growth driven by an increase in government spending in 2008-2010.

Secondly, regarding the dynamics of the real exchange rate, in the period from September 2008 to April 2011 there was a *significant appreciation of the effective real exchange rate*, exactly the opposite of that defended by “new-developmentalism”, as shown in Figure 10 below.

The government tried to prevent this increase in real exchange rates through the continuation of its policy to accumulate international reserves and the gradual introduction of *capital inflow controls*. Although these policies proved to be effective in preventing increases in the real exchange rate between October 2009 and January 2011, they were unable to recover the effective real exchange rate to pre-crisis levels and they did not prevent the re-

surgence of increasing real exchange rates at the start of 2011.

The policy to increase the real value of the minimum wage continued during the period prior to the 2008 crisis through the institutionalization of the minimum wage adjustment model in 2007. This significantly increased the minimum wage in real terms, as shown in Figure 11.

One of the collateral effects of the continuation of this trend towards increasing real exchange rates after the 2008 crisis was the deceleration of gross fixed capital formation (GFCF). As can be seen in Figure 12, this resulted in the gross fixed capital formation growing at 5.31% per quarter in the period between the second quarter of 2006 and the third quarter of 2008 (an annual

Figure 10



Source: Prepared by the author using IPEADATA data.

rate of 23%) and reducing by 0.46% in the period between the fourth quarter of 2008 and the second quarter of 2011, corresponding to an annual rate of just 1.18%. Part of this deceleration in investment is clearly related to the 2008 crisis. However, considering the period from the last quarter of 2009, which marked the recovery of growth in gross fixed capital formation after the crisis, and the second quarter of 2011, the quarterly rate of growth was 4.52%, corresponding to an annual rate of 19.38% and representing a fall of almost four percentage points compared to 2006–2008.

The combination of expansionary monetary (until the start of 2010) and fiscal policy at a time when the growth of gross fixed capital formation was starting to decelerate led to a rise in inflation, which went from 4.15% YOY for the previous 12 months in October 2009 to 6.73% YOY for the previous 12 months in June 2011 (Figure 13). With this increase in inflation from the end of 2009, the Central Bank started an adjustment cycle for the SELIC rate, increasing the real interest rate to 5% YOY along 2010.

The basic interest rate stopped being the only instrument used for monetary policy and was coupled with “macroprudential measures”, such as compulsory reserve deposits and equity capital requirements for banks. In practice, these measures had little effect on the escalating rate of inflation, obliging the Central Bank to restart its cycle

Figure 11**Evolution of the minimum wage (2009 - 2011)**

Adjustment	Previous Wage	Adjusted Wage	Percentage Adjustment	Real Increase*
02/2009	R\$ 415,00	R\$ 465,00	12.05%	5.79%
01/2010	R\$ 465,00	R\$ 510,00	9.68%	6.02%
03/2011	R\$ 510,00	R\$ 545,00	6.86%	0.37%

(*) Taking into account the accumulated variation in IPCA over the 12 months prior to the adjustment.

Source: Prepared by the author using data from the Ministry of Labour.

Figure 12**Dynamics of gross fixed capital formation (2006/t2 - 2011/t2)**

Period	Quarterly GFCF Growth Rate	Annualized GFCF Growth Rate
2006/t2-2008/t3	5.31%	23.0%
2008/t4-2011/t2	0.46%	1.18%
2009/t4-2011/t2	4.52%	19.38%

Source: Prepared by the author using IPEADATA data. Data deflated according to IPCA. Rates calculated using the GFCF rolling average over the previous 12 months.

Figure 13**Real Selic/Over (% YOY) and IPCA variation (% YOY) (Sep. 2008 - Jun. 2011)**

Source: Prepared by the author using IPEADATA data.

Figure 14

Description of the components of “inconsistent development”			
Type of Policy	Objectives	Operational Targets	Instruments
Monetary Policy	Stabilization of the rate of inflation in the long term	Constant inflation targets but with extended convergence terms	Short-term interest rates
	Solid growth (sustainable?) of real output		Macroprudential measures
Fiscal Policy	Stable public debt as a percentage of GDP in the medium and long term	Primary surplus target around 3% of GDP	Increase in taxes
	Increase in public investment		Increase in primary spending as a percentage of GDP
	Increase in domestic aggregate demand		Reduction of primary surplus as a percentage of GDP
Wage Policy	Elevation of real wages Increase in share of wages in income	Not defined	Adjustment of minimum wage according to inflation for t1 and growth in real GDP for t2
Exchange Rate Policy	Autonomy of monetary policy	None	Large-scale purchase of international reserves
	Stability of real exchange rates		Capital inflow controls

Source: Prepared by the author.

share of wages in national income, controlling inflation in the long term, encouraging solid growth in real output and providing increases in domestic aggregate demand through accelerating growth in government primary spending. However, these objectives are not mutually compatible, as they cannot all be achieved at the same time. Indeed, fiscal expansion and increases in the share of wages in income are incompatible with stable real exchange rates and inflation. This is because a significant expansion in domestic aggregate demand together with a high unit labour cost and accelerated growth of real output causes a rise in inflation, if the government decides to prevent the real exchange rate increases that result from this combination of policies. On the other hand, if the government decides to maintain inflation within the targets defined by the National Monetary Council, nominal and real interest rates must be maintained at a high level, resulting in a rise in capital inflows that in turn causes the real exchange rate to continue to rise.

Therefore, the MPR from 2008–2011 proved to be incapable of simultaneously providing competitive real exchange rates and a low and stable rate of inflation, meaning that it cannot be considered to fall under the definition of new-developmentalism. As the MPR for this period is inconsistent in the Timbergen sense of the word, we will refer to it as “inconsistent development”.

to increase basic interest rates. However, the convergence term for the target of 4.5% YOY was once again extended, this time up to the end of 2012, signalling a flexibilization of the inflation targeting regime and indicating the substitution of this with a “dual mandate” regime for the monetary authority.

Based on this argument we can present the objectives, targets and instruments of the MPR that arose after the 2008 crisis. For reasons that we will discuss, we shall refer to this as the “inconsistent development” regime.

From Figure 14 it can be observed that the objectives of the MPR in place after the 2008 crisis included stabilizing the real exchange rate, increasing the

From inconsistent development to the failure of the new macroeconomic matrix

The growth regime adopted by Brazil after the international financial crisis in 2008 was based on the idea of “*desarrollo hacia dentro*”, also known as a wage-led regime.¹¹ This is a model in which policies for income redistribution and real minimum wage increases together with a solid expansion of bank credit should significantly stimulate consumer spending, which would lead businesses to increase their spending in investment, boosting both productive capacity and labour productivity. In this case, acceler-

ated GDP growth and increased real wages could be attained at the same time as a controlled rate of inflation.

As discussed in the previous chapter, this growth regime resulted in an *economic policy dilemma*, namely a trade-off between external competitiveness and stable inflation, to such an extent that this should be referred to as an inconsistent development regime.

In fact, the increase in domestic demand in 2007-2012 led to historically low levels of unemployment, causing real salaries to grow faster than labour productivity and exacerbating the loss of competitiveness that had been triggered by the appreciation in the accumulated rate since

2005. This in turn catalysed the economy’s latent inflationary pressure. The result of this was a significant increase in unit labour costs, principally in the manufacturing industry, as shown in Figure 15.

The reversal of the loss in external competitiveness caused by the high increase in unit labour costs required a substantial currency devaluation, and this would cause inflation to soar – due to the existing pressure caused by wages growing faster than labour productivity – unless this could be counterbalanced through tighter fiscal policy. The problem is that since 2008, Brazilian fiscal policy had been expansionary and has had a bias towards con-

Figure 15

Evolution of unit labour costs according to sector of productive activity and technological intensity (2000-2009)											
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
AGRO		100	77.25	65.29	61.92	71.28	103.84	112.99	108.51	105.87	108.10
Industry		100	88.82	80.60	79.86	78.12	104.69	114.99	130.96	142.71	147.51
IE	Extractive	100	102.90	89.52	93.56	95.29	95.39	96.12	129.18	112.43	200.18
Transformation		100	87.02	80.43	79.93	77.93	106.72	117.39	134.08	144.93	142.60
IAIT	High	100	94.74	90.72	94.40	93.73	114.93	125.86	144.34	145.57	140.19
IMAIT	High-Medium	100	92.11	86.94	90.44	79.66	115.85	117.09	131.44	134.51	137.64
IMBIT	Low-Medium	100	84.57	75.21	64.34	64.43	84.92	106.32	117.32	145.62	123.94
IBIT	Low	100	83.05	75.96	76.20	79.06	106.59	119.32	139.15	149.16	153.47
SIUP	SIUP	100	90.66	74.98	63.77	57.40	75.13	85.45	91.67	109.30	114.37
CC	Construction	100	91.66	80.69	83.23	83.52	110.72	123.85	136.08	159.83	188.83
Services		100	86.42	79.29	78.48	82.73	101.41	116.68	123.33	129.75	130.21
SAIC	High	100	85.89	75.60	74.94	80.97	97.13	113.53	118.27	126.76	124.45
SMIC	Medium	100	84.78	76.68	76.42	81.42	100.11	116.90	127.23	136.97	140.78
SBIC	Low	100	87.68	84.48	83.36	85.31	107.12	120.56	128.57	132.08	135.07
Total		100	86.56	78.90	77.89	80.96	102.35	116.16	124.43	131.58	133.36

Note: SCN novo, 2000 = 100 (in US\$).

Source: Prepared by the author.

Figure 16**Growth of real GDP, rolling average over the previous 5 years (2003-2013)**

Source: Prepared by the author using IPEADATA data.

sumption and costing instead of investment, making it impossible to adjust the real exchange rate without causing inflation.

The dilemma between external competitiveness and stable inflation inherited from Lula's second mandate was managed by the Dilma government based on a type of "compromise solution".

At times that inflationary pressure is less intense as a result of favourable external shocks; nominal currency should be devalued in order to mitigate losses in external competitiveness. This window of opportunity appeared in the second half of 2011 with the re-emergence of the financial crisis as a result of turbulence in the euro zone's sovereign debt markets. It was at this time that the new macroeconomic matrix was being implemented, triggering the start of a long cycle by the Brazilian Central Bank to reduce basic interest rates and the gradual devaluation of the nominal exchange rate. However, if inflationary pressure returned – which did in fact happen at

the beginning of 2013 – the process of recovery of external competitiveness would be interrupted and partially reversed and a cycle to increase interest rates would need to be implemented in order to guarantee the rate of inflation. Therefore, the Dilma government's macroeconomic policy became a sort of "windsock", so to speak, condemning the new macroeconomic matrix to failure as it would not be able to tackle Brazil's overvalued currency or to permanently reduce interest rates.

At the end of 2012, Economic Policy Secretary Márcio Holland confirmed that the Brazilian government had adopted a new macroeconomic matrix characterized by a combination of low interest rates, a competitive exchange rate and a more "public investment-friendly" fiscal policy (*Valor Econômico*, 17/12/2012). This new matrix was expected to lead to a considerable increase in investment along 2013, resulting in an acceleration of the growth of Brazil's economy.

These expectations, however, were not met. Although the Brazilian economy was growing at a faster rate than it had in 2012 (2.49% in 2013 versus 1.03% in 2012), there was a considerable deceleration in real GDP (average growth over the previous five years) during the Dilma government, as shown in Figure 16.

Despite this deceleration in growth, in 2013 the Central Bank started a new cycle to increase interest rates causing the SELIC rate to overtake the level it had been at the beginning of Dilma's mandate (10.75% YOY). In the end, the devaluation of the nominal exchange rate that took place at this time was not able to recover the competitiveness of Brazil's

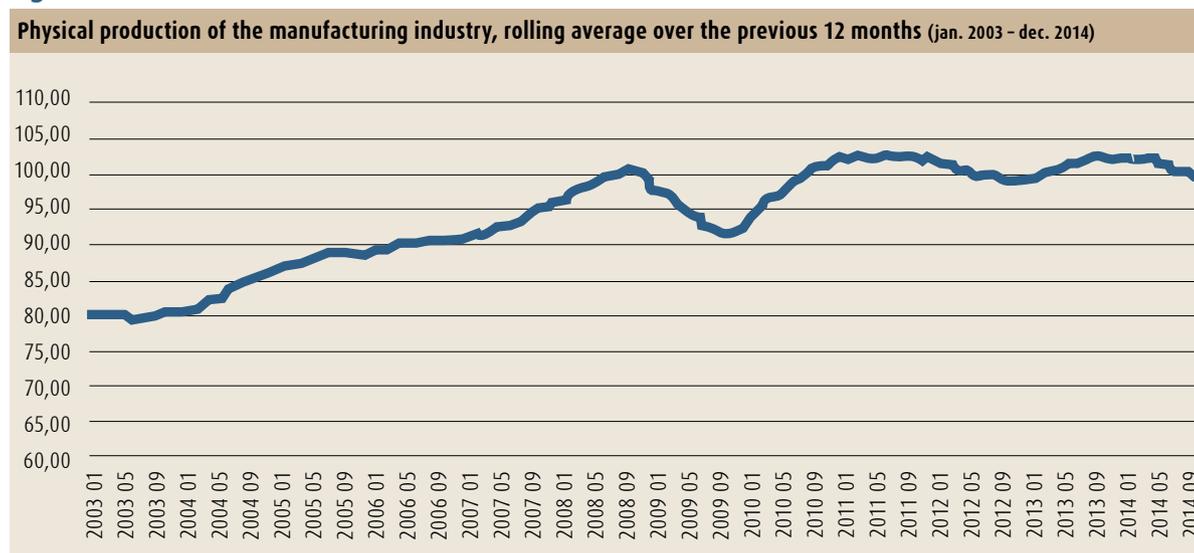
industry, whose physical production had been stagnating since the end of 2010 (see Figure 17).

Why were the expectations for the new matrix not met? Although the implementation of the new microeconomic matrix allowed

the *nominal* exchange rate to be significantly reduced, this reduction was not enough to mitigate the effects on the competitiveness of the manufacturing industry that resulted from the combination of an overvalued *real* exchange rate

and a real increase in wages above the growth of labour productivity. As shown in Figure 18 below, the ratio between the effective exchange rate and wages decreased considerably along the last 10 years, which was slowed down but not

Figure 17



Source: Prepared by the author using IPEADATA data.

Figure 18



Source: Prepared by the author using IPEADATA data.

It is impossible to obtain real exchange rate stability, increased participation of wages in domestic income, long-term inflation rate stability, robust growth in the real product and increasing aggregate domestic demand all at the same time. The objectives are incompatible.

reverted during the Dilma government.

Another reason for this failure is that real interest rates remained high. In fact, the SELIC rate represents the rate of return on risk-free investment in Brazil, as this is the rate that pays *financial treasury bills*, a type of debt security emitted by the federal government that have daily liquidity. At the time of writing, the SELIC rate is 13.25% YOY. Supposing that the expected rate of inflation for the next 12 months is 8.2%, the real interest rate for risk-free financial investments in Brazil would be 4.66% YOY. *Not*

many places in the world can generate such a high return on risk-free investment.

The effect that this has on investment decisions is perverse. As the interest rate for risk-free financial investments is so high, businesses are only prepared to carry out investment projects whose rate of return significantly exceeds risk-free interest rates (the difference between the two is known as the risk premium). The problem is that in an economy with a currency that is substantially overvalued and that has serious deficiencies in terms of infrastructure – added to the uncertainty surrounding macroeconomic policy, which behaves like a “wind-sock” – there are not many investment programs whose rate of return exceeds the risk-free interest rate by a large enough margin for businesses to see them as attractive.

Final considerations

In this article we have analysed the evolution of the macroeconomic policy regime in force in Brazil for the last 15 years, demonstrating the gradual discontinuation of the macroeconomic tripod and its substitution with inconsistent development followed by the new macroeconomic matrix.

We also argued that the two most recent macroeconomic policy regimes adopted by Brazil after the 2008 financial crisis are inconsistent in the Tinbergenian sense of the word and unsustainable in the long term. Indeed, the economic objectives com-

prising the inconsistent development regime and largely shared by the new macroeconomic matrix, namely stabilized real exchange rates, increased share of wages in national income, controlled inflation in the long term, accelerated real output and increased domestic aggregate demand, could not all be achieved at the same time.

Therefore, this creates a dilemma between the stability/competitiveness of real exchange rates and stability of the rate of inflation. More specifically, the RPM currently in force in Brazil does not allow competitive real exchange rates to be attained at the same time as stable inflation in the long term, meaning that it cannot be classified as new-developmental.

Dilma Rouseff’s second mandate started with the economy undergoing a process of stagnation and with considerable fiscal imbalances inherited from 2014. A moderate fiscal adjustment – such as that announced by the new economic team – could avoid a wide-scale currency crisis caused by the “sudden halt” in external financing as a result of the risk of sovereign default; but this would not be enough to restore the competitiveness of the manufacturing industry, which will be absolutely necessary in order for the Brazilian economy to return to growth. In order for this to happen, it is fundamental that real exchange rates are significantly devalued and that investment in infrastructure is increased. ■

Notes

1. According to Herr and Kazandziska (2011), macroeconomic policy regimes are defined as the set of objectives, targets and instruments used in macroeconomic policy, as well as the institutional framework upon which economic policy is executed.
2. For more on the deindustrialization of the Brazilian economy, see Oreiro and Feijó (2010) and Soares, Mutter and Oreiro (2013).
3. See Secretary of Economic Policy Márcio Holland's declarations in the article "Transição para a nova matriz macroeconômica afetou o PIB" (The transition to the new macroeconomic matrix has affected GDP) in *Valor Econômico*, 17/12/2012.
4. According to Tinbergen: "Inconsistency in objectives is understood as a situation in which some things are desired but are ultimately incompatible with other objectives pursued at the same time" (1988, p. 81).
5. This MPR substituted the exchange rate anchor regime that prevailed in Brazil between 1995 and 1998.
6. The National Monetary Council established inflation rate targets of 8% for 1999, 6% for 2000, 4% for 2001 and 3.75% YOY for 2002. A result of the expected default on public debt due to predictions that the Worker's Party would win the presidential elections, the exchange rate stress experienced in 2002 caused inflation to reach 12.53% by the end of the year. As a result, the National Monetary Council changed its inflation rate targets for the following years but maintained its declining targets system. The inflation rate target for 2003 was increased to 8.5% YOY and the target for 2004 was changed to 5.5% YOY.
7. Between 2006 and 2008, the unit labour cost increased by 21.21% in real terms, according to data from the Brazilian Central Bank.
8. According to the traditional result of the so-called *Haavelmo multiplier*, in which the multiplier effect of a simultaneous increase in government spending and taxes is equal to 1 (Haavelmo, 1945).
9. According to data from the National Treasury, the federal government's primary spending increased by R\$74.28 billion between 2008 and 2009, corresponding to a nominal increase of 14.91%.
10. A systematic explanation of new-developmental ideas can be found in Bresser-Pereira, Oreiro and Marconi (2015).
11. This growth regime is named "social-developmentalism" as opposed to "new-developmentalism". For more on the differences between the two, see Oreiro (2015).

References

- BRESSER-PEREIRA, L.C. (2006). "O novo-desenvolvimentismo e a ortodoxia convencional". *São Paulo em Perspectiva*, v. 20, n. 3.
- _____. (2007). *Macroeconomia da estagnação*. São Paulo: Editora 34.
- _____. (2009). *Globalização e competição*. Rio de Janeiro: Campus.
- BRESSER-PEREIRA, L.C.; OREIRO, J.L.; MARCONI, N. (2015). *Developmental Macroeconomics: new developmentalism as a growth strategy*. Londres: Routledge.
- HAAVELMO, T. (1945). "Multiplier effects of balanced budget". *Econometrica*, v. 13, p. 311-318.
- HERR, H.; KAZANDZISKA, M. (2011). *Macroeconomic Policy Regimes in Western Industrial Countries*. Londres: Routledge.
- OREIRO, J.L. (2015). "As várias faces do desenvolvimentismo". *Valor Econômico*, 11 de maio.
- OREIRO, J.L.; ARAUJO, E. (2012). "A crise de 2008 e os erros do Banco Central do Brasil". In: Bresser-Pereira, L.C. (org.), *Depois da crise: a China no centro do mundo*. Rio de Janeiro: Editora FGV.
- OREIRO, J.L.; FEIJÓ, C. (2010). "Desindustrialização: conceitualização, causas, efeitos e o caso brasileiro". *Revista de Economia Política*, v. 30, n. 2.
- OREIRO, J.L.C.; PASSOS, M.O. (2005). "A governança da política monetária brasileira: análise e proposta de mudança". *Indicadores Econômicos*, FEE, Porto Alegre, v. 33, n. 1, p. 157-168.
- SAWYER, M. (2009). "Fiscal and interest rate policies in the 'new consensus' framework: a different perspective". *Journal of Post Keynesian Economics*, v. 31, n. 4.
- SOARES, C.; MUTTER, A.; OREIRO, J.L. (2013). "Uma análise empírica dos determinantes da desindustrialização no caso brasileiro (1996-2008)". In: Azevedo, A.; Feijó, C.; Coronel, D. (orgs.), *A desindustrialização brasileira*. São Leopoldo: Editora da Unisinos.
- TINBERGEN, J. (1988). *Política econômica: princípios e planejamento*. São Paulo: Nova Cultural.



Lena Lavinias

Professor of the Economics Institute of the Federal University of Rio de Janeiro, senior researcher at the CNPQ and international research designALdades.net the Freie Universitat network.
Email: lenalavinias@gmail.com

The financialisation of social policy

the Brazilian case The 2000s show a *tournant* in Brazilian social policy, the institutions of which had been profoundly changed with the creation of the Social Security System (1988). The income transfer programs as a mechanism to fight poverty extended their coverage significantly to include even retirement and welfare benefits. In parallel, the third leg of the social security tripod, the Unified Health System (SUS) has remained underfunded, compromising its effectiveness and accentuating a contradiction: Brazil has a public, free and universal system that cannot meet the demand. Amid this scenario, the Brazilian social policy has been consolidating a social-developmental model for consumption that promotes the transition to a mass consumer society via access to the financial system. The novelty of the *social-developmental* model is having instituted the logic of financialisation across the social protection system, either via access to the credit market or expansion of private health insurance, loans for education etc. Thus, an accelerated financialisation process can be witnessed, helping itself to the social protection system to overcome the barrier of “structural heterogeneity” that had curbed the expansion of the market society in Latin America. The objective of the present paper is to show how this process occurred, and how it reverses the logic of social policy that, instead of promoting protection against risks and uncertainty, increases vulnerability and commodifies various dimensions of social life.



The twenty-first century seems to have finally enthroned an unprecedented coordination in Latin America between economic policy and social policy, leading to the advent of mass consumer societies. This phenomenon is even more relevant than one of the obstacles to economic and social development of Latin America, which is, according to the view of seminal structuralist thought (Prebisch, 1949; Furtado, 1972; Pinto, 1970), the absence of a vibrant domestic market that further boosts the industrial productivity through a process of import substitution. Such a process would result in the average wage increase, thereby engendering a virtuous circle and permanent expansion of production and demand, supported by a dynamic of innovation, which in turn, would constantly improve the consumption patterns of a mass society.

The route found in the transition process to mass consumer society suggests that a shortcut prevailed over the classical trajectory, as the Brazilian case demonstrates. Indeed, Latin America (and Brazil in particular) is now recognized for having successfully incorporated tens of millions of individuals to the consumer market in less than a decade, which is an extraordinary accomplishment, given the historical legacy of the continent (Lavinás and Simões, 2015). Therefore, it may be concluded that classical pathway was not successful, due to the lacklustre performance of industry (Bertola and Ocampo, 2012), which lacked innovation and was hampered by the advance of extractivism and

agro-industrial production, expressed in the reprimarisation of the economies in the continent.

In the case of Brazil, the subject of this article, several factors have contributed to disrupt the structural bonds to the expansion of the internal market. To name a few, we highlight the boom phase associated with the strong rise in international commodity prices that caused overvaluation of the exchange; the intensification of the globalization process, with new players such as China that now flood the international market with wages and durable goods

inclusion of people into the market than actually equalising opportunities and diminishing the profound inequalities that feed the structural heterogeneity that is still a Brazilian characteristic. Therefore, the transition to mass consumption has come, but without solving structural bottlenecks.

The remarkable progression of consumer credit linked to certain social benefits in the last decade appears at the centre of the so-called social-development strategy (Bastos, 2012), the most noteworthy achievement of which was turning the access to certain du-

We adopted a shortcut to a society of mass consumption. By expanding credit, domestic demand increased, creating strong household indebtedness and making the lower classes more vulnerable, as well as contributing to make the social protection system even more precarious: 60% of social spending in Brazil takes the form of cash transfers.

at highly competitive and falling prices; the emergence of a centre-left coalition at the head of the Federal Executive Branch, committed to promoting "social inclusion" through a new link between economic policy and social policy. It was precisely this mechanism that offset the drop in productivity, especially in the manufacturing industry, with the expansion of mass consumption through social policies that prioritized the

rable consumer goods into an almost universal gain along the income distribution curve, thus contributing to the increase of domestic demand and making household consumption the engine of the recent economic growth.

It is worth mentioning that the other side of the coin lies in a strong process of indebtedness and the increasing vulnerability of most of the middle and lower classes, as well as the most disadvantaged

groups, at the same time that there is deterioration in the quality and institutionalization of the social protection system (Fagnani, 2010).

In order to explain how such a transition occurred, this article is written in five sections, besides this introduction. In the second section, we briefly present the main characteristics of the Brazilian social protection system, markedly biased in the high prevalence of monetary income transfers that restrict their redistributive impact. The monetary transfers are aimed at tackling market failures. Redistribution, however, is often more effective when using the tax system, together with the guarantee of unconditional access to public goods in both the quantity and the quality as required by society. In the third section, the relationship between economic policy and social policy is described, mainly for financial inclusion, emphasizing the fragility of the new "social model" in light of the downturn in the economy situation. The fourth and fifth sections highlight the contradictions of this model are revealed by reading the social indicators that can only lead to questioning the truncated pattern for reducing inequalities. Finally, a conclusion about the relationship between mass consumption and the financialisation of social policy is presented in order to demonstrate inversion of the logic and purpose of social policy that, instead of promoting the protection against risks and uncertainty, increases vulnerabilities and commodifies various dimensions of social life.

The creation of Social Security: extension of coverage and income security

In 1988, the Citizen Constitution enshrined Social Security, which incorporated, in a unique and exclusive budget, three dimensions inherent to the social protection system: security, assistance and health. Thus, social security emerged with a well-defined profile: a social insurance based on contribution, which included rural workers and peasants without the obligation of prior contribution; welfare assistance, although conditional and subject to control testing for the neediest populations; and public health, granted as universal and free. However, the original features of social security, which had been committed to universality, uniformity, and the recognition of need and of public provision, have been neglected and their normativity has been weakened and omitted by the action of the state by its constant adapting protection parameters to the bare minimum, even threatening its constitutionality (Fagnani, 2010).

To better understand the trajectory of the Brazilian social protection system, a fundamental piece in the transition to a mass consumer society via access to the financial system, its characteristics and scope are presented. It is important to emphasize from the onset the hallmark of social spending in Brazil: 60% take the shape of cash transfers, while the provision of decommodified services remains minimal and short of that

which is established by law. This profile is not accidental; it conceals a social model that favours the solution of market failures, neglecting mechanisms of social equalization and reduction of inequalities, which in itself is a factor that inhibits redistribution (Lavinias, 2013; 2014).

The Security: the positive differential of social insurance in Brazil

Despite remaining distortions, Brazil managed to establish a degree of coverage for the senior population that tends to be universal for people aged 65 or over. Retirement pensions for rural workers without prior contribution, the universal wage level linked to minimum wage and the existence of a limit to contributions and benefits contributed significantly for the Gini index among senior citizens (65 and over) to be less than that observed in the population as a whole (family income per capita) and among the employed citizens (labour income). In the same way, and in virtue of the system design and its normativity, retirement and other pensions throughout the 2000s had an impact of greater magnitude in reducing poverty rates¹ than the compensatory cash transfers (Lavinias, 2013). Indeed, in 2013, the breakdown of sources of income raised by the National Household Survey indicates that while social security benefits had lifted 21 million people out of poverty and 19 million out of misery, the welfare benefits reduced the number of poor people by 7 mil-

lion and the indigent people by 4 million². In 2011, the percentage of poor Brazilians aged 65 or more was less than 2% (PNAD 2011), while the pension coverage rate covered over 85% of the elderly population.

Thus we have an extremely positive result, which, in terms of coverage in Latin America, is only worse than the performance of Bolivia since the creation of the *Renta Dignidad* (2007). Thus, the design of the pension system overcomes old categorization (highly stratified system) and escapes from the trap of social security (the access to which is exclusively for taxpayers). Thus, instead of adhering to the idea of a monetary minimum, subject to proof of income deficit, or under the perspective of a basic wage level (Bachelet Report, 2012), Brazil stands out for breaking with the stricto sensu Bismarckian logic and safety nets to fight poverty.

Moreover, from 2008 onwards, social security was flexibilised, with the creation of the legal figure of the *MEI* (Micro-Individual Entrepreneur) that established formal links with social security via a lower contribution rate of 5% compared to 20% of the minimum wage in force. The beneficiaries of this favourable "incentive-rate" are those who declare themselves self-employed or vulnerable professionals from a list of about 250 occupations³. Among other eligibility criteria is an annual income of up to R\$ 60,000 (or approx. US\$ 20,000)⁴.

Such flexibility denotes the expansion and strengthening of an original route that consolidates the values of solidarity (de-individualization) and redistribution (lower contribution rate, but the same benefit to the limit of taxpayers), within PAYG systems (Barr, 2004), eliminating outliers and irregularity. Furthermore, it strengthens the pension system by raising the contribution density, including new groups of workers who had been unprotected. This incentive increases system efficiency and at the same time it redistributes. In just a few years, 4 million people had become *MEI*, adhering to the general system of social security. They will only be able to retire by age, but they are entitled to a benefit in the full amount of the social security limit.

Thus, on the side of General Social Security Regime (*RGPS*), the tendency is for a wide and increasing coverage that, depending on status, conditions and different contributions, ensures a set of uniform and equivalent rights.

Today there are 24.5 million retirees and pensioners (8.6 million are rural workers)⁵ in Brazil, and 2/3 receive a monthly benefit in the amount of a minimum wage.⁶ The regular wage limit for retirement pensions under the *RGPS* is relatively low: R\$ 4,663.00 monthly.⁷

The social security insurance also guarantees paid sick leave, maternity leave and unemployment insurance, extending the range of social security rights of taxpayers, according

to the most modern security systems. In 2013, the expenses on social security benefits of the *RGPS* amounted to 7.38% of GDP (ANFIP, 2014: 84).

Finally, it should be noted that the *RGPS* has a constitutional protection of its exclusive sources of funding, i.e. the social security contributions, suffering no levy of *DRU*⁸. This condition, combined with the recent dynamics of the labour market in Brazil, which generated about 21 million formal jobs over the 2003–2013 period (Lavinás, Cordilha and Cruz, 2014), and with incentives for social security contributions, has given the social security account a surplus. "The increase in jobs, in the form of employment, a higher degree of formalization of labour relations and the increase of labour income are determining factors for these results" (ANFIP, 2014: 59).

However, this performance has been hampered by the massive tax exemption policy⁹ guaranteed to companies, in effect since the first mandate of President Dilma (2011–2014). Only in 2015, the exemptions on the payroll should total R\$ 25 billion (or USD 8.5 billion), which will not be fully offset by the Treasury. Increasingly, workers are the ones who honour the commitment to contribute to the pension system, and the capital is exonerated. This is one aspect of the deconstitutionalisation of the Brazilian Social Security, striking the touchstone of its architecture, that is, its exclusive budget, which remains in surplus.



AFAN/SHUTTERSTOCK.COM

Social assistance: incomplete innovation operating as an exception

One of the institutional innovations of great social impact upon the promulgation of the Constitution of 1988 was the creation of the right to assistance for the needy population, making the state responsible for providing minimum monetary assistance and social services to reduce the vulnerability of poor households. Prior to 1988, assistance was almost entirely a benevolent action, and the state intervention was limited to specific initiatives related to controlling delinquency or assisting single mothers, misdemeanours against customs.

Currently, assistance is clearly an area where standardization of programs and plans to fight poverty and misery forged new institutionalisation, strongly anchored in the logic of minimum subsistence, in accordance with the regulatory framework of social security.

Two large programs of vast coverage benefit the target population. The Continuous Cash Benefit (BPC) meets the demands of senior citizens over 65 and people with disabilities, living in families with a per capita income of less than $\frac{1}{4}$ of the minimum wage.¹⁰ Currently the program benefits about 4 million poor people with an income transfer in the amount of the

Until today, *Bolsa Família* has not been instituted as a right, which means that all those eligible have not been included. The deficit in coverage is between 800,000 and 3.5 million families.

minimum wage. The *Bolsa Família* (BF) program serves nearly 14 million households, ensuring an average benefit of R\$ 170.00¹¹ to those whose per capita income is below the poverty line: a monthly income of R\$ 154.00¹². Therefore, it is estimated that around 45 million Brazilians benefit from this extensive federal program to fight poverty, which ensures a minimum income for survival. Expenses for both programs reached 1.2% of GDP in 2014 (the cost of *Bolsa Família* was 0.51% of GDP).

Differences between BPC and BF are not limited to the adoption of different poverty lines and benefits of more diverse magnitude (R\$ 788.00 to R\$ 170.00 on average, respectively). BPC is unconditional to all those who meet the eligibility criteria; BF, on the other hand, is subject to the conditions for the cash transfer benefit, namely, school attendance of children and adolescents, and visits to health clinics. The beneficiaries may have BF suspended if they do not comply with these conditions.

Although the *Bolsa Família* program has a consensus as a public policy to fight poverty¹³, there is the question of why it was not instituted as a given right, at least to ensure full coverage for the target population. This means that not all eligible people are included. There is a coverage deficit, acknowledged by the federal government, which varies according to the origin of the estimate, from 800,000 to about 2.5 million families. Once more, it is likely that the answer lies in

the management of macroeconomic policy, which demands the flexibility that legal institutionalisation would hamper, since it implies rigorous norms for regulation. This option only enforces the minimum for beneficiaries at the price of a social security system fraught with its structural principles and values. Another fragile aspect of the program is that it is not subject to the same rules governing other social benefits, such as annual indexation to the poverty line and to the value of benefits to families, both of which are subject to the discretion of the federal government.

Although not enshrined in legal framework, the strength of this norm has recently gained legitimacy, justifying new over-targeting mechanisms, questioning the logic of citizenship that presides over the creation of social security. This rule is contrary to the universal and public security, as enshrined in Magna Carta.

The effectiveness of the *Bolsa Família* in reducing poverty has been a cause of controversy. Lavinás (2013) shows that its contribution to the decline in poverty rates is marginal (about 10%), well short of the impact of contributory transfers (pensions) and well below the minimum wage. The same is true with regard to the fall in inequality: according to several authors (Savoy, 2014; Naercio, 2014), the real revaluation of the minimum wage occurred in the 2000s, under the rule of the annual adjustment¹⁴ of its value, which explains about 75% of the variation of the Gini index, from 0.586 in 2003 to 0.500 in 2013. It

If we adopted a poverty line equal to 50% of the average income, as does the European Union, the percentage of poor would rise to 23.1% of the Brazilian population.

is estimated that the *Bolsa Família* has contributed with 15% of the inequality drop in the period.

Undoubtedly the redistribution policy that most impacted post-2000 Brazil was the increase in the real minimum wage, amid the creation of 20 million direct jobs between 2003 and 2013, according to RAIS, as previously mentioned. It is important to note that 84% of direct jobs created in this period were in the range of up to two minimum wages (Lavinás, Cordilha and Cruz, 2014).

That *Bolsa Família* was an important mechanism to combat extreme poverty is an indisputable fact, and its late adoption only fills a serious gap. However, the benefit provided annually to each poor child is well below the tax expenditures that the rich children enjoy. Lavinás and Cordilha (2015) pointed out that while the annual per capita spending on child and youth beneficiaries of the *Bolsa Família*¹⁵ totalled R\$ 406,00 in 2013, the annual per capita tax waiver for families filing under the federal individual income tax (IRPF) with young dependents

reached almost five times more (R\$ 1,975.00) a year earlier. Therefore, it is possible that in 2013 this gap is even greater.

Despite problems that reflect asymmetries and lack of coordination in the of income redistribution, ANFIP (2014) states that "the package of [monetary] benefits given by Social Security has the ability to reduce poverty and high multiplying power in the economy. The multiplier impact of the Continuous Cash Benefit (BPC), which focuses on elderly and disabled people, is 2.70, and Social Security's is 1.07" (p. 83).

Chart 1 depicts the trend of reduction in poverty and indigence rates, taking as a parameter the lines of poverty and indigence applied to the *Bolsa Família* program, i.e. R\$ 154.00 monthly per capita and R\$ 77.00 monthly per capita, respectively.

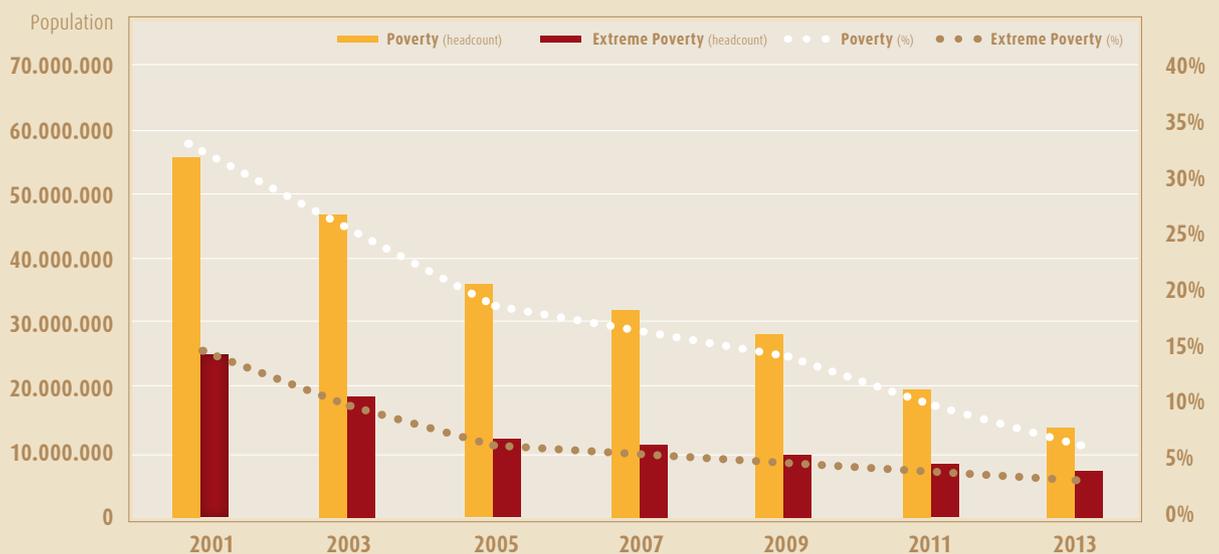
Both poverty identification parameters are extremely low for a middle-income country like Brazil. Those who have under R\$ 2.50 per day for living are considered extremely poor, which is not even in accordance with the World Bank guidelines that establishes the indigence line at USD 1.25 per day (the equivalent in May 2015 of R\$ 3.75). In the case of the poor people, the cut-off is between R\$ 2.30 and R\$ 5.10 per day, once more below the recommended limit of USD 2.50 per day (which would correspond to R\$ 7.50)¹⁶.

For the record, it is worth noting that if applying the line of relative indigence of the European Union, equivalent to 40% of the average income¹⁷, and also its relative poverty line at 50% of the average income, the percentage of indigent people would rise to

17.3% and poor people to 23.1%.

Another feature of the Brazilian social assistance is that both benefits of BF and BPC are paid with revenue from indirect taxes, levied on consumption. The Citizen Constitution established that besides the contributions of employees and employers to the social security budget (linked to the payment of contributory benefits), a set of exclusive taxes, focusing greatly on consumption, should allow financing of non-contributory benefits and health. In Brazil, unlike many developed economies where food and other goods and essential services are fully exempted¹⁸ to increase consumption of poor families, there is no such exemption (only on capital). This shows the high degree of regressivity in the Brazilian tax system, whereby the poor populations directly contribute to financing so-

CHART 1 | Brazil, percentage of poor and indigent groups (2011 - 2013)



Fonte: PNAD (IBGE).



MARCELO74 / SHUTTERSTOCK.COM

Since 1988 we have a single, universal and free health system. But, paradoxically, private spending with health has surpassed public spending in this sector in Brazil.

cial assistance as they increase their integration into the consumer market. An IPEA study (2010) estimates that approximately 50% of the benefits received by the families of the *Bolsa Família* program return to the state in the form of tax.

Health: deviant norm and a break with institutionalisation

In the case of health, the trend toward privatization of the provision of health services shows the paradox between the text of the Constitution and the reality of a sector stifled by underfunding. This is a frequent occurrence,

despite the surplus in the budget of Social Security.¹⁹

The Constitution of 1988 instituted in a single and universal health care system that is completely free. The paradox lies in the fact that private health expenditures in Brazil today overcome public spending: according to IBGE (2012), while the private household spending on health care and medicines is 5% of GDP, public spending on the Unified Health System (SUS) is 3.8%, an increasing contradiction, which is today a clear concern of the whole population.

Thus, the public health system evolves in the direction of an "ex-

cluding universalization" (Bahia, 2013, apud Favaret and Oliveira, 1990) that can transform SUS in a service designed exclusively for the poor population, which is the tendency nowadays, according to Bahia (2013:69).

Two forces act against SUS. On the one hand, its institutionalisation as a universal public service is challenged by the underconsumption derived from the underfunding of this segment, which, when dealing with health, has serious consequences. On the other hand, unlimited state subsidies, indiscriminately distributed to the private sector reinforce the "complementary" contribution of public provision.

How did underfunding happen? By the misallocation of revenue exclusively from the social security budget. The funding for health in Brazil comes from a set of taxes that are mostly focused on consumption, which therefore faced a period of high increase, due to the strong growth in household consumption that has been the engine of recent economic growth (Medeiros, 2015; Lavinias, 2014). It is necessary to point out that in Brazil no good or service is totally exempt, which means that there is a strong indirect regressive taxation, whereby the lowest income is more burdened proportionately. But the states and municipalities must also contribute with a portion of their net tax revenues, respectively 12% and 15%.

In 2013, just over 50% of the Social Security budget came from indirect taxation on the entire population (the remain-

ing 47% from social security contributions). Since 1994, the Discharge of the Federal Revenue (*Desvinculação da Receita da União - DRU*) has confiscated compulsorily, every year, 20% of this revenue stream for the purposes of primary surplus, representing the forced savings from the federal government at the cost of reducing public spending. The absolute amounts drawn from Social Security increased continuously (except for the years of the global financial crisis of 2008–2009), due to the rising rates of some social contributions over the period that go to the federal government and to the increased collection of resumed economic growth. From 2000 to 2012, R\$ 621.4 billion (US\$ 265 billion) was withdrawn only from the Social Security budget allocated for health and assistance. This is seven times the federal spending on health in 2013 (R\$ 85 billion, or US\$ 36 billion at the time), a universal policy that has been looted by the constitutional deviation (DRU) of its own tax revenue and the misuse of public funds to meet the needs of the population at large.

The per capita spending on health in Brazil was close to US\$ 475 per year (Cebes, 2015), against an average of over US\$ 2,000 in developed economies. This explains why the essential primary health care to all income level classes meets only 50% of the population (Wagner, 2013). If it were possible to expand this service to 80% to 90% of the population, Wagner states that

"80% of health problems would be solved through personalized care with a preventive clinical approach", strengthening public provision and restoring constitutional principles, eroded by commercial medicine.

Another way of draining SUS is exactly by encouraging commercial medicine through high tax exemptions, subtracting resources from the public sphere. Deductions related to private health expenditures on income tax, for example, are limitless. In Brazil, "not just expenses on health insurance, but also with health professionals, clinics and hospitals, can be deducted from the base for calculating the tax payment – for the individual and the legal entity – which reduces collection from the federal government" (Ocke-Reis, 2014: 261). The same author, comparing the direct government spending with tax breaks in 2012, concludes that "the State failed to raise R\$ 18.3 billion (or US\$ 8 billion), representing 23% of the R\$ 80 billion invested by the ministry" (2014: 263) that year in the sector. Regarding the tax expenses on health, 77% benefit individuals who are in the highest tax bracket (Lavinias and Cordilha, 2015) – the richest portion of the population.

Thus, private health plans, supported by the fiscal legislation of recent decades that increases incentives for adhesion to a private plan, are income tax deductible and they have expanded their supply to include basic and primary care²⁰ by virtue of government failures. This paradox of an

expanding private health insurance market occurring at a much faster pace than the SUS suggests that the public option that has been restricted to cover only the essential will only reinforce the market, including for basic and primary care, and thereby damaging the principle of universal access to health services to those who need them, and of the complete care vested in SUS the cover any injury or disease regardless of complexity.

The rapid commodification of health is based on a continuous process of stratification in the supply of insurance, which restricts coverage depending on the income (premium payment). Instead of buying "certainty" (Barr, 2012), inherent logic in the purchase of private insurance, most of the population that buys health insurance is unaware of the details and the degree of protection purchased. State regulation is deficient and, therefore, the number of judicial conflicts between consumers and private insurers is growing. It is estimated that 45 million Brazilians are holders of a private health plan, about a quarter of the population (IBGE, 2013), an increasing percentage due to the rise in average income that exemplifies the recent phase of renewed economic growth (post-2003). According to a document from Cebes (2015), the increase in the number of holders of a private health plan between 2003 and 2013 was 41%.

The picture becomes even more dramatic when considering that 62% of hospital beds are private and 2/3 of the equipment

available for diagnosis and health treatments can also be found in hospitals and private clinics, as well as 64% of magnetic resonance equipment (Cebes, 2015).

Contradictions of social policy

This shift from a public to a private option is not free, nor does it reflect a deliberate choice of the population due to the increase in family income, and therefore more demand in medical coverage. In the social security sector, for example, this shift has not occurred. Despite a low contribution limit that drains resources from the general scheme for private pension funds, the complete financialisation and privatization of social security was not possible. For health, however, the process is directed to strengthening financial capital and promoting the full commodification of health.

The incongruent panorama on road ahead paved social policy can be summarized in the preference of cash transfers over the decommodified services, which means not only the commodification of health, but also, increasingly, of education. On the one hand, conditional cash transfer programs as a mechanism to fight poverty have extended their coverage significantly, as in the case with social security benefits. In parallel, the third leg of the social security tripod, the Unified Health System (SUS) has remained underfunded, compromising its effectiveness and accentuating a contradiction: Brazil has a public, free and universal system that cannot meet the de-

The predominance of income transfer mechanisms, to the detriment of providing the non-commodified services of education and health, instituted an unprecedented connection between credit and social policy, in the context of a strategy mainly focused on increasing consumption.

mand; it has been debilitated and it over-focuses care. One example comes from the programs that have been especially designed to care for diseases caused by poverty, a list that highlights priority actions for the most critical areas of highly-concentrated, extreme poverty.

Among tensions, social policy keeps on working to consolidate the social-developmental consumption model, which consisted of promoting a transition to a mass consumer society through access to the financial system. The novelty of the social-developmental model is to have instituted an unprecedented connection between credit and social policy, stimulating household consumption and promoting, in the short term, a growth cycle led by the dynamic

of the internal market. This link between social policy and economic policy has engendered a "social model" in which poverty is fought via minimum social limits and the real and accelerated increase in the minimum wage²¹ (a social regulation system established during the Vargas era) while leaving the market to provide a wide range of public goods and services at the same time that credit has appeared to become the magic formula to implement a *catching-up* strategy. The core of this strategy combines market incorporation and growth, without tackling persistent and disruptive obstacles, such as our productive and social structural heterogeneity (Lavinás and Simões, 2015).

Social policy as collateral

What kind of "social model" is this?

The great architecture starts with the creation of payroll loans in 2003 that gave priority access for public and regular salaried employees to credit lines with less extortionate interest rates. In 2004, it is extended to retirees and pensioners²². Social policy thereby becomes the collateral that was missing and guaranteed by the state for more than income from labour – considerable collateral, particularly for holders of social security benefits. It is important to point out that wages, especially the minimum, had really significant gains as of 2003, a path sustained by recovery.

In parallel, also in 2004, the *Bolsa Família* program is enacted; although late, it expanded the in-

corporation onto the market of millions of families whose degree of destitution not only restricted opportunities but threatened their existence and dignity. Gradually, consumer credit access mechanisms are extended to the beneficiaries of this major national program to fight poverty and to encourage a consumption model that was finally heating the domestic market, doubling retail sales between 2003–2014 (IBGE Monthly Trade Survey). Therefore, the program also gave access to imported goods, which had been favoured by an overvalued exchange rate that is exporting jobs and affecting our trade balance.

It was in these first years of the PT administration that regulation of microcredit²³ also occurred. Between 2003, the date of its creation, and 2007, 90% of loans in this type were geared towards financing consumption (Central Bank, 2011). This percentage drops gradually from 2013, when the law was instituted that 80% of the demand should be oriented to productive microcredit. However, as of December 2010, consumption accounts for 67% of its application in December 2010.

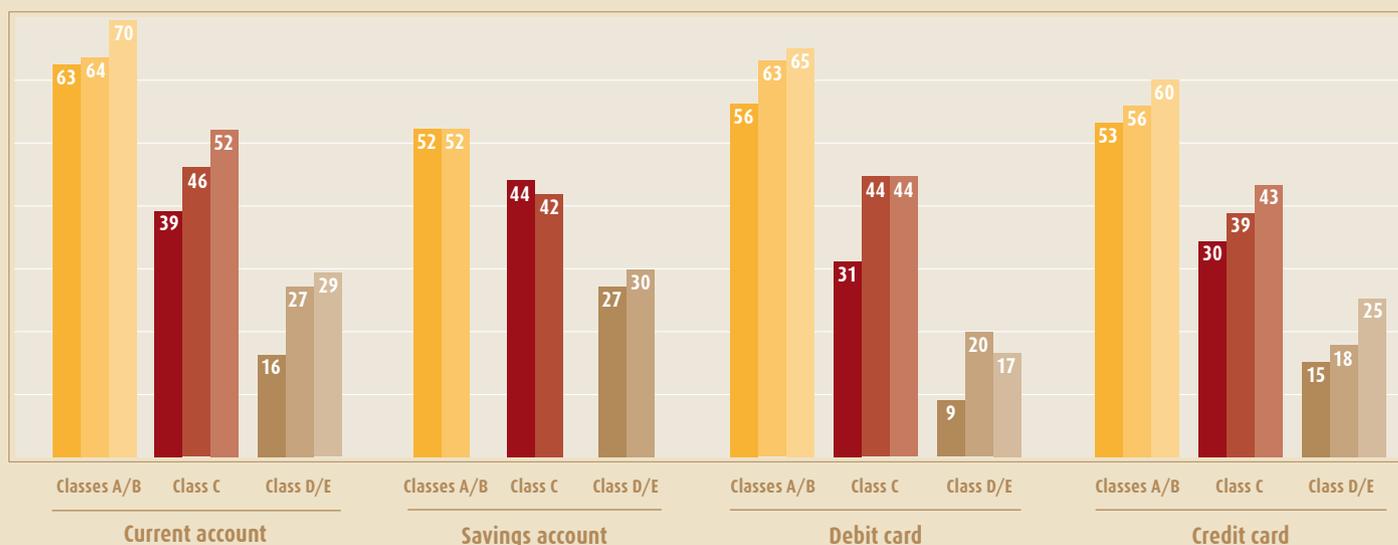
Thus, a well-orchestrated strategy of expanding the instruments to access the credit market can be observed. It was a strategy that targeted the tail of distribution, notably the poorer classes that had been formerly excluded from this market.

Finally, aiming at the financial inclusion of beneficiaries of the *Bolsa Família*, the *Projeto de Inclusão Bancária (PIB)* – the Banking Inclusion Project) was cre-

ated in 2008. Without the expected success, PIB tried to take new financial instruments and services to the target groups of this anti-poverty program. Initially, the project was limited to the opening of simplified accounts (partnership Ministry of Social Development + Caixa Econômica, the state savings bank, via Easy Cash Account), the expansion of which was immediate. Quickly, though, credit cards for purchases and other services and products²⁴ were created within the PIB. However, the subscription of around 2 million households, 14 million registered as beneficiaries in 2010, indicates that exclusion due to prices or conditions, perhaps even self-exclusion, reined in the interest of the most vulnerable groups to the financial markets. Even so, finance for the purchase of durable consumer goods was extended significantly to the poorest groups.

Whereas loans accounted for 22% of GDP in 2001, they exceeded 58% in December 2014. It is important to point out that loans to individuals accounted for 47% of all credit supply on the same date, and the free credit line²⁵ (for consumption in general, vehicles acquisition, through payroll or not) amounted to almost 2/3 of all loans to individuals. Its volume tripled between 2007 and 2014. As an illustration, between 2003 and 2010, the amount of individuals who were SCR²⁶ clients (with different CPF ID numbers), identified as the recipients of loans of at least R\$ 5,000, grew 347%, while those that withdrew loans with a value

CHART 2 | Access to financial items by income class (2005, 2007 and 2010) (% of income class)



Source: Central Bank (2011). Classes are defined according to the average income of the family unit, measured in quantity of minimum wages (SM); Class B, 5 to 10 SMs; Class C, 3 to 5 SMs; Class D, 2 to 3 SMs; Class E, up to 2 SMs.

of less than R\$ 5,000 increased 352%. In other words, there was an increase from both small borrowers and the high income individuals, well above the growth of the adult population.

Therefore, there was indeed a vigorous process of financial inclusion in addition to the banking inclusion that had been encouraged since 2004 with the creation of simplified accounts. Chart # 2 reflects this progression. It shows that bank accounts and credit cards had strong expansion between 2005 and 2010 in all classes, especially those with family income of less than three minimum wages (D/E).

For those who may still think that the impressive household consumption took place was due to the increased income from the creation of new jobs, Chart 3 shows that while the minimum wage had a real increase of about 80% between 2001 and 2015, and the average earnings grew by 30% in the period 2001-2013, personal loans to individuals increased by 140%.

Lula and Dilma's mandates innovated by promoting credit inclusion, feeding, as a result, household debt.

Here lies the Achilles heel of integrated social access to the financial market policy strategy. Its daunting face arises when one details the cost of credit. Figure 4 shows the disparity in interest rates under the various free personal credit lines in recent years. They are all, in real terms, alarmingly high, if collated with the inflation rate (IPCA). The point is they remain high, toward the stratosphere.

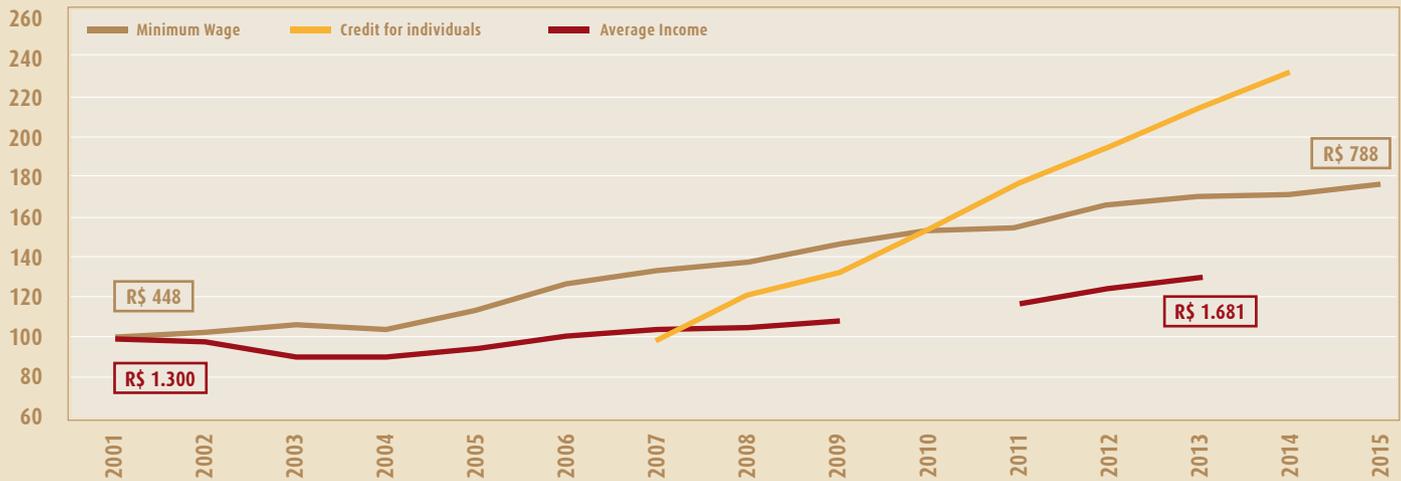
In early 2015, the ballast of successive and uninterrupted increase in the *SELIC* rate, the Central Bank points out that the interest charged in different consumer credit arrangements accompanied the high rate. ANEFAC estimates that in February 2015 the interest charged in commerce hit 5.1% per month (a projection of 87.12% per year)!

According to the Central Bank, the indebtedness of Brazilian families with the financial system in the first

months of 2015 committed 48% of their income, compared to 22% in early 2006. This would not be a problem unless the government – amid imminent recession – did not modify the rule to access unemployment insurance, as well as suspend and reduce pensions for death; moreover, the tax system would have to collect just over half of the gross income of families living on less than two minimum wages through the regressive structure that focuses heavily on consumption – all this after having bloated the consumption of families that had been engine of economic growth since 2006 by using social policy as collateral (Lavinás, 2014).

In other words, the disposable income of the working or retired family is still low, very low. But equally low is the income of Brazilians in general, given our scenario of very high inequality. According to IBGE, the average labour income over the year 2014 (SMEs) is at R\$ 2,054.00 per

CHART 3 | Brazil - real growth index of the Minimum Wage and average Labour Income (2001=100) and Credit for Individuals (2007=100)



Source: IPEADATA / PNAD-IBGE / BCB. Minimum wage in Real (R \$) April / 2015, deflated by the National Consumer Price Index (INPC) January / 2015. Average income for workers over 15 years old in September, deflated by INPC September / 2013. Total credit to individuals deflated by INPC January / 2015. Own elaboration.

month (or approximately US\$ 700). All of this adds to the equation the fact that the bulk of social policy consists of monetary income transfers, contributory or not, while the share of public provision of goods and services that should be provided free of charge remains scarce, pushing those who seek assurance and quality to the private market of distortedly high prices that are incompatible with the income of the population, and thereby committing a significant portion of such income. Research by the *Instituto de Data Popular*, published in *O Globo* newspaper in September 2014, indicates that the C class²⁷, today equivalent to half the population, holds 58% of the loans, utilizes 65% of their income to pay services and 35% to purchase products – this percentage was reverse ten years earlier. Furthermore, such services are predominately essential ones, namely health and education, which should be decommodified since they are rights guaranteed to citizens.

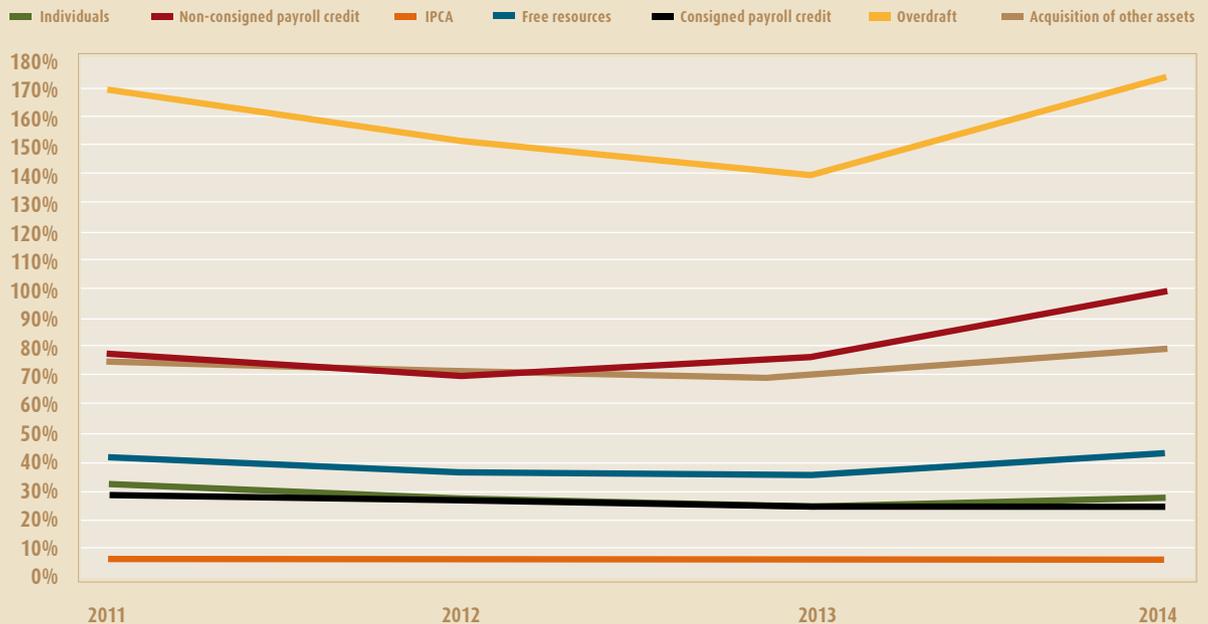
That is, the income of the Brazilian people is being drained by increasing levels of indebtedness, devastating indirect taxes (Lavinias, 2014), and the acquisition of what should have been provided with the quality and quantity required by the contingency, free of charge – i.e., public services such as health, education, safety, and transportation.

The delay in carrying out the *Pesquisa de Orçamento Familiar (POF)* – the Family Budget Survey by IBGE²⁸ compromises the accurate and consistent analysis of this situation, which should deteriorate due to the increasing unemployment. The Central Bank survey on financial inclusion (2011) estimates that if the unemployment rate at the national level grows 1%, the probability of default with respect to individual consumer credit increases by 3–4 percentage points. Therefore, in a long-term scenario of economic stagnation, family default tends to widen (Correa, Marins et al, 2011). Consumer credit

in general is much more sensitive to economic conditions than the directed credit, for example.

The golden side of the coin, however, was to reduce of inequality in access to certain consumer durables, such as domestic and electronic appliances, for example. According to the National Household Survey (*PNAD*) in 2003, only 10.6% of the poorest households (first decile) at the tail of the distribution declared to have mobile phones. In 2013, this percentage increases to 79.3%. However, in the case of sanitation, the improvement is not even remotely close to the so-called "the universal market": while in 2003 25% of the first decile of households had access to adequate sanitation, by 2013 this proportion rises shyly to 35%. In 2013, only in the 6th decile of the distribution did 2/3 of households state they had appropriate sanitation, which is not surprising, since the profile of social spending is the cause of such great distortion.

CHART 4 | Consumer interest rates and the inflation rate (2011 - 2014) (% pa)



Source: Central Bank

But there is an aggravating factor. In his latest book, Medeiros notes that "the growth rate for consumption of imported goods of 13.9% was remarkably higher than the 3.7% recorded for the domestic annual average consumption between 2003 and 2009" (2015:119). This is unquestionable evidence of the failure in the social-developmental growth model, and the same author identifies that the growth of the consumption of imported household appliances in the period under review had the highest increase: 33.8% per year on average, from a total of 22 sectors. In terms of national consumption, the highest rate, not by chance, belongs to the financial intermediation sector, followed by the household appliances sector, respectively 8.4% pa and 7.8% pa on average. This

means that the recent growth did not come with a sustainable path of increasing productivity gains and innovation in national supply chains, but powered by the exchange rate and credit, both at the origin of the transition to mass consumer society in Brazil. The salary valuation policy, in particular the minimum wage, alone would have not been sufficiently able to break barriers for mass market expansion.

Brief conclusions

Social policy aims to reduce vulnerabilities, prevent poverty, equalize opportunities and above all decommodify access — ensuring rights. Combined with an economic policy committed to sustainable development, social policy is the key to promote growth with redistribution in the short and medium terms.

In Brazil, however, despite a new institutional framework in the field of social rights established by the Constitution, social policy has been placed at the centre as collateral used to gain access to the financial system and enhance consumption that had been repressed by relatively low wages and the relative price structure of industrial goods that only became more accessible when they had fallen from their heights due to the exchange rate of recent years and its impact on imports.

However, the process of inclusion into the mass market would not have occurred without the boost from credit and the various forms that arise and adhere to social policy to finance the access to goods and services, via distinct logic and mechanisms that lead to the Brazilian family consumption growing faster than

GDP in this new economic expansion cycle. Today the market reaches all Brazilian families. And it is precisely this novelty that, not surprisingly, has gotten stronger amid the global process of financialisation²⁹, initiated by the Brazilian government.

This new financial order (Shiller, 2003) has been dedicated to mounting mechanisms that extend the limits of financial inclusion, particularly in the developing world and emerging economies, reducing the moral hazard to which credit holders are exposed, financial capital. This is the logic underlying the idea of democratizing access to the financial sector: "finance must be for all of us - in deep and fundamental ways"³⁰ (Shiller, 2003: 2). Financial inclusion is the new mantra of the neoliberal creed. In this scenario, financial innovation has appointed the "individual loans linked to income" mode as one of the pillars of the expanded dynamic of securitization. This is just one of the fronts where it will surely gain even more padding and keep on innovating.

Finance, in fact, is at present substantial to all types of production of goods and provision of services. According to Lazzarato (2012), it appropriates, through multiple and sophisticated debt mechanisms, the sphere of social welfare, leading to the privatization of its services and making social policy into a sector focused more on the accumulation and profit of private businesses, notably financial, than on the remediation of inequities and the equalisation of societies.

The recent growth cycle in Brazil put into practice much of what is already advocated by theorists of modern finance, which in addition to scale and

diversity without limit, integrates in its framework the behavioural dimension (Shiller, 2003) to monitor demographic changes in family arrangements and the labour market.

Through the multiple mechanisms of family indebtedness, the financial sector has appropriated social policy, transforming it into another area of capital accumulation, as advocated by the theorists of modern finance.

Access to the financial market was the big news in the explosion of mass consumption and the search for more human capital in a society that maintains its structural weaknesses and deep inequalities. This is the hallmark of the so-called social-developmentalism. In this context, the social investment was crippled: inadequate sanitation, lack of decent housing for a large populace, deprecated environmental preservation, potable water available only for part of the population, meagre public preventive and curative health care, an education system which generates unequal opportunities, etc. And the most severe of all, the very structure of social se-

curity threatened by deconstitutionalisation of its principles. Not to mention the uncontrolled violence and that destroys thousands of lives every year in a country that lives the fullness of democracy.

No less important is to call attention to a strong dimension of a vicious strategy that is markedly neoliberal: new forms of indebtedness have multiplied and reconfigured the social status of each individual. However, if the level of household indebtedness increases even more rapidly due to the strong increase in real interest rates, an exit from the crisis and the recovery of a new demand expansion cycle shall be compromised. The dramatic result of this strategy is, therefore, an exacerbating fall in demand.

Respect and consolidate the great institutional innovation that was the creation of Social Security in 1988 seems completely off the agenda. The function of social policy is to ensure increasing levels of well-being, and not to serve primarily as a means of access to the financial sector in the form of collateral to growing indebtedness, or to the acquisition of services that the state fails to provide.

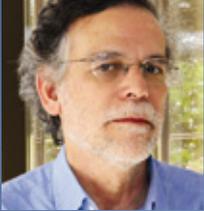
Susanne Soederberg accurately and poignantly coined the term "the *debt-fare* state" (2013) to show that "promoting dependence on the market through access to consumer credit to ensure essential basic needs" (p. 540) is neither neutral (with regard to social class) nor natural (inevitable). Therefore, a new analysis of debt policy in fostering economic development is required when subscribing the process of social policy to neoliberal logic and to the global financialisation process. ■

Notes

1. The values used were the lines of poverty and indigence of the *Bolsa Família* Program.
2. To observe the evolution of the indices of poverty and indigence between 2001 and 2011, by source of income, see Lavinás (2013).
3. List made available on the Social Security website.
4. In May 2015.
5. Statistical Yearbook of Social Security in 2013.
6. The national minimum wage is R\$ 788,00, or \$ 262 per month (May 2015).
7. USD 1,554 (May 2015). This limit actually hides an incentive to the development of the private capitalization system, which is complementary in Brazil.
8. Untying Union Revenue: imposes a linear cut of 20% in all budgets for the purpose of forming the primary government surplus, except in education. Such cut was established in the first Cardoso administration in 1994 under the name of Emergency Social Fund (ESF), having been reappointed since then under different appeals.
9. The current process of unburdening the payroll tax started benefiting four intensive industrial sectors in manpower, they faced strong competition from imported goods, and two service sectors. The purpose was to raise through cost reduction the competitiveness of Brazilian industry. Today, it reaches 56 sectors, with an “annual gross sales in the domestic market at \$ 1.9 trillion, equivalent to 50% of gross domestic product (GDP), before taxes” (ANFIP, 2014: 70).
10. Equivalent to R\$ 197.00 per month, or USD 65 (April 2015).
11. Equivalent in January 2015 to USD 56 per month.
12. Equivalent to USD 51 of per capita family income monthly.
13. See the results of the national survey, evaluated and analyzed in Lavinás L. et al (2014) Perceptions of Inequality and Poverty.
14. One of the most important innovations of the Lula era was the creation of minimum wage readjustment rule, consisting of indexing wages to the previous year’s inflation rate, coupled with the growth rate of GDP of two years earlier. This allowed the minimum wage to register a remarkable real growth of almost 100% between 2003 and 2014.
15. In 2013, the MDS estimates that the BF included 23 million children of 0-17 years. In the case of dependent favored with tax expenditure, the numbers of the account for revenue 2.3 million for the previous year, only (!) 10 times less.
16. If INPC updated the lines of poverty and indigence values from 2004 (ie, R \$ 100.00 and R \$ 50.00), these would be R \$ 182.00 and R \$ 91.00 instead of R \$ 154.00 and R \$ 77.00, respectively, as of January 2015.
17. The value of the average per capita household income in Brazil, according to the National Household Survey 2013 is R\$ 594.50 monthly (current values of September 2013).
18. This is the case of England, where food, school supplies, uniforms and medicines are not taxed. According to the OECD (2014), the average VAT in member countries stands at 19% in 2009–2014. However, the rate of VAT on food drops to 5.5% in France (applicable rate gas and electricity) and 7% in Germany and the United States. In Brazil, FGV study from 2008 estimates that the average ICMS rate is about 43%.
19. ANFIP, 2013.
20. Highly complex medicine tends to be absorbed by the public sector, because of its high cost, thus increasing the profitability of private medicine.
21. The minimum wage between 2003 and 2014 doubled in real terms, thanks to the annual adjustment rule adopted in 2005, indexing wages to the previous year’s inflation rate and incorporating the GDP growth rate of two years earlier, thereby ensuring real appreciation.
22. The payroll loan for workers governed by the Labor Code was introduced by Law 10,820 of December 17, 2003, in the Lula government. Shortly after, in September 2004, through Law 10,953 amending the previous one, this right was extended to retirees and pensioners of the INSS. Therefore, the release of payroll loans initially favored civil servants and employees governed by the Labor Code. The so-called Personal Loan Discount on Payroll quickly gained retail banking across the country in the hands of holders of a steady job, stable and with virtually no risk, and examined functionalism. One year later it reached the pensioners and retirees, regulated by INSS (Lavinás and Ferraz, 2010).
23. Law 10.735 .2003
24. In theory, it was predicted that the beneficiaries of *Bolsa Família* would have access to mortgage loans, loans in general, life insurance, capitalization and savings. Except for this last service item, which reached 2.3% of beneficiary families, the other services and inclusion mechanisms did not reach more than 0.3% of them by 2010. Therefore, the access has been very limited.
25. The other line of credit to individuals is the directed credit, which includes the rural credit, housing, microcredit, BNDES and other resources.
26. Credit Information System of the Central Bank.
27. Per capita family income of up to R\$ 1,184 / month.
28. POF should have been implanted in 2013–2014. But it was suspended and postponed to 2015–2016.
29. For financialisation, we adopt here the definition used by Epstein (2014: 4), which indicates a movement under capitalism, simultaneously to globalization and the predominance of neoliberal thinking, in which the profits of financial institutions grows faster than the non-financial corporations. In this sense, it has the same meaning of Krippner definition (2004: 14), pioneer in the categorization of this phenomenon, defined as “an accumulation pattern in which profit production occurs increasingly through financial channels rather than via trade and the production of commodities “.
30. Said in another way by Shiller: “We have to democratize finance and take the advantages of Wall-Street customers to Wal-Mart consumers” (2003–2001).

References

- ANEFAC, 03/2014; <http://www.anefac.com.br/uploads/arquivos/2015311153459181.pdf>
- ANFIP (2014). Análise da Seguridade Social 2013. Brasília: ANFIP-Fundação ANFIP, 160 pages.
- BACEN (2011). Relatório de Inclusão Financeira, n. 2, Brasília, 186 pages
- BACEN (2015). Séries Estatísticas.
- BAHIA, L. (2013). “Financeirização e restrição de coberturas: estratégias recentes de expansão das empresas e seguros de saúde no Brasil”. In: Cohn A. (org.), *Saúde, Cidadania e Desenvolvimento*. Coleção Pensamento Crítico. Rio de Janeiro: Centro Internacional Celso Furtado, p. 65-90.
- BARR, N. (2004). *Economics of the Welfare State*. Oxford: Oxford University Press.
- BASTOS, P.P. (2012). “A Economia Política do Novo-Desenvolvimentismo e do Social Desenvolvimentismo”. *Economia e Sociedade*, v. 21, n. 4, p. 779-810.
- BERTOLA, L.; Ocampo, J.A. (2012). *The Economic Development of Latin America Since Independence*. Oxford: Oxford University Press.
- CEBES (2015). *Manifesto do Centro Brasileiro de Estudos de Saúde em defesa do direito universal à saúde – saúde é direito e não negócio*. Brasília, 32 pages.
- CORREA, A.S.; MARINS, J.T.M.; NEVES, M.B.E.; SILVA, A.C.M. (2011). *Credit Default and Business Cycles: an empirical investigation of Brazilian retail loans*. Banco Central do Brasil, Working Paper Series n. 260, November 2011.
- EPSTEIN, G.A. (2014). *Financialisation and the World Economy*. MA: Edward Elgar Publishing, second edition. Introduction.
- FAGNANI, E. (2010). “Previdência Social e Constituição Federal. Qual é a Visão dos Juristas?”. *Tributação em Revista*, Sindifisco Nacional, September 2010, 23 pages.
- FURTADO, C. (1972). “O subdesenvolvimento revisitado”. In: Freire, R. (org.) (2013), *Celso Furtado. Essencial*. Rio de Janeiro: Penguin / Cia das Letras.
- IBGE. Várias pesquisas, vários anos: PNAD, PME, Pesquisa Mensal de Comércio.
- LAVINAS, L.; André Simões, 2015. “Social Policy and Structural Heterogeneity in Latin America: the Turning Point of the 21st Century”. Forthcoming in 2015 at Fritz, Barbara and Lena Lavinias (eds.) (2015), *A Moment of Equality of Latin America? Challenges for Redistribution*. Burlington: Ashgate.
- LAVINAS, L.; CORDILHA, A.C. (2015). *É possível enfrentar o déficit fiscal combatendo a desigualdade? Recuperando o papel da política tributária*. In *Carta Maior*, dossiê Austeridade, online version May 8, 2015.
- LAVINAS, L. (coord.); COBO, B.; WALTENBERG, F.; VEIGA, A.; MENDÉZ, Y. (2014). *Percepções sobre Desigualdade e Pobreza. O que pensam os brasileiros da política social?* Rio de Janeiro: Centro Internacional Celso Furtado para Políticas de Desenvolvimento / Folio Digital.
- LAVINAS, L.; CORDILHA, A.C.; CRUZ, G. (2014). “Assimetrias de Gênero no Mercado de Trabalho Brasileiro: rumos da formalização”. *Cahiers du Mage*, n. 18, Travail, Care et Politiques Sociales. Débat Brésil-France, Déc. 2014, p. 59-90.
- LAVINAS L. (2014). *A Long Way from Tax Justice: the Brazilian Case*. Working Paper 22, Global Labour University, ILO & GLU, Berlin, April 2014, 41 pages.
- LAVINAS, L. (2013). “21st Century Welfare”. *New Left Review*, n. 84, November-December 2013, p. 5-40.
- LAVINAS, L. (2013). Notas sobre os desafios da redistribuição no Brasil. Fonseca, Ana e Eduardo Fagnani (orgs.) (2013), *Políticas sociais, desenvolvimento e cidadania*. São Paulo: Fundação Perseu Abramo, Vol 1, p. 99-143.
- LAVINAS, L.; FERRAZ, C. (2010). “Inclusão financeira, crédito e desenvolvimento: que papel uma renda básica pode jogar nesse processo?” Faculdade de Economia e Administração, Universidade de São Paulo, São Paulo, July 1st, 2010.
- LAZZARATO, M. (2012). *The Making of the Indebted Man. An essay on the neoliberal condition*. Semiotext(e) Interventions Series.
- MEDEIROS, C.A. (2015). *Inserção Externa, Crescimento e Padrões de Consumo na Economia Brasileira*. Brasília: IPEA.
- “Novos Gastos: Serviços ganham espaço”. *Jornal O Globo*, Caderno Economia, p. 17, 09-29-2014.
- OCKÉ-REIS, C.O. “Renúncia de arrecadação fiscal em saúde no Brasil: eliminar, reduzir ou focalizar?”. In: *Brasil em desenvolvimento 2014: Estado, planejamento e políticas públicas*. Brasília: IPEA, 2014, v. 1.
- PINTO, A. (1970). “Naturaleza e implicaciones de la ‘heterogeneidad estructural’ de la América Latina”. *El Trimestre Económico*, v. 37, n. 1, p. 83-100.
- PREBISCH, R. (1949). *O desenvolvimento econômico da América Latina e alguns de seus principais problemas*. In: Bielschowsky, R. (org.) (1990), *Cinquenta anos de pensamento na CEPAL*. Rio de Janeiro: CEPAL / COFECON / Record.
- SOEDERBERG, S. (2013). “The Politics of Debt and Development in the New Millenium: an introduction”. *Third World Quarterly*, v. 34, n. 4, 2013, p. 535-546.
- SHILLER, R.J. (2003). *The New Financial Order. Risk in the 21st Century*. Princeton: Princeton University Press.
- TCU (2014). Data Base.



Zander Navarro

Sociologist, retired professor of UFRGS (Porto Alegre)
Currently a researcher at Embrapa (Brasília)
E-mail: z.navarro@uol.com.br

The Brazilian countryside

the consolidation of democracy and the transformation of economic life
(An essay of interpretation)

The article analyses some of the key aspects that relate the post-constitutional process of democratisation and the social and economic life in rural areas of Brazil. Emphasizing, above all, the growing distance between the structural-economic process that has radically transformed agricultural production and the visions, themes, political and trade union programs by organizations representing the social majorities in the field, which are still attached to a historic imagery that is disappearing. This gap is shown by the repetition of old demands, such as agrarian reform, while the Brazilian countryside empties quickly, due to the impact, including demographic, of the ongoing changes in the Brazilian countryside.

The following remark of Gramsci in *Cadernos do Cárcere* (Prison Notebooks) is famous: “Crisis consists precisely in the fact that that which is old is dying and that which is new cannot be born. In this interregnum, the most varied morbid phenomena appear” (circa 1930). Although the Italian thinker discussed a wide range of topics regarding the civilizing transition in Western countries, his remark may be even more applicable, if

not perfect, when reflecting on the economic transformation, democratization and socio-political processes that have been seen in the rural areas of Brazil in the last thirty years. Such caution is justifiable since, during this period, agricultural development underwent several crises – economic and other crises – although none of which were deeply or temporally condensed, despite occurring simultaneously in many rural regions. The

rest of his statement, however, corresponds to a precise overall diagnosis of those years, since the past that so viscerally marked the reading of the country is gradually disappearing in rural areas, although it remains active on the cultural level and in political demonstrations – and that is why that which is new does not emerge in its fullness.

One of the most concentrated land distributions in the world, for example, remains steady with-



out significant change, but the expression “latifundia”, which denoted a pattern of despotism associated with the injustice of outrageously asymmetrical appropriation of land, combined with the extensive use of resources, has lost its original and typical meaning from the past. Thus, its current usage is covered by obvious an anachronism in the face of change. Its common meaning emphasizes the unproductive and purely rentist use of the land and the word “latifundia” has been curiously cited even by authorities and scholars nowadays. Such usage is surprising, since its meaning does not correspond to the current Brazilian agricultural economy, on the verge of becoming the world’s largest and most highly productive, when compared to other relevant agricultural countries.

This is a commentary, perhaps an essay, which discusses some of the vicissitudes of post-constitutional period and the social and economic processes in Brazilian rural areas. Since this is an overly abbreviated text, due to the challenging grandeur of the theme, it will necessarily assume analytical outlines of some superficiality, as this is a time of immense empirical wealth, which is impossible to be contained in a few pages. That is why it is a comment, not exactly an academic paper, not even containing the usual footnotes and countless bibliographical references. Thus, it may seem that only “arguments of authority” are presented, as there is no fac-

Rural organizations have developed flags and increasingly fanciful proposals, moving away from the concreteness of rural life and devising absurdly romantic interpretations. Even such outdated terms as “peasants” have reappeared from the past.

tual evidence or support in the corresponding literature. The author asks permission to follow this path, but always emphasizing that all the arguments are (strictly) extracted from the accumulated knowledge by research on the subject and are solidly based on the events that marked the rural history of the country in the last thirty years, despite the different interpretations that may arise.

The essay consists of three main sections. Initially, a very brief overview of the main social movements and rural organizations and the key aspects that marked the activities during the period of time in question is presented. The argument established is that, during these years, the social forces with an active rural role did not know how to place themselves in a political environment of democratic deepening. They remained stuck in the past with regard to their scheduled ideals and modes of action, while the structural transformation of the agricultural economy gradually undermined their political effectiveness. The empirical example is the case of land

reform, a government policy now obsolete in the light of economic and demographic transformations, and the attempt at which was one of the biggest government failures in the second half of the 1990s. This example is a clear demonstration of the huge gap between social needs and rural reality and, in contrast, the interpretive narratives and the special interests associated with them, since it was a public policy with almost non-existent results, in terms of economic and productive results for the rural households that should have been benefited. There were, however, some indirect gains: for example, the public pressure for agrarian reform and the favour for the poorest that, during the democratization process, resulted in a new of government initiative that was directed to small-sized producers (mistakenly called “family farmers”) who began to benefit from specific government policies.

The following section briefly comments on some particularities of the Brazilian democratization, especially its participatory aspect, which seemed to

be the most promising way forward normatively in the mid-1990s. However, it was a political path that gradually broke off, and from the turn of the century to the present day (following an international trend), the goal of the virtuous radicalization of the democratic ideal has ceased to exist, followed by a new phase that seems to be in permanent crisis. Due to the recent institutional and socio-political impasse that has sunk the political process, the rural organizations – not the (current) non-existent “social movements” – in the Brazilian countryside have responded by developing targets and proposals increasingly fanciful and removed from the concreteness of rural life. They have even developed an allegedly interpretive grammar that is absurdly romantic, a bizarre illustration of which is the revival of outdated expressions, such as “peasants”, which are back to the stage of political disputes, and other garish examples to be discussed. This section focus on the political history of the *Movimento dos Trabalhadores Rurais Sem Terra - MST* (Landless Rural Workers Movement), whose insensitivity to the democratization process placed it at the crossroads of the most promising option at the turn of the century. Its officers, attached to an orthodox Marxist ideology, opted to stay on the course of political adventure, opening the door to its own failure. Once more, however, there was still something to be gained: favoured by the democratic environment, MST’s

political action had a remarkable impact, especially in the late 1990s, by reversing the balance of power in the countryside, putting pressure on the great landowners for the first time in Brazilian History.

Finally, the third section offers a central argument related to the remarkable analytical and political distance between the profound economic, financial and techno-productive transformations on one hand and the political changes on the other. In fact, the last three decades of democracy show a distinct schizophrenia among social movements, particularly those political and ideological in nature, and the radical economic and productive reconfiguration of agriculture, which was stunningly internationalized during the same period. That is, the discursive manner in which the representative organizations of the vast majority of rural households, represented by small- and medium-sized producers, together with a daily-decreasing population of landless rural workers, has completed distanced itself from the real world. Historic ideals, such as the agrarian reform briefly mentioned in the first section, have long since ceased to make any logical sense or practical feasibility, given the virtual disappearance of a social demand; however, they insist on maintaining such manifesto for the poorest rural people. This discrepancy was expanded immensely after Lula’s election in October 2002, as new ingredients, some of

them delirious, came to light and even became “public policies”, without there being an opposing critical reasoning strong enough to be considered by the new power holders.

The social and political balance sheet for democracy, as far as the part of society considered rural is concerned, will be shown in the final pages of the essay, and it is at least ambiguous. The period which followed the new Constitution (1988), for example, began with actions of extraordinary social impact that mended huge historical injustices in relation to the poorest rural households. The new Constitution finally established the universalization of social security rights and the concession of retirement pensions under the same conditions as those of urban workers, thus eliminating the incongruence of the “quasi-citizens” that had perpetuated. This was probably the single most important aspect of social and political significance to the vast and impoverished majority of the rural population, and it thereby corrected an intolerable discrimination. Regarding other social demands, however, the democratic spaces which were extended to the rural areas produced less impressive results. Some of the changes that were gradually materialized became unimportant in practice, if not a Pyrrhic victory, since they encountered a rural world in a process of radical transformation when they finally did emerge. To be clearer and more specific in relation to the case of land

reform: when social struggles achieved the impressive result of reversing the political power in the countryside, facilitating land distribution processes, the social demand for land reform had virtually vanished. On the other hand, the erroneous governmental action related to small producers led to the current process of emptying of the countryside, due to the strong impact of the economic processes, especially on rural families living on small properties. Within a short time, most rural areas will see an unprece-

dent demographic desert, from which a distinctly bimodal agrarian structure will probably be born, pitting a small number of large-scale and highly modernized farmers against a large number of tiny establishments by rural families that simply live in the countryside and survive with retirement pensions or social benefits, together with the leisure properties – or there may be just abandoned rural areas.

This novelty, the emerging agrarian and agricultural pattern that has been gaining scale in re-

cent years, has been struggling to give birth to its productive and economic potential, since the old ideas and their harmful manifestations act as anchors holding it back from anything new being implemented in many rural regions. Therefore, in the last section there is a brief description of the empirical elements that put the power of transformation of economic life against the amazing failure of the interpretations and actions of the political agents and their organizations. This gap simply points out that the Brazil-



LARISSA PEREIRA/SHUTTERSTOCK.COM

ian democracy of the past three decades has witnessed the gradual cornering of most rural households, while at the same time establishing an economic activity of vigorous productive and technological performance. In short, it is the dawn of agriculture without farmers, a trend that will probably characterize the near future of the Brazilian countryside. Not only has the democratic period been unable to eliminate most of the social injustices that marked Brazilian history in rural areas – from social inequality to violence – but there has also been no action from social organizations for the benefit of the most disadvantaged social groups that might meet the needs of the contemporary period, allowing the development of processes for a real political emancipation of classes and social groups historically subjugated to the power of large landowners in the past or to the big capital of today. The significant growth of the agricultural production, with its technological enhancement and modernization, has concentrated wealth in the hands of a few, and has been increasing the demographic erosion which is draining the Brazilian countryside.

Social movements and rural organizations in democracy: a very brief overview

Initially, two empirical cuts are needed to delineate the focus of this section, given the brevity of the text. Firstly, in order to

analyse the transition to democracy and its most important aspects over the past three decades, it is necessary to comment on the organizations and the political actions of the groups and social classes of the rural business community, on the large landowners and even on the agro-industrial segments. Despite the frequently-mentioned statistics on the economic strength of Brazilian agriculture, there are numerous and surprising data that still portray the historical backwardness of these segments.

Two illustrations of productive performance: from 2000 to 2005, the Brazilian sugar-ethanol industry was dominated by domestic companies, all of which were family-run. The average individual crushing of the top five firms reached 15 million tons of sugarcane. Ten years later, in the 2012/2013 season (when strong signs of the recent industry crisis were already visible), the top five companies were already controlled by foreign capital and average crushing more than doubled. The acquisitions were prompted by oil companies, “trading” enterprises, major non-agribusiness companies or companies from energy industry. Second illustration: BR Foods, resulting from the merger of Saldia and Perdigão, is currently the world’s seventh largest food company by market value (number one in Brazilian agribusiness), and is the fourth largest exporter in Brazil in terms of value. It is a company that is structured vertically and employs more than

Less than fifteen years ago, domestic, family-owned companies dominated the sugarcane industry in Brazil. In the 2012-2013 harvest, the top five companies were already controlled by foreign capital and average crushing more than doubled. The acquisitions were made by major groups that had not participated in the agribusiness or the energy sectors.

100,000 people – the fifth largest employer in Brazil. It is responsible for 20% of the world’s poultry market. These two illustrations suggest the unmistakable development of capitalist modernity that currently exemplifies part of agricultural production and agro-food chains in Brazil. But they are also only partial examples, since there are numerous practices from the past (even remote past) have been repeated in rural areas, including those operated by the unions representing the most economically powerful groups, An example of which is when such organizations pressure the government in situations of falling pricing or profitability, aiming

to socialize their losses, reaffirming the patrimonial culture that has always been typical of the ruling classes in their relations with the state and its policies; or when the interests of rural entrepreneurs capture significant share of power in the legislative branch, through the so-called rural caucus group in the National Congress. For these and many other reasons, it is also important to analyse the democratic period and the characteristics of the political actions of the ruling classes in the country. What would have been the implications of changes in these segments over this period, once the crude profiteering from the past was defeated, and a new proper capitalist “ethos” was constituted in the Brazilian countryside? This is a question for which the research has not yet produced an adequate answer, due to insufficient knowledge about the matter, although its importance is evident.

As there is no enough space to analyse this perspective, it will not be discussed in this article. Reversing the analytical magnifying glass to the other end of the social structure, what would have been the impact of the Brazilian democratization for the vast majority of rural people? Or, rather, for those families living on economically limited small properties and for rural workers without land (including squatters, poor tenants and invaders, among other social categories)? In short, this category represents the poorest households, almost half of which live in the rural Northeast semi-

arid region, under severe means of production. A way of drafting a response to this initial question is to focus on the political actions of the main organizations representing these social groups. Therefore, on one hand there is the National Confederation of Agricultural Workers (*CONTAG*) and on the other, to the Landless Workers’ Movement (*MST*). The former specifically represents small producers; it is older than the second and it has national distribution guaranteed by labour legislation. The latter, which still calls itself a “social movement” in a ploy for greater social sympathy, is in reality a primarily political organization that supposedly represents the poorest rural families that do not own any plot of land. Within sociological literature, social movement is a clearly defined concept in which the *MST* has not fit since the mid-1980s, having lost the typical characteristics of a social movement and internally becoming an organization, although without external formalization.

In a “desperately short” synthesis, the history of *CONTAG*’s union action would involve a huge list of initiatives, efforts and forms of pressure, motivated by the demands of its social base. It is important to point out that perhaps *CONTAG* had been the most daring and active confederation in the 1970s, taking risks that no other dared to face during the years of military repression. In the following decade, this union movement showed enormous strength to pressure, although in two different directions.

Small rural farmers have received specific benefits, but this policy only ensures them “survival.” It has not been sufficient to ensure that the vast majority of poor rural households remain in the field. PRONAF does not ensure sufficient credit to generate a satisfactory income.

The federations and unions, in particular from the Centre-South of Brazil, dedicated themselves to seek changes in the system of social security benefits, due to the historic discrimination suffered by rural families and employees in the countryside. Almost none of the social security benefits granted to urban workers were extended to the rural ones, and, what was even more appalling was the fact that the retirement pension of rural workers was half the minimum wage for men – and no pension whatsoever for rural women, rendering them “non-citizens”. Such was the major focus of this regional group of the union movement.

Mainly concentrated in the Northeast of the country, the

other direction included, with the same political force, the demands for land reform, due to the more blatant and unfair action of the large landowners in a long history of exploitation and violence. These social struggles were recognized in the Constitution of 1988, whereby welfare rights became universal, one of the most remarkable social achievements of this new Magna Carta. In the early 1990s, these constitutional changes were regulated and the rural pension and other rights gradually became a reality in the Brazilian countryside. It was the greatest achievement of the group of organizations commanded by CONTAG. With regard to land reform, the constitutional principle of the social function of property also opened a promising route, but the new Constitution also entitled some criteria that hindered its implementation.

The second accomplishment resulting from the action of unions was the institutionalization of an empirical cropping of the producers of smaller economic size, which came to be known as “family producers”. As a result of political pressures made during the short government of Itamar Franco in 1995, an important government policy was created, the National Program for Strengthening Family Agriculture (*PRONAF*). Since then, the large group of small farmers has been the object of specific benefits, which grew substantially during the years of economic boom during the two mandates of President Lula.

However, as commented below, this policy has only guaranteed the “survival” of most small producers, since it is insufficient to assure their permanence in the countryside of a vast majority of the poorest rural households.

Finally, still with respect to labour actions led by CONTAG, the third aspect to be mentioned is not positive, as were the first two. The last part of the period covered by the Brazilian democracy, which roughly brings us to the present day, has been marked by the growing ineffectiveness and programmed confusion of this union that is unable to propose or to interfere consistently with public policies. These were years of economic growth in general, and this fact contributed greatly to removing part of the population living in the countryside. Although funds available for *PRONAF* were increased, they did not generate enough credit to create satisfactory income levels; for this reason, this policy has not been effective in keeping the families of small farmers in the Brazilian countryside. For this reason, there is no exaggeration in saying that in this century CONTAG has been involved in a growing crisis, losing its social base and becoming relatively immobilized in terms of their union activity. The monotonous repetition of the same demands (most of them similar to the old ones) in the annual event called *Gritos da Terra* (Cries from the Land), is organised by the confederation and is probably the greatest proof of the critical state of the organization.

Similarly, the history of the *MST* is also very rich and also reflects an organization that knew how to take advantage of the opportunities offered by Brazilian democratization. Although created in 1984, the *MST* emerged nationally in the 1990s, especially during the second half. At that time, the movement managed to mobilize a large number of allies, resources, and also began to reap the results of many initiatives sewn for a long time in several states, where its militants had recruited poor rural households and landless workers. In the 1990s, a number of factors converged to enlarge the impact and forms of pressure used by the organization, as described in the author’s studies (Navarro, 2011; Navarro, 2002). As it is not possible to describe in detail the iconic moments undergone by the *MST* in its history nor its actions across several states, it is important to mention that the most significant triumph of the movement was reversing what was almost an “iron law” throughout Brazilian history: the indisputable dominion of large landowners in all rural areas, often of such magnitude that big plantation owners vested themselves with the powers of government and even the law (according to the owner, obviously). But land occupations repeated to exhaustion, combined with the formation of alliances with urban sectors and the strategic use of communication resources, among numerous other forms of pressure, eventually achieved the reversal of this

social domination. In the late 1990s, the *MST* could boast (if it had so desired) that the Brazilian countryside now had an organization with more political power than any other – the very Movement itself. As emphasized by the author:

“(…) the greatest victory of *MST* over the years is not keeping alive the idea of agrarian reform on the national political agenda, despite the declining interest of most Brazilians. The most relevant and outstanding result is yet another, more essentially political one. It is the dismantlement of the old correlation of forces prevailing in rural areas, synthesized in the incomparable power of large landowners. This is an unquestionable triumph that can be symbolized by another undeniable fact: *there is no longer any fully protected property in Brazil, should MST decide to invade it*. With democratization, justice has become more tolerant and, consequently, police action has become smoother, without any resemblance to the rural violence of the past that had been the hallmark of Brazilian history. Under such circumstances, the organization may invade any rural property it wishes, with a high probability of ensuring its ‘success’, just by being able to keep pressure continuously” (Navarro 2011, p. 462).

As a clear illustration of the importance of agrarian reform within the Brazilian social conscience, and assuming that the democratization of the country could have enlarged the chances

of successfully materializing such government policy, the numbers are impressive. Starting with the second half of the 1990s, when a land distribution policy in Brazil was successfully implemented, a total of approximately 84 million hectares were transformed into rural settlements for the landless population, benefiting more than one million families. Many people complain these were “insufficient” numbers, but this area is equivalent to 1.5 times the size of Spain. Despite the significant area, considering the policy as a whole, it is no exaggeration to say that the redistribution of rural land in Brazil has been a gigantic failure, whether social or economic. So far, all studies of scientific value conducted have shown that this policy was unable to produce satisfactory income for beneficiary families, which, in the vast majority of settlements, abandoned their allotments shortly after receiving them. The rate of abandonment is lower in the three southern states, but very high, for example, in the Northeast. Furthermore, from an economic and productive point of view, the real productive contribution of such rural settlements is still unknown – two decades after the start of the government program in an area that is larger than all the rest of the planted area of Brazilian agriculture (excluding grazing land for livestock), an area that manages to supply the domestic market and still achieves significant trade balances due to the export of agricultural goods. Thus, a question remains un-

answered: why is the land redistribution policy still upheld in Brazil?

But there is a (social and political) gain which is obviously relevant. Since the 1990s, the democratic prosperity that Brazil has been experiencing, which had allowed for the political fronts led by *CONTAG* and *MST* to implement their social demands with greater ease, brought the precarious lives of families in rural areas to the forefront of various national debates. And, therefore, it also brought the need for further government action that could subside, even partially, the secular scenario of deprivation in these regions. *PRONAF* was thus a political initiative derived directly from the political environment generated by the democratizing process of the Brazilian society. Founded in 1995, it opened the door to pressure the state on behalf of the poorest social segments of the rural world.

The democratization and the persistence of the past

The meaning of “democratization” is simple and straightforward: the term refers to policy changes implemented for democracy. A considerable part of the theoretical discussion about the meaning of these changes find wide acceptance among social scientists. The biggest challenge, in fact, emerges from the remaining section, where there is no agreement, and this is because the concept of democracy



JESS KRAFT/SHUTTERSTOCK.COM

(or the democratic ideal) is the subject of strong analytical disputes among scholars. As a result, discussing democratization processes requires debate around the notion of state and civil society, as well as the types of resulting democratic regimes. Depending on the combination of these concepts, there may be a sense of democratization applicable to a specific case, but not necessarily to other national situations. And, inevitable as it may be, the relative concepts to a particular case will never be

permanent, since democracy is changing and evolving, subject to the deepening of its most positive aspects. But it is also subject to reversals, especially in specific situations where there is still no solid consolidation of the democratic ideal and its daily function in society. When drafting a very short report on the topic, it may be concluded that democracy has gradually taken root in a growing number of nations to become (though often rhetorically) almost a general consensus nowadays. Its

meaning has experienced remarkable progress in terms of analytical density; and, therefore, it may be important to present a very brief exposition of the term democracy and its variations today, about its situation in various areas, including rural social life.

Does democracy have the same meaning for everyone? Probably not, because even the most widely accepted meaning of the term has varied over time. A summary of the evolution of the “democratic ideal” records

the existence of two distinct chapters during the *long history*, separated by a large temporal distance, according to the division proposed by Norberto Bobbio: “democracy in ancient times” and “modern democracy”, the latter initiated by events such as the French Revolution and the American independence. The first democracy was created over two millennia ago, in the short and curious Athenian experience. According to the Italian philosopher, when comparing the two historical moments, the main differences are between the practical and moral ones between the pioneering social and political manifestation, limited to a small geographic part of the Mediterranean, and the wealth of democratic experiences of the modern era. There had been practical differences, because the political authority had been derived from an indivisible collective body, from which even the exclusion of the majority of the people (namely women, slaves and foreigners) was justified, since these people were seen as unfit for the exercise of collective decisions. The Athenian democratic government was equivalent specifically to the sovereignty of the people, performing without mediators and via regular meetings. Meanwhile, in the modern era, depending on the emergence of states that replaced the absolutist models of the feudal period, some of the thinkers who founded the political philosophy (like Locke, Hobbes and Rousseau) replaced the “popular collective” and proposed an at-

omistic view of the political decision unit - i.e., the individual. This was a dramatic change that gradually led to challenges in achieving the democratic institutional arrangements, especially in contemporary societies. Due to this difficulty, a problem of scale and its growing complexity emerged, since, over time, the democratic governance began to assume some form of consultation and redistribution of power to the members of the growing political communities.

The moral differences, in turn, resulted from the change in the decision-making units, since the regimes no longer centred on the sovereignty of the people as a collective whole (as in Athens), but on individuals and the free will of their choices, which faced successive moral dilemmas throughout the contemporary era, becoming extremely challenging at times of insurmountable complexity. The defining statement of this crossing between the collective imperatives of “democracy of ancient times” and the autonomy of the individual (and its moral implications) in modern societies might be symbolically indicated by the Universal Declaration of Human Rights (1948) that set forth the political sovereignty of individuals-citizens endowed with inalienable and irremovable rights, which were understood as equal from a single founding criterion: their very human nature. This became the fundamental principle (or value) of the current idea of democracy, as it is also the inescapable assumption of freedom itself.

Despite numerous significant facts or emblematic contributions from other thinkers (not quoted here) between the eighteenth and nineteenth centuries, the notion of democracy had indeed arisen with greater political expression in the first half of the twentieth century, when this ideal stimulated discussions that resulted in new theoretical formulations. Thus, for approximate eight decades, if we take 1930 as the starting point, there are two great moments. The first one was the period 1930-1980, when the notion of democracy reappeared, and its *desirable nature* as an organizational method for government gradually won, based on two prevailing views, although the second one supported the first: the elitist model and its moderate counterpart, democratic pluralism. In those years, the acceptance of democracy became feasible because the alternatives in political cartography were scary: in Western Europe, Nazism and fascism; and in the East, Soviet communism. Despite the “fear of the masses” that also affected the ruling classes, democracy gradually became a desirable form of government. When associated with the expansionary economic cycle triggered by the post-war period that lasted until the mid-1970s, it seemed that the association between liberal democracy and capitalism would be a virtuous and permanent partnership.

The second period of time, in general, covers by the last thirty years, when contesting visions emerged against the hegemonic

domination of the elitist model, the so-called “democratic counter-hegemonic models”. Proposals then emerged for a “participatory democracy” and, due to the deepening of the latter, a “deliberative democracy”. It may be that they are organizational models that are too socially and

Without political power, rural social groups have lost the ability to change the current order, even with respect to land ownership. With political game concentrated on the cities, it is almost impossible to carry out a successful, broad process of land reform.

politically ambitious. Such proposal reverberated in many countries in the 1990s, but they have been momentarily suppressed in this century due to events such as the September 11th attack and the sequence of economic crises that paved the way for the electoral victories of conservative governments that are less favourable to democratic practices. The sudden wave of democracy that is revolutionizing the last region of the world that has not yet experienced democratic regimes – the Middle East and North Africa – suggests that the debate on “democratic radicalization” may yet be retaken over in the next few years. Moreover, it is im-

portant to point out that even the political mishaps experienced in the name of a democratic ideal over this century do not inhibit the realization of an unusual fact: the progressive return of “modern democracy” to some dimensions of the “democracy of the ancient times” – not in the sense of establishing concrete forms of direct democracy and a return to assembly, but in a series of attempts to re-establish effective channels for the political participation of citizens in decision-making. Therefore, social manifestation mechanisms grounded in modern media suggest the possibility of a new emerging model of democracy.

Regarding the main thesis of this article, what will be the result of this line in the evolution of the democratic ideal, when transformed into social practices, political decisions and government systems? As demonstrated by the social and political history of many countries, it will most likely result in the rapid loss of social visibility and of the influence of “rural world” in the fate of a given society. With the most drastic depopulation directly linked to regions of rural and agricultural production – the effect of which is magnified when the economic and technological transformations of agricultural activities are included – that which is “rural” is becoming peripheral in the major debates of society. Political decisions typically focus increasingly on urban social demands. With no political dominance, it is improbable that rural social groups can thus

withhold any ability to change the existing order in rural areas, including land ownership. It is for this reason, for example, that democracy and land reform are, in fact, incompatible. Land redistribution processes reflect authoritarian governments capable of imposing property transfer mechanisms to change the agrarian structure of the country. Within democratic regimes where the political game is geared towards cities and urban social interests, it is almost impossible for any land reform process to be successfully conducted. The arguments disputed will always favour the urban majority, especially when keeping the system of land ownership, even if highly concentrated, does not represent any real threat to democracy.

The empirical illustration introduced in this section, compares, on one hand, the democratic resourcefulness of the post-constitutional period and the opportunities offered by the political game; and, on the other hand, the reactions of representatives of numerically significant social groups from the Brazilian countryside, has made MST’s decision to remain falsely underground. As it is known, MST does not formally exist; it hides itself behind fabricated entities, such as the National Association for Agricultural Cooperation (ANCA) and the numerous cooperatives through which it receives funds – often public ones – in order to maintain its activities. Meanwhile, the MST acronym receives public visibility. It was the political decision of the

leaders, spurious from every possible angle, as it refuses the validity of the democratic process on principle. Within this process, the social agents must be legitimate, with public disclosure of the choice of leaders and those acting on their behalf (and thereby liable for their acts). Brazil's democratization thus demonstrated this aberration that few envisage: one of its most active political agents, MST, demands democracy from the other participants within the political arena, whereas it refuses to apply the same principle to itself. Therefore, there can be nothing wrong in asking the obvious question: what is the legitimacy of their leaders, who are unknown, and nobody knows when and how they were chosen among their supporters? Additionally, since it is not a membership organization, what is the real social base of MST? These questions illustrate the central theme of this article, demonstrating that, for many of its stakeholders, Brazilian democratization does not have great meaning beyond a purely instrumental view to "seize opportunities" for the viability of particular interests.

Despite such a narrow view of the democratic potential, as a conclusion of this section, it is necessary to reaffirm the extraordinary result of social struggles for land in the recent democratic times. The reversal of a pattern of social domination that was historically held by large landowners, exercising command without limits and ignoring the limitations imposed by the legal order and justice. MST, along with the active

participation of union movements in some rural areas, was indeed able to reverse the balance of power. It was a democratic breakthrough of immense political importance for Brazilian society, which will be gradually proven by the future in several ways.

The economic life and the slow pace of politics (and interpretations)

The rural areas experienced, especially from the second half of the 1990s, a silent and deep economic-productive revolution that is quickly implementing a distinct social structure from that of the agrarian past and its representations – although they remain largely present in the national collective conscience. The last fifteen to twenty years have revealed evidence of the gaping discrepancy between the ideas that still dominate general public perceptions (and those of the many scholars and experts) as far as the Brazilian countryside is concerned and the daily social behaviour of life in rural regions. The perception is one of an assumed and unacceptable backwardness in every way (mainly regarding economic issues), as is the predominate presence of patrimonial landowners. However, when comparing the 2006 Census with the previous Census (1995–1996), the technological intensification and commercialisation of social life without precedent in Brazilian agrarian history is demonstrated, changes that have ratified by several studies showing the rapid productive

densification in recent years (see Buainain BUAINAIN et al., 2014). This transformation process affects the formation of a generation of farmers with keen capitalist sensitivity, a behavioural reorientation, which had actually begun with the modernization of rural areas in the 1970s.

If such monetary movements motivated the large-scale agriculture, smaller producers did not totally remain outside of the capitalist expansion process. They were driven by the dynamics of the markets and particularly by PRONAF, whose disbursements jumped from 2.1 billion dollars in 1999–2000 to eight times more in the recent years. In fact, when carefully analysing recent history, there was indeed a moment of "monetary irrigation" in the countryside, due to the regulation of welfare rights guaranteed by the 1988 Constitution, a fact that expanded the distribution of public funds to the poorest rural segments of society in the first half of the 1990s. That action was followed by PRONAF and, in the last decade, the expansion of social policies, such as the *Bolsa Família* program, as well as the emergence of other government policies of so-called "family group", as the Food Acquisition Program and the National Scholastic Meal Programme, among other initiatives.

The definitive proof of the almost absolute hegemony of a new rationale that currently directs rural families is the growth of total productivity growth in agriculture, an indicator that demonstrates *prima facie* the increasing

integration between the various markets. Indeed, according to estimates, 65% of the growth in total agricultural product between 1970 and 2006 was due to the increase in productivity, suggesting the realization of a rural world dominated by a capitalist logic – although, naturally, social and economic events vary greatly among the various rural areas, and among groups and social classes. One example can be found in the livestock industry, where the discrepancy between “public opinion” and reality is even more shocking, since the industry is the growing target of much criticism, as if all social and environmental problems of the Brazilian countryside were its fault. But the data is emphatic: between 1950 and 2006, productivity gains accounted for 79% of the growth in Brazilian livestock production, whereas the expansion of pasture area accounted for less than 21% of that growth. Therefore, labelling the Brazilian livestock industry as “the paradigm of backwardness” reveals the ignorance regarding the rural Brazil. Both the general case of agricultural productivity and the specific case of livestock have seen a remarkable acceleration of technological resources from the mid-1990s onwards.

In the face of this changing reality that has gone largely unnoticed by Brazilian society, there still remains a (relatively widespread) socio-political concern regarding rural life, as if the “agrarian question” has persisted in the conventional sense, ac-



LUCIANO QUEROZ/SHUTTERSTOCK.COM

While Brazil democratized, the classic agrarian question was left behind. In the last thirty years, the Brazilian social issue has left the fields and gone to the cities. There is no more demand to change the land structure as concentrated as ours. The social conflict must therefore move to the realm of labour relations.

ording to some people, with a similar dimension to that of the years 1950 and 1960. The rural areas, however, demonstrate that there is practically no further agrarian question, even if the social patterns of inequality remain the same, as illustrated by land distribution (one of the highest Gini coefficient levels in the world). If considering only the land factor, theoretically, a situation that propagates social conflicts would remain as the main stigma of rural areas, but this contradiction does not have the same dimension as it did in the past and we gradually get used to this land pattern. Why is that so? The answer is relatively simple and only observes the changes in the contemporary period, as well as various trends currently underway on both the domestic and international markets. It is basically the combination of some of these trends that clearly indicates the future of Brazil’s rural and agricultural activities; and, as a result, it not only indicates the marginalization but also a radical change in the once famous “agrarian question”. The trends include:

- **Urbanization:** currently, around 15% of Brazilians live in areas considered rural, which is a demographic thinning movement that should continue in the coming years. It is not unfounded to suggest that in 2025 the number of rural residents will be perhaps half of this percentage, especially if annual rates of GDP growth of around at least 3% are maintained.

■ As a result, no land redistribution process will be able to change the reality of a more concentrated land ownership and its current bimodal standard, which are structural aspects that will remain as a permanent mark of the rural world in the coming decades. The reason: there is no social demand to demand change. The national land reform program redistributed 84 million hectares in twenty years, without alterations (albeit minimal) of the Gini coefficient, which measures the concentration of land ownership in rural areas.

■ In addition, the outlook for the Brazilian commercial agriculture remains promising in the near future. The prices of agricultural commodities in international trade has soared to new heights and the external demand for food will certainly grow with the rising of average individual income in many countries, including most parts of Africa.

■ No country in the world has the same productive potential of Brazil, in terms of growth of agricultural production. Projections indicate a dominant position of the country in several markets of animal and vegetal products. No other nation can rival Brazil in terms of still availability of land, water and sunlight. According to the best existing models, not even climate change may cause a substantial loss of major crop areas, despite partial losses in some current

production regions that may become inhospitable for agricultural activities. But this problem will be compensated by the expansion of the agricultural frontier in regions still unoccupied productively. They will be offset with additional productivity gains in those areas that remain in operation, as there is still long way to go with regard to productivity (without the provision of other innovations, but only the wider adoption of those already existing and tested).

■ Add to this potentially promising picture the existence of a world hungry for energy, and the wealth generation derived from the production of ethanol made from Brazilian sugarcane. These trends will further deepen the accumulation of capital generated by the country's agriculture.

■ As a result of these facts, the growth of commercial agriculture will be even more robust, and the spreading of a capitalist structure will be an unavoidable fact. Similarly, maintaining a bimodal agrarian pattern, with wide domination of large-scale agribusiness in several regions, especially in the Centre-West, should become the most important agricultural region in Brazil, perhaps in the world. Commercial farming of small producers should remain strong in the three southern states. The expansion and increasing complexity of supply chains will grow and lead Brazilian agriculture – which would consti-

tute empirical evidence of the minimizing of the agrarian problem, since the array of possible distributional conflicts will have shifted its epicentre to urban areas.

Therefore, it is curious to note that as Brazil democratized, the classical agrarian question practically ceased to exist, at least in terms of the past. Some dimension of social conflict will remain, but it will become residual over time, restricted to the labour sphere in a few regions where a contingent of salaried rural employees remains important. Other dimensions of conflict will continue to occur (perhaps intensified), but only within the supply chains that will be ever more strengthened, creating a distributive conflict in the “total pie” of wealth generated in each case. Finally, there will be conflicts between the federal government and wider industrial interests (such as agriculture debt), or more specific ones, such as occasional falls in some product prices. Historical liabilities, such as the fraudulent appropriation of land in different regions and at different times, can no longer be revisited at this point; such cases tend to be legalized in the end.

In summary, the Brazilian social issue of the last thirty years has left the countryside and gone to the cities. And the traditional agrarian question begins to enter the history books as a page from the past, removing land reform from the political agenda of Brazil forever.

Conclusion

What overall status would emerge, when analysing the key aspects of democratization and the social and political dynamics in Brazilian rural areas? In a continental country that is greatly unequal due to the deep structural heterogeneity among regions, the answer is not easy and could never be synthesized in a short article. However, it is necessary to point out that the main result has been characterized by ambivalence and, particularly, by the inability to leverage more significant results in favour of major social groups who still live in the countryside. This is due to the structural and economic vectors that have been given precedence over others and, consequently, the political vivacity fuelled by Brazilian democracy, at least in rural areas, has produced some of the expected effects at a very slow pace. Once these vectors were made possible by the deepening of democracy, however, they were counteracted by two contrary cases of major force: first, the growing economic and financial imperatives that are gradual but radically transforming the Brazilian countryside, erasing old social demands, such as land reform, etc. among other effects. Second, the migration processes, which has downgraded the “social issues” prevailing in the Brazilian countryside, is currently experiencing the unprecedented context of a labour shortage across the country, reversing the old “unlimited supply of work “that

had always predominated in these regions – which, in the past, had always prevented the increase of rural wages and even the extension of rights to the poor population.

Perhaps a third factor that can be cited is the failure of organizations representing the most threatened segments to interpret correctly the rural realities and to propose adequate forms of social struggle and political action. On the contrary, the democratic period shown that these organizations were occasionally able to shake the burden of the past and analyse the changes underway in rural areas, demanding the correction required by social need. Brazil, for example, has never experienced a government effort on behalf of a “national plan for rural development”, an initiative that would be unviable nowadays, due to the emptying of the countryside and the greater urgency of other social demands from cities.

In summary, the political opportunities arisen from growing social conflicts and the struggles for greater social equality in rural areas, which the democratic process could have expanded, only produced only partial results. As noted by an expert, our transformations obey the logic of a “slow history” (MARTINS, 1994) and therefore the weight of the backwardness anchored in the old social practices have impaired social modernization and the benefit that a potentially transformative, yet non-existent, democracy could bring to the Brazilian population. ■

References

- BUAINAIN, A. M. et al. (orgs). *O mundo rural no Brasil do século 21. A formação de um novo padrão agrário e agrícola*. Brasília: Embrapa (co-edition with Instituto de Economia da Unicamp), 2014. Available at: http://www3.eco.unicamp.br/nea/images/arquivos/O_MUNDO_RURAL_2014.pdf
- MARTINS, J. S. *O poder do atraso. Ensaios de Sociologia da história lenta*. São Paulo: Hucitec, 1994
- NAVARRO, Z. “Os tempos difíceis do Movimento dos Trabalhadores Rurais Sem Terra (MST)”. In: TEIXEIRA, E. C. e MATTOS, L. (orgs), *Políticas públicas e desenvolvimento*. Viçosa: Editora da UFV, p. 425–470, 2011 (the English version was originally published in *Redes*, available at: <https://online.unisc.br/seer/index.php/redes/issue/view/71>).
- NAVARRO, Z. “Mobilização em emancipação – as lutas sociais dos sem-terra no Brasil”. In: SANTOS, B. S. (org.), *Produzir para viver*. Rio de Janeiro: Civilização Brasileira, 2002, p. 189–232 (English edition, *Another Production is Possible. Beyond the Capitalist Canon*. London: Verso Editions, 2006, p. 146–178).

Thirty years of urban reform and contra-reform

From the totalitarian city to the neoliberal city



Carlos Vainer

Professor at the Institute of Research and Urban and Regional Planning Federal University of Rio de Janeiro

This article reviews the different ways in which the urban question has been treated in Brazil over the last thirty years, a period that has witnessed both the re-democratization of the country and an intense process of urbanisation. The centralised apparatus of the military dictatorship gave way to advanced participatory experiences, at both a federal level with the creation of the Ministry of Cities and at a municipal level with the participatory budgeting system introduced by Porto Alegre that went on to be replicated by a large number of other cities. Such experiences have lost momentum over recent years, leaving behind a gap in which the “neoliberal city” has emerged, thus seen as a corporation inserted in a competitive environment in which capital and events must be attracted. This city upholds the “direct democracy of capital”, with its replication of exclusionary social patterns.

In June and July of 2013, around 10 million people went to the streets in over 500 cities in Brazil. These cities were not just the stage of the protests, as seen at other significant points in our country’s history (Direct Elections Now, Collor Out and the Movement of 1968), but also their objective and target. The cities went to the streets to talk about cities (Vainer, 2014), to demonstrate their dissatisfaction with the precariousness and cost of public transport, low quality public services, enormous investments in stadiums and extravagant construction projects and the forced evictions of residents from favelas for the benefit of the World Cup and the Olympics.¹

Claiming she was willing to hear the voice from the street, President Dilma Rousseff recognized on national radio and television that: “Those that went to the streets yesterday sent a direct message to the whole of society, and above all, to its governors at all levels. The message that came straight from the streets is *for more citizenship*, for better schools, better hospitals, health centres, *for the right to participate*.

This message straight from the streets shows the demand for quality transport at a fair price. This message straight from the streets is for the right to have an influence on decisions made by all governments, both legislative and judicial. [...] It is citizenship, and not economic power, that should be listened to first” (Proclamation by President of the Republic Dilma Rousseff on national radio and TV on June 21, 2013).

The unprecedented courage and sincerity of this speech may serve as inspiration for what we endeavour to do here: review and analyse what has happened to our cities over the three decades since the military dictatorship. After thirty decades of democracy, why did the residents of our cities go to the streets to demand democracy? After thirty decades of democracy, why did they go to the streets to protest against an urbanisation process that condemns large parts of the working population to substandard services and conditions of urbanisation that often seem to replicate the inequality and unfairness of our cities thirty years ago?



Urbanisation in full swing

From a demographic point of view, the post-war period saw the start of large rural-urban migratory flows and a boom in the population, particularly in urban and metropolitan areas. It was only in the 1970s, however, that the urban population overtook the population of the country's rural areas.

Table I and Figures Ia, Ib and Ic provide a simplified yet precise overview of recent developments in urban populations, and those of the larger conurbations in particular. In 2010, 84.36% of the population was living in cities, 39% of which in metropolitan areas. Figures Ib and Ic show a reduction in this growth over the last decade, par-

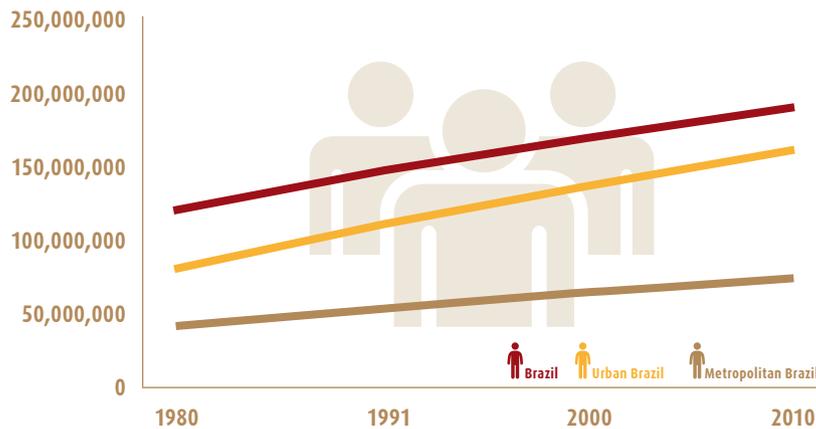
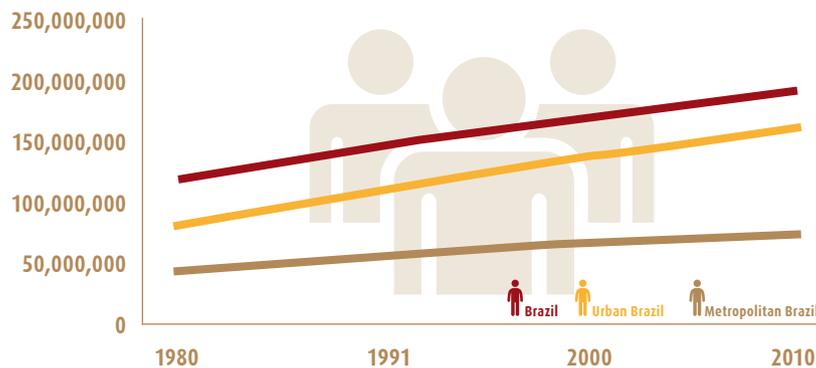
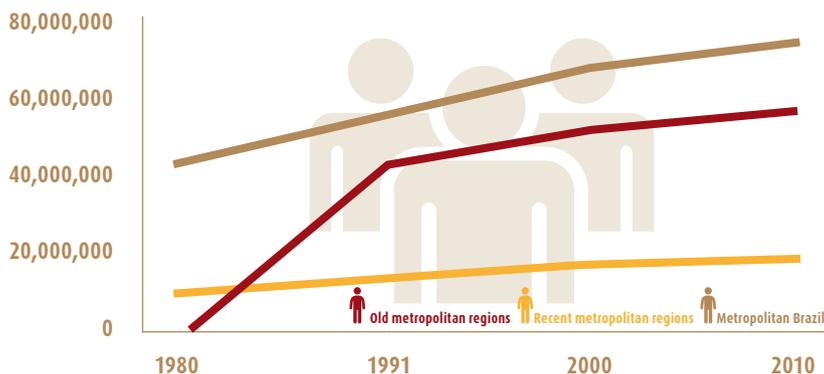
ticularly in older and larger cities. Although the classification of some moderate-sized cities as metropolises is questionable, it is clear that over the last thirty years we have established ourselves as an urban nation with its population heavily concentrated in large cities.

Looking into the conditions under which this process of ur-

Figure 1 Metropolitan, urban and total population (Brazil, 1980-2010)

Metropolitan Conurbations	1980	1991	2000	2010
Old metropolitan regions	34,411,656	42,798,162	51,088,169	56,364,421
Belém	1,021,483	1,401,305	1,795,536	2,101,883
Fortaleza	1,580,074	2,307,017	2,923,417	3,615,767
Recife	2,347,146	2,858,147	3,512,208	3,690,547
Salvador	1,766,614	2,496,521	3,090,196	3,531,820
Belo Horizonte	2,609,583	2,463,060	4,277,157	4,883,970
Rio de Janeiro	8,772,265	9,814,574	11,257,944	11,703,788
São Paulo	12,588,725	15,444,941	17,970,634	19,683,975
Curitiba	1,440,626	2,000,805	2,716,288	3,174,201
Porto Alegre	2,285,140	3,038,792	3,544,789	3,978,470
Recent metropolitan conurbations	9,141,654	13,081,551	16,750,231	18,048,160
Natal	554,223	826,208	1,043,321	1,351,004
Baixada Santista	961,343	1,220,249	1,476,820	1,664,136
Vale do Aço	276,620	325,806	399,580	461,670
Vitória	753,959	1,136,842	1,438,696	1,687,704
Florianópolis	364,334	530,621	709,407	1,012,233
Norte/Nordeste Catarinense	245,477	363,149	453,249	1,094,412
São Luís	498,958	820,137	1,070,688	1,331,181
Tubarão	82,326	103,334	117,830	356,721
Foz do Rio Itajaí	145,841	222,515	319,389	532,771
Brasília	1,520,026	2,161,709	2,952,276	3,724,181
Campinas	1,276,801	1,866,025	2,797,137	2,797,137
Goiânia	827,446	1,230,445	1,639,516	2,173,141
Londrina	434,177	553,314	647,864	801,817
Maceió	522,173	786,643	989,181	1,156,364
Maringá	267,587	381,569	474,292	578,740
Região Carbonífera	165,715	234,611	289,272	369,398
Vale do Itajaí	243,748	329,374	399,901	689,731
Brazil	119,011,052	146,825,475	169,799,170	190,755,799
Urban Brazil	80,437,327	110,990,990	137,953,959	160,925,792
Metropolitan Brazil	43,553,310	55,881,713	67,847,400	74,412,581

Source: FIBGE, 1980 and 2010 Demographic Censuses, cited in Baeninger and Peres, 2011:644.

Figure 2 Metropolitan, urban and total population (Brasil, 1980-2010)**Figure 3 Evolution of metropolitan, urban and total population (Brasil, 1980-2010)****Figure 4 Population of old and recent metropolitan regions (Brasil, 1980-2010)**

banisation and metropolisation has taken place, what we discover is rather discouraging. Out of a total of 57.3 million households included in the 2010 census, just 55.5% were linked to sewage systems and only 11.6% had a septic tank. Households that disposed of wastewater in substandard tanks, ditches, rivers, lagoons or simply had no method of waste disposal totalled almost 19 million (Brazilian Institute of Geography and Statistics (FIBGE), 2010 Census). Some progress has been made but there is still a huge deficit, the consequences of which on public health and the environment are well known.

Research by the João Pinheiro Foundation, has estimated that the housing deficit reduced from 6.1 million in 2007 to 5.8 million in 2012 (João Pinheiro Foundation, 2014, p. 12).² In 2010, no less than 3.2 million households classified as “substandard housing” – in the cryptic language of our government agencies – were identified. This represents over 11 million people living in completely substandard conditions. In the city of Rio de Janeiro, for example, the population living in favelas increased from 1 million (18.65% of the total population) to 1.4 million (22.03% of the 6.3 million of inhabitants registered in Rio in the 2010 census).

Although it is impossible to paint a full picture of our current urban situation, our cities’ high cost and substandard public transport service that provides long and uncomfortable journeys

must not be forgotten. In Brazil's larger cities, it can take up to four hours a day to commute to and from work.

For some time and for certain parts of the population, the processes of resistance and democratization provided certainty that evictions from favelas and occupied buildings in order to free up land for real estate speculation would not continue as it had during the dictatorship. Indeed, some improvements were observed in terms of basic sanitation and progress in basic education, despite these being limited and insufficient. However, as even President Dilma recognized, the protests and demands were justified.

Progress in the institutionalization of urban spaces: The constitution and the City Statute

To a certain and somewhat surprising extent, the 2013 protests echoed and restarted the urban struggles that took place at the end of the 1970s onwards. Together with the combative trade-unionism and agricultural movements that were emerging at the time, these established the social and political basis for the transition to democracy, which was extended, reduced and restricted by negotiations among the elite.³

The struggles that characterized this transition targeted the slow, gradual and irreversible process of crisis and decline of the authoritarian, centralized and technocratic apparatus that

the military dictatorship, through its Ministry of the Interior,⁴ used to plan and control national territory and cities. The powerful Housing Financial System and the National Housing Bank (BNH), propped up by the vast resources held by the Guarantee Fund for Length of Service (FGTS), had proved to be completely incapable of meeting the demand for housing and sanitation from the poorer sections of the urban population, in a country undergoing an accelerated urbanisation process. This incapacity existed alongside the rapid expansion of property development capital, which particularly in the 1970s could use cheap resources from the FGTS to provide housing for the middle and upper layers of society that for some time had offered political support to the regime.

The end of the "economic miracle", however, brought about on one hand the disenchantment of the middle sectors of society and the progression of popular resistance, and on the other transformed territorial plans and urban and housing policy into central targets in the fight for democracy.⁵

This attack was also made by the Sarney government, but without putting anything into order. In 1985, its responsibilities relating to urban development and the environment were taken over by the new Ministry of Urban Development and Environment (MDU).⁶ One year later, under severe criticism from social movements, non-governmental organizations and the

academic and professional sectors, a presidential decree (DL 2,291 of 21/11/1986) closed the BNH, transferring its responsibilities to the Caixa Econômica Federal. In 1987, the MDU was renamed the Ministry of Housing, Urban Planning and Environment, which was later transformed into the Ministry of Housing and Social Welfare in 1988 and then closed down in 1989.

Paradoxically, this deinstitutionalization of urban planning and housing within the governmental sphere went against the tide of progress being made by the struggles and urban mobilization taking place over the same decade. The constitutional process of 1987 and 1988 in particular provided the context and pretext needed for a rich debate criticizing the authoritarian and technocratic character of the dictatorship, defending the strong intervention of a decentralized and democratic state able to control speculative processes and guarantee the social function of urban land ownership: "The design and presentation of the urban reform amendment was a crucial moment in the cooperation between professional entities and social movements, which until then had been mobilizing themselves relatively independently, in introducing urban reforms to the constitution. (MN-RU)" (Bonduki, 2009:176).

The Popular Amendment for Urban Reform collected 131,000 signatures and was backed by a number of national institutions: the National Fed-



JOSÉ CRUZ / ABR

eration of Engineers (FNE), the National Federation of Architects (FNA), the Brazilian Institute of Architects (IAB), the Movement for the Defence of Favelas, the Movement for the Defence of Favela Residents (MDF), the National Association of Urban Soil (Ansur) and the National Borrowers Coordination (Conam), which came together with the National Movement for Urban Reform,⁷ and after the ratification of the constitution formed the National Forum for Urban Reform (FNRU).⁸

With 21 articles, the proposal included in its list of fundamental rights and freedoms (Chapter I, On Individual Rights) the right of every citizen to dignified urban living conditions and placed among the responsibilities of the state that it “ensure access to housing, public transport, sanitation, electrical energy, public lighting, communication, education, health, leisure and safety, as well as the preservation of environmental and cultural heritage” (Lago, 2010:140).

The Constituency of 1988 led to a rich debate on controlling speculation and ensuring the social function of urban property.

The amendment clearly and unequivocally subjects the right of urban real estate to fulfil its social function, and more generally and programmatically, the social function of the city: “The right to dignified urban living conditions stipulates the right to property of social interest in the use of urban real estate and subjects it to the principle of the state of need” (Popular Amendment for Urban Reform, cited by Lago, 2010:252).

It also extended the existing right to usucaption of rural prop-

erty to the city, with a time period of three years instead of five: “In exercising the urban rights consecrated in the first article, every citizen that is not an urban property owner that holds the uncontested ownership of any public or private land for three years, the size of which shall be defined by the municipal authorities up to a maximum of 300m², for the housing of their family, shall acquire ownership, independent of justification or good faith” (Popular Amendment for Urban Reform, cited by Lago, 2010:253).

Early in the 21st century, Brazilian cities counted on an institutional and legal framework unparalleled in our history



AFNR / SHUTTERSTOCK.COM

Expressing concern to go beyond generally laying down principles and rights, this popular proposal intended to give constitutional status to a series of instruments that would ensure the prevalence of urban rights, namely: progressive taxation of property, taxation of property values, the right of first refusal in the acquisition of urban property, expropriation for social interests or public use, discrimination of public land, designation of heritage status to property, special systems for urban protection and environmental preservation, concession of the right to real use and compulsory division and construction.⁹

The scope of the proposal also appeared in the consecrated articles relating to urban public services. On one hand these were defined as a state monopoly to be provided by the public authorities (directly or indirectly); on the other, using concepts that would be developed years later, the awareness that public services are expressed as a public asset of social interest and not as a commodity, which is clear in the provision on the cost of public transport: “Fares for urban public transport will be fixed so that users spend a value that does not exceed 6% of the monthly minimum wage [to be provided by ordinary law] on the creation of a transport fund, administrated by municipalities and states, to cover the difference between the cost of transport and the value of the fare paid by users” (Popular Amendment for Urban Reform, cited by Lago, 2010:255).

After numerous battles within the committees and the plenary, the constitution consecrated a chapter on urban planning, although with a scope and impact much smaller than those proposed by the popular amendment, representing progress in terms of the social function of urban property and in the instruments that could be used to enforce this.

CHAPTER II ON URBAN POLICY

Art. 182. The objective of urban development policy, executed by municipal authorities, according to general directives set out by law, is to direct the full development of the social functions of the city and guarantee the well-being of its inhabitants.

§ 1 The master plan, approved by the Municipal Council, obligatory for cities with over 20,000 inhabitants, is the basic political instrument for development and urban expansion.

§ 2 Urban property fulfils its social function when it meets fundamental requirements for the ordinance of the city described in the master plan.

§ 3 Expropriation of urban property will be carried out with fair prior cash compensation.

§ 4 The municipal authorities are entitled, through a specific law for the area included in the master plan and according to federal law, to demand that owners of undeveloped, underused or unused urban

land provide this for appropriate use, under the following successive penalties:

I – compulsory division or construction;

II – progressive taxation of buildings and urban land over time;

III – expropriation with payment through government bonds issued with prior approval by the senate, with a redemption period of up to 10 years, in equal and successive annual instalments, guaranteeing the real value of compensation and statutory interest rates.

Art. 183. Those who own urban areas of up to 250 square metres, for five years, continuously and unchallenged, using it for housing or for their family, may acquire ownership as long as they are not the owner of any other urban or rural property.

§ 1 The title deed and concession of use will be granted to the man or woman, or to both, independent of marital status.

§ 2 This right will not be recognized for the same individual more than once.

§ 3 Public property may not be acquired through usucapion. (Federal Constitution)

It is important to note that representatives of the interests of landowners, real estate capital and the more conservative sectors generally do everything they can to limit the scope of this chapter on urban planning in the constitution, especially as they have

always seen the amendments and proposals of these movements as an unacceptable restriction on the right to ownership and the freedom of the market.

Victorious in their efforts to prevent the constitutional text from including the scope and precision defined in the popular amendment, a sort of agreement was reached so that the law would be responsible for supplementing the development of general directives for urban policy, with the objective of “directing the full development of the social functions of the city and guarantee the well-being of its inhabitants”.

To a certain extent this compromise solution led to urban social movements, the National Forum for Urban Reform in particular, devoting a large part of their efforts over the following years to the struggle for supplementary legislation that would reflect the spirit and principles of urban reform and guarantee the democratic instruments for management and urban intervention described in the popular amendment proposal.

In a bewildering array of 16 draft bills, the project by Senator Pompeu de Souza ended up being used as the basis for discussions, despite the attacks that came from both the right and the left. “The conservative sectors were not happy with the fact that it would reintroduce part of the urban reform movements proposals already dealt with during the into the political agenda National Constituent Assembly. On the other hand, civil society sectors

(especially the FNRU) were also dissatisfied with some of the draft bill’s formulations, particularly with the dilution of the democratic forms of urban management for cities. However, as this legislative process progressed, both sectors focused on the same issue of the democratic administration of the city” (Avritzer, 2010).

Over 10 years of struggle and negotiations passed by, as the regulation of articles 182 and 183 of the constitution was only approved in 2001 with the City Statute (Law 10,257 of July 10, 2001). Welcomed by the FNRU as a clear victory, the City Statute was actually the result of a compromise bringing together sometimes contradictory postulations and wishes, including both democratic planning and administration for the city guided by the state and instruments that would allow some flexibility and consider the interests of real estate capital and private business, often on the sidelines and in direct opposition to the plans.¹⁰

In any case, the fact is that at the beginning of this century Brazil’s cities had an institutional and legal framework unparalleled in its legal and urban history. The issue now, as is widely known, is that the real Brazil does not often conform to its legal system...

Progress and struggles on the ground: Democratic participation and participatory budgeting

The 1990s may have been more important for its concrete experiments in democratic urban man-

agement than for the theoretical, conceptual and political debates on this theme.

Alongside concrete demands for housing, sanitation and transport, the democratization and decentralization of urban policy, plans and projects was a structural axis for practically all of the struggles that took place along the 1980s. With the electoral campaigns and the rise of progressive coalitions among local governments, which were almost always led by the recently created Worker’s Party (PT), the issue of participation started to appear on the agenda of the PT and its candidates. The first, most important and longest experiment, however,¹¹ which led to the most significant results, was the Participative Budget of Porto Alegre, which was launched in 1989 during the administration of the mayor and PT candidate Olívio Dutra.

More than any other city in Brazil, Porto Alegre was fertile ground for this experiment into new forms of urban democracy that had been constructed through the theory and platform of the 1980s. Baierle (1992) remembers and describes in detail the political tradition of Porto Alegre’s social movements and the strong development of a political culture, which anchored in residents movements and associations at the start of the 1980s started to question the clientelistic tradition and started to affirm and spread “a culture of rights, the awareness that the provision of these demands is not a favour by the state, but a

responsibility and basic civil right. There was a fundamental change in the relationship with public authorities. A new type of individual appeared in the place of the submissive beggar, one who challenged the current order, took part in mass occupation of land, barricaded the streets, confronted the police and formed crowds in front of public agencies, this at the time (1975/85) being immediately visible in the media, associated by the opposition with acts of protest against the military regime” (Baierle, 2007:28).

The same author refers to the rich experience of sectoral committees with strong participation, in particular the health committees that despite being present in other large cities, particularly São Paulo, had great momentum in Porto Alegre.¹²

In spite of its limitations and difficulties, the diffusion of the participatory budget model was fast and impressive. “Although this did not achieve the same scope as the sectoral committees (over 30,000 committees in a total of 5,560 municipalities in Brazil), 30.9% of Brazil’s cities with over 100,000 inhabitants in the period 2001–2004 adopted participatory budgeting (or 43.4% of the population living in cities with over 100,000 inhabitants)” (Baierle, 2007:55).

The widespread adoption of this “model” inevitably led to very different experiences, especially since in some cases the use of the now prestigious “participatory budget” brand was used to label poor practices that

were hardly participative. In an attempt to define what participatory budgeting actually means, Avritzer proposes the following defining elements: a new integration between participatory and representative democracy; cession to thematic and regional assemblies of the mandate of City Hall and the City Council to establish budgets; equality between all citizens, considered permanent members of the basic

The spread of participatory budgeting as adopted by Porto Alegre was rapid and impressive.

assemblies that autonomously establish their rules of functioning; finally, “the attempt [sic] to reverse priorities in the distribution of public resources at a local level [...] to benefit the poorest sectors of the population” (Avritzer, 2003:3).¹³

It is difficult, perhaps impossible, to know in how many of the 30% of the municipalities of over 100,000 inhabitants these characteristics were present. It is equally impossible to know how many were successful in “attempting to reverse priorities”. Despite the concepts and rhetoric that work as the key value in civil participation and the autonomy of movements and civil society organizations, it became clear over time that the

existence and relevance of participatory processes depended almost exclusively on governments and the party in power (Renó, Souza, 2012). Even in areas where the programs were approached with vigour and were able to bring about new practices and corrode the foundation of the old clientelism still present in the distribution of public resources (Abbers, 1998), there seems to have been a gradual loss in their capacity to really generate and leverage new spaces and practices for direct democracy. Even in Porto Alegre, still under a PT government, some authors have reported funds being bled from participatory budgeting: “Unfortunately, participatory budgeting in Porto Alegre is now [2009, CV] just the vague memory of a promise of democratic transformation, which nonetheless still enchants the world, inspiring social activists, governments and international cooperation agencies. The number of delayed demands may reach more than 1,500 at the end of 2008. This year just 1/10 of the total investment projected for the city was allocated for participatory budgeting, amounting to 1% of that set out by annual budgetary law. In 2007 almost three times more resources were spent on advertising than on the execution of projects and services provided in the investment plan for the participatory budget that year. The absence of government secretaries at regional and thematic meetings is shameful. Harassment of community leaders in exchange for

political support is bringing back to the old clientelistic relationship between society and government” (Baierle, 2009:7).

Although this is now spread throughout the world and has been adopted by the World Bank as “best practice” that should be universally adopted,¹⁴ the fact is that participatory budgeting has survived primarily through its past glories and in academic studies, as not having been mentioned by practically any political candidate – from the right, centre or left – in the 2014 municipal elections, it is as though the ideals of democratic management that it represented and sought to materialize had been forgotten.

The Ministry of Cities: The rise and downfall of urban reform

Despite some local victories as a result of the election of progressive mayors tuned in to urban problems and a wealth of experience and hopes generated by participatory budgeting, the 1990s saw a relative decline in urban social movements in comparison to the previous decade. As a result, the election of Luiz Inácio Lula da Silva as President of the Republic was encouraging for all those who participated in urban campaigning, whether in the cities themselves the treacherous corridors of palaces and parliament or the intellectual battles taking place at the country’s universities. After all, since it was founded the PT was the party that had most successfully brought together the urban militants, and it was with-

in the PT and its immediate surroundings that the ideals and plat-forms of urban reform had been developed. For the first time since the end of the dictatorship there was the possibility that democratic administration of cities on a national and not just local scale could be realized, as well as an inversion of priorities and the combat of real estate speculation, comprehensive housing policy that would make the dream of the right to the city a reality.

The beginning was promising: on his first day of government, Lula created the Ministry of Cities.¹⁵ The choice of Olívio Dutra to direct this ministry was highly symbolic: as well as being a historical militant in the unionist group that founded the PT, the new minister had initiated the first experiment into participatory budgeting when he was mayor of Porto Alegre in 1989. Olívio Dutra surrounded himself with a large group of intellectuals and urban militants and appointed Professor Ermínia Maricato as executive secretary of the new ministry, who had directed the Secretariat of Housing during the first PT government of São Paulo (Luíza Erundina, 1989–1993).

The thirteen years of the Ministry of Cities still need to be examined. Whichever conclusion may be reached, the ministry certainly has one milestone: July 20, 2005, when Olívio Dutra was dismissed and substituted with Márcio Fortes de Almeida from the Progressive Party,¹⁶ who would go on to control the ministry until 2014 with ministers Mário Negromonte

(2011–2012) and Aguinaldo Ribeiro (2012–2014).¹⁷

During the period in which it was directed by Olívio Dutra, the Ministry of Cities dedicated itself to structuring, principally by creating the national secretariats of housing, transport, sanitation and urban planning. Its principal innovation, however, in line with the ideals of democratization of urban policy, was the convocation in 2003 of the 1st National Conference of Cities, which brought together over 2,500 elected delegates to exchange a rich mobilization process in over 3,000 municipalities (Rolnik, 2015).¹⁸ Working together on the proposal created at this conference, the National Council of the Cities was constituted (Decree no. 5,790, 26/05/2006), with the objective of “proposing general directives for the formulation and implementation of National Urban Development Policy, in line with the resolutions approved at the National Conference of Cities” (Art. 2).

Significant effort was made during this first period of the ministry to encourage municipalities to implement the principles and directives of the City Statute, particularly regarding the participatory development of master plans and the adoption of democratic management practices. The results were rather disappointing with rare exceptions. Above all, there was practically no progress made in the implementation of the effective national housing policy as set out in the PT’s agenda.

Bonduki attributed the failure of these actions in terms of affordable housing to the difficul-



DMITRY ISLENTEV / SHUTTERSTOCK.COM

The heated debate on the democratic management of cities virtually disappeared from the municipal elections held in 2014.

ties and restrictions that came about as a result of orthodox monetary policy: “Minister Olívio Dutra and his team encountered enormous difficulty putting the proposals in the area of financing into practice, as they were faced with inflexible monetary policy under the orthodox command of the Ministry of Finance. During 2003 and 2004 budgetary resources became scarce, with the FGTS programs created during the previous government continuing to flourish despite efforts by the Ministry of Cities to prioritize low-income populations where the deficit could be found. The new National Housing Policy (PNH), developed by the ministry and approved by the 2004 Housing Council, would incorporate the majority of the

Housing Project’s proposals (excluding the Guarantee Fund), but important aspects could not be implanted immediately. Without significant subsidies, the vision of the Caixa Econômica Federal prevailed without any substantial alterations being made to the granting of credit” (Bonduki, 2009:4; cited in Rolink, 2015:234).

An important institutional victory for this period was the approval of the first popular draft law, creating the National System for Housing of Social Interest and the National Fund for Housing of Social Interest. Endorsed by over 1 million people, the bill was submitted to congress in 1991 and approved after 13 years of conflict, being sanctioned on June 16, 2005 (Law no. 11,124), one



month before the dismissal of Minister Olívio Dutra.

In a quick analysis of this first period, Rolnik, who was National Secretary of Urban Programs is clear: “The implementation of the SNHIS and the Ministry of Cities urban reform agenda confronted resistance at a very early stage from the economic team and suffered a blow in 2005 with the change in minister and the exit of most of his team. After the irruption of the huge *mensalão* corruption scandal, the government was forced to give more space to its conservative allies in order to maintain political support in congress. In this context, control of the Ministry of Cities was passed to the PP, the political successor of Arena, the party in power during the military regime” (Rolnik, 2015:236).

After the changes made to the command of the Ministry of Cities, its structures were gradually taken over by traditional clientelistic practices and lost any ability they had to manage any process even slightly committed to urban reform. The National Conference of Cities and the National Council of Cities continue, but the loss of their relevance and ability to effectively influence decisions was recognized by practically everybody involved.

The launch of the *Minha Casa, Minha Vida* (MCMV) program (“My House, My Life) with its vast resources allocated for social housing took place without any debate with social movements and representations: “Initial negotiations between businesses in the sector and the Ministry of Finance were held without the par-

ticipation of the Ministry of Cities or the team formulating the National Housing Plan, without any interaction with the Cities Council or the Housing Council and without any dialogue with the SNHIS and its recently regulated fund. These forums had been losing focus in their definition of the direction that policy should take since 2006. The ‘package’ was developed by the government in direct dialogue with the businesses and investors involved, and initially had the objective of saving these companies from collapse and acting as a countercyclical measure to guarantee jobs and growth within an adverse international scenario” (Rolnik, 2015:238).

Despite its fragility at the time, caused by the sharp decline that had started in the 1990s, the dis-

mantling of the Ministry of Cities and the disbanding of the Cities Council, social movements managed to pressure the government into initially allocating R\$500 million, of a total of R\$34 billion provided by the program, for the construction of housing through associations and self-managed cooperatives, creating the *Minha Casa, Minha Vida* – Entities program. They also managed to gain a program for small rural producers from the negotiating table. The corporate nature of the program was clear, however, when it turned out that “since the launch of the program, MCMV – Entidades and PNH-Rural together amounted to 1% of the MCMV’s total number of units and resources” (Rolnik, 2015, 239).

Rolnik provides ample documentation to show that the corporate model of housing policy adopted by the second Lula government follows the that propagated by the Inter-American Development Bank (IDB), the World Bank and the United States Agency for International Development (USAID), replicating the Chilean experience. “In Latin America – Mexico, Guatemala, Bolivia, Ecuador, Brazil, El Salvador, Colombia and Venezuela, the list of countries that have implemented versions of this model have not stopped growing. As well as the IDB, the USAID has had an important role in spreading this policy – promoting debates and seminars, meetings between the Construction Assemblies and national housing managers – and was one of the active promoters of the model, whose influence has

spread beyond the borders of Latin America. In 1992, for example, one of the principal researchers from the World Bank’s staff presented the Chilean policy to South Africa, which had recently abolished apartheid, and in 1994 one of the bank’s missions in the country suggested a subsidy program that was highly influenced by Chile’s experience” (Rolnik, 2015:99).

When we pay attention to the urban pattern that *Minha Casa, Minha Vida* is spreading through Brazil’s cities, initial analyses are unanimous in pointing out that the poorer sections of society have been resettled in peripheral areas that are partially or totally unurbanized and far from the labour market, exacerbating social inequality and driving the irrational expansion of urban road networks, with severe consequences on commuting costs and times and the environment. Furthermore, the adoption of middle and upper-class housing patterns, namely closed condominiums with internal leisure spaces, leaves the poorer sectors of society to shoulder maintenance costs of areas and parks that should be public and increasingly promotes patterns of segregation in the city.¹⁹

With the Progressive Party and Kassab leading the Ministry of Cities and big business directing housing policy and receiving almost all of the resources, the urban reform movement was defeated, even after 12 years of the PT in government, which had been the party that embodied like no other the ideals that could have turned the dream of the right to the city into a reality.

The neoliberal city: the city of exception and the direct democracy of capital

The authoritarian and technocratic centralized planning model, which hit a crisis at the end of the 1980s, was not attacked just by those on the left demanding increased participation of civil society organizations and urban social movements that advocated state action based on the participatory development of urban policy including decentralization and the democratic management of cities. On the right, above all during the 1990s,²⁰ the segments of the political and economic elite that adhered to neoliberal principles started to grow and attack the model inherited from the dictatorship, demanding more freedom for the logic and dynamics of the market.

Indeed, the adoption of neoliberal directives and views that reconfigured the relationship between capital, the state and society from the last decade of the previous century had serious repercussions on the position and the role of the city as part of the accumulation process. From a Keynesian perspective, the city should be governed according to the general need to accumulate and circulate capital, and (modernist) planning is responsible for creating and streamlining spatial functionality through instruments that became widespread after the Second World War, principally master plans and zoning. Now promoting the Washington Consensus, the city is now invested in

as a direct space without the mediation of valuing and financialisation of capital.²¹ Viewed as businesses in competition for the attraction of capital (and events), cities and other territories offer themselves up to the global market providing increasingly moveable (footloose) public resources (subsidies, land and waivers). Fiscal war is just one example of global urbanism that pushes the local coalitions in power to seek integration at a national and international level in order to ensure that each city – meaning capitals and the capitalists located there – is inserted into the global market, even if that means it must take a subordinate position.

What are the characteristics of this new neoliberal conception of the city and urban government? Firstly, faithful to its neoliberal ideals, the new model questions the statist and interventionist ambition of modern planning and its master plans, with the intention to establish modes, rhythms and new directions in urban growth. In cities and society as a whole, state intervention is seen as something that is damaging and that inhibits free market forces, which according to the canons of economic liberalism ensure the optimal allocation of resources. *Mutatis mutandis*, this means abandoning the comprehensive and interventionist ambitions of rationalist planners and submitting the intervention of the state to the logic, dynamics and trends of the market. It means adopting, according to the World Bank formula, market-friendly or market-oriented planning.

International consultants tell us that in the globalized world we need this competition between cities and agile, flexible mechanisms so we can make the most of windows of opportunities. Instead of regulation we have case-by-case and project-by-project negotiations in materializing what the French urbanist François Ascher named “*ad hoc* urbanism”.²²

It is described above how the City Statute was the result of a long and complex negotiation process. This negotiation introduced the flexibilisation of master plans into the core of the legislation that it was planning, among other factors. Named the “consortiated urban operation”, article 32 authorizes the approval of projects that oppose the existing master plan.²³ Paradoxically, the exception establishes itself as the rule (Aganbem, 2004).

Flexible, negotiating and negotiated, the business-city upgrades itself almost constantly through public-private partnerships, new forms of relationship between the state, private capital and the city. The other side of the city of exception is a sort of “direct democracy of capital”.²⁴

While the more active sectors of the National Forum for Urban Reform dedicated their efforts and intelligence to endless battles to approve laws and statutes (13 years for the City Statute, 13 years for the National System for Housing of Social Interest), and positive experiences of participation and participatory budgeting weakened and lost momentum, the neoliberal city took hold and

aggravated the well-known problems inherited from 40 years of exclusionary developmentalism: the expansion of favelas, informality, substandard or inexistent services, profound inequality, environmental degradation, urban violence, public transport associated with congestion and rocketing prices and segregated urban spaces.

To reform or move beyond urban reform?

Although just a summary, and therefore both simplified and simplifying, the narrative that we have outlined seems to propose an enigma: we have witnessed 30 years of extraordinary struggles, rich processes of theoretical and conceptual development, the construction of consistent and comprehensive platforms and important victories represented in the achievement of political and institutional positions. However, the outcome is that almost all of the efforts, developments and achievements from this period seem to have been lost. Our cities are just as or even more unequal, unfair, irrational and segregated than they were 30 years ago. The working classes live in substandard urban conditions and are overwhelmed by everyday shortcomings and expensive low-quality services. Scarce public resources are invested into extravagant projects that as always favour the richer segments of society and the cities.

The number of forced evictions since the more brutal time of the military dictatorship has

significantly increased with those carried out for the World Cup and the Olympics. It is estimated that there have been around 200,000 forced evictions in order to clear space for stadiums, traffic routes between wealthier areas and real estate projects, representing the financialisation of the city, the city of exception of consortiated operations and the direct democracy of capital associated with public-private partnerships.

The agenda, forms of struggle and organization that held sway in urban reform movements seem outdated, anachronistic and unable to deal with new urban realities. Despite its extraordinary contribution to urban struggle, institutional victories and its obvious limitations, urban reform – as both an ideal and a form of struggle – has fulfilled its historical role. A new moment is opening up for the fight for democracy and urban justice. As is the case for all new beginnings, the way forward is still being constructed.

The huge protests of 2013 revealed enormous frustration and the latent ability to transform discontent into collective action. However, they also demonstrated the fragility of social movements, which are still unable to build an agenda and momentum capable of performing, in the historical moment that is now opening up, the same role that urban reform has performed over the last thirty years. Will it be possible to reshape and reinvent urban reform or must we seek to move beyond it? ■

Notes

1. For more on the urban origins of the so-called Days of June 2013, see Maricato, 2014 and Vainer, 2014.
2. This estimation includes housing considered substandard, overcrowded or with an excessive rental value.
3. Still today there is a significant number of institutions and segments of political and social life in which the harsh legacy of the dictatorship remains. National Security Law is still in force and the crimes of the dictatorship and their agents remain impune, contrary to what happened in Argentina, Chile and Uruguay.
4. Founded out of the administrative reform sparked by Decree Law 200 of 1967, the Ministry of the Interior was a powerful agency. The country's principal ministry, it brought together the following agencies and institutions, among others: the Superintendency for the Development of the South Region (Sudesul), the Superintendency for the Development of the North-east (Sudene), the Superintendency for the Development of Amazônia (Sudam), the Superintendency for the Development of the Central-West (Sudeco), the Superintendency of the Free Zone of Manaus (Suframa), the National Department of Works to Combat Drought (DNOCS), The National Department of Sanitation Works (DNOS), the Housing and Urbanisation Federal Service (SERFHAU), the National Urban Development Council (CNDU), the Vale do São Francisco Development Company (Codevasf), the National Housing Bank (BNH), the Bank of Amazônia (Basa), the Bank of the Northeast of Brazil (BNB), the National Indian Foundation (Funai), the Environment Secretariat (Sema) and the National Environment Council (Conama). In addition, the federal territories of Amapá, Roraima and Rondônia were also subordinate to this ministry.
5. “[...] as well as the liquidity crisis together with inflation, recession and a rising number of defaults, which generated deficits at the banks, another factor that contributed to its extinction was the rupture in the coalition of corporate and political interests that were involved in its creation, into a general crisis within the dictatorial regime and its economic and political support base.” (Rolnik, 2015:226)
6. The following agencies were passed to the MDU: the BNH, the CNDU, Conama, Sema and the DNOS. In 1987 the MDU was renamed the Ministry of Housing, Urban Planning and Environment (MHU).
7. Many authors emphasize that the National Movement for Urban Reform restarted and updated, for a range of dimensions and topics, the ideology and platform produced in 1963 in Petrópolis during the Seminar on Housing and Urban Reform, organized by the Brazilian Institute of Architects (IAB), which would later become known as the “Greengrocers Seminar”.
8. Other proposals in the amendment included urban issues, more specifically themes such as affordable housing, workers housing, basic sanitation and public transport, etc. Therefore, the

- popular amendment on workers rights included the right to housing and the amendment related to agriculture dealt with rural and urban usucaption, for example. There was also a specific amendment on public transport and another on affordable housing, backed by the National Confederation of Residents Associations (Conam) and residents association federations (Lago, 2010:138).
9. One of the general characteristics of the amendment proposal clearly appears in the preparation of this specific part of the proposal: the conceptual and theoretic solidity of its basis, which was ensured by the strong presence of a range of researchers, professors and professionals that over the second half of the 1970s developed studies and critical debates on Brazil's urban situation, inspired by French critical urban sociology.
 10. This issue will be discussed later.
 11. Porto Alegre was governed by coalitions led by the PT from 1989 to 2004, during which time participatory budgeting became institutionalized as a brand of the city. The experience was so positive that the opposition parties that assumed power in 2005 maintained this model, although according to various authors there have been significant losses in participation, decision-making powers and the allocation of resources (Renó, Souza, 2012).
 12. "The great model that inspired popular and participatory management was that of the health committees in the east region of São Paulo. This model was institutionalized as the Universal Healthcare System (SUS). The model combines the idea of the direct participation of users of determined regional services, the professionals that provide these services, governments and private service providers. The SUS is also exemplary in its model of financing." (Baierle, 2007:36).
 13. Participatory budgeting is understood to be the emergence of a plebeian public space on the local political scene. It involves a structure and process through which the popular sector can prioritize projects and services in the construction of municipal investment plans (at a state level this also includes local political institutions). In terms of its structure, participatory budgeting consists of a system of co-management between popular representation and local government, organized through an annual cycle of activities, combining direct participation and choice of representatives (delegates and councilors), as well as government commitment to processing demands using previously agreed criteria. [...] It signifies the creation of spaces for popular organization that meet in community decision-making arenas. In these spaces, the management of the social and physical problems of different neighbourhoods is based in public discussion. The public is made up of residents from the neighbourhood, community and religious entities and local social and professional movements from a range of areas (education, health, social welfare, law, culture, etc.)" (Baierle, 2002:2).
 14. On the World Bank portal, on a page dedicated to Participation and Civic Engagement, is written: "Participatory budgeting (PB) is an innovative mechanism that aims to involve citizens in the decision-making process of public budgeting. By creating a channel for citizens to give voice to their priorities, PB can be instrumental in making the allocation of public resources more inclusive and equitable. By promoting public access to revenue and expenditure information, PB effectively increases transparency in fiscal policy and public expenditure management, reducing scope for clientelistic practices, elite capture, and corruption, thereby enhancing the government's credibility and the citizens' trust. PB can also improve service delivery by linking needs identification, investment planning, tax systems and project management. Thus, PB goes beyond a simple participatory exercise to being an integrated methodology for promoting social learning, active citizenship and social accountability, opening new ways of direct participation which complements traditional forms of representative governance." (World Bank, 2015).
 15. Provisional Measure no. 103/2003 of 1/01/2003, converted into Law no. 10,683 of 28/05/2003.
 16. Doctor of law and diplomat Márcio Fortes de Almeida was a member of the National Progressive Party Executive Commission, whose well-known national leader was Paulo Maluf, the ex-governor of São Paulo and two-time mayor of the state capital, in his first mandate as unelected mayor at the peak of the military dictatorship (1969-1971). The new minister had been executive secretary of the Ministry of Mines and Energy during the Fernando Collor administration (1990-1992) and executive secretary of the Ministry of Agriculture during the Fernando Henrique Cardoso administration (1995-2002). The media at the time widely reported that Márcio Fortes had assumed leadership of the Ministry of Cities as appointed by Severino Cavalcanti, president of the senate and also from the PP. "Márcio Fortes arrives at the Ministry of Cities as a technician appointed by the PP and the president of the assembly Severino Cavalcanti (PE). Fortes has been affiliated with the party since 2001. He has the support of the agribusiness caucus..." (*Folha de S. Paulo*, 19/07/2005, <http://www1.folha.uol.com.br/folha/brasil/ult96u70648.shtml>).
 17. After an interval in which it was directed by a career employee from the Caixa Econômica Federal, Gilberto Occhi, the Ministry of Cities was placed back in the hands of a politician with a past history in right-wing parties that had also been mayor of São Paulo, Gilberto Kassab.
 18. The National Conference of Cities met on subsequent occasions, with an increasing number of participants and heated debates, in 2005, 2007, 2009 and 2013. It has been criticized that the model for large national conferences leads to a lack of more effective instruments of action: "With the arrival of the Worker's Party in the presidency, with Lula, there was an expectation that if national participatory bud-

getting was not politically viable, at least financial mechanisms and legal instruments would be created to guarantee its consolidation at a municipal level as national public policy. This did not happen, despite pressure from two or three ministers. The model of large national conferences prevailed, preceded by state and municipal conferences covering the various areas of social action (health, social welfare, housing and urbanism, etc.)” (Baierle, 2009:8).

19. In Rio de Janeiro, many of these “condominiums” are controlled by “militia” who charge for building and other fees for services and protection, worsening the process of isolation and segregation.
20. It is worth noting that in Brazil the progress of the democratic process slowed down the adhesion of the elite to the new neoliberal wave, which in the 1980s had already spread through Latin America. As a result, Brazil’s National Constitutional Assembly and the constitution that it produced were still marked one one hand by the inherited statist bias of national-developmentalism and on the other by the military dictatorship itself in sectors further to the right.
21. The financialization of housing, of which housing policy and the MCMV program, as described above, are instruments, is just one of the dimensions of this new reality of contemporary capitalist cities.
22. “Neourbanism privileges business and commitment at the expense of majority rule, contracts at the expense of the law, and *ad hoc* solutions at the expense of regulation” (Ascher, François. *Les nouveaux principes de l’urbanisme. La fin des villes n’est pas à l’ordre du jour*, Paris, Éditions de l’Aube. 2001, p. 84).
23. § 2. The following may be provided for consortiated urban operations, among other measures:
 - I – the modification of the rates and characteristics of division, use and occupation of the soil and subsoil, as well as alterations to building regulations, considering the environmental impact that these cause;
 - II – the legalization of buildings, renovations or expansions not carried out in accordance with the existing legislation” (Art. 32, Law 10,257 of 10/07/2001).
24. “The megaevent city precipitates, intensifies and generalizes the city of exception and direct democracy of capital. FIFA and the International Olympic Committee, examples of real international cartels associated with national corporations and local interests, receive the following from cities’ governments: tax exemptions, monopolies on advertising spaces and monopolies on spots facilities paid for with public funds. They are neoliberal and swear allegiance the free market but they love a monopoly” (Vainer, 2014).

References

- ABERS, R. (1998). “From Clientelism to Co-operation: Local Government, Participatory Policy, and Civic Organizing in Porto Alegre, Brazil”. *Politics & Society*, v. 26, n. 4, p. 511-523.
- AGAMBEN, Giorgio (2004). *Estado de exceção*. São Paulo : Boitempo.
- AVRITZER, Leonardo (2010). “O Estatuto da Cidade e a democratização das políticas urbanas no Brasil”. *Revista Crítica de Ciências Sociais* [on-line], 91 (<http://rccs.revues.org/4491> ; DOI : 10.4000/rccs.4491).
- (2003). “O orçamento participativo e a teoria democrática: um balanço crítico”. In: Leonardo Avritzer e Zander Navarro (orgs.), *A inovação democrática no Brasil*. São Paulo: Cortez (http://webcache.googleusercontent.com/search?q=cache:NrAkXGz_uOEJ:www.plataformademocratica.org/Publicacoes/Publicacao_10929_em_21_06_2011_15_48_32.pdf+&cd=1&hl=pt-BR&ct=clnk&gl=br).
- BAENINGER, Rosana Aparecida; PERES, Roberta Guimarães (2011). “Metrópoles Brasileiras no século 21: evidências do Censo Demográfico de 2011”. *Informe Gepec*, Toledo, v. 15, número especial, p. 634-648.
- BAIERLE, Sérgio (2002). “OP ao termidor?”. In: Verle, João; Brunet, Luciano (orgs.), *Um novo mundo em construção*. Porto Alegre: Guayi.
- (2009). “Porto Alegre neoliberal: a decapitação social-capitalista de líderes comunitários e os limites do Novo Gerencialismo Público inclusivo”. *Cadernos Cidade*, no 15, v. 12, novembro.
- (1992). *Um novo princípio ético-político: prática social e sujeito nos movimentos populares urbanos em Porto Alegre nos anos 80*. Campinas: Unicamp.
- BONDUKI, Nabil (2009). “Do projeto moradia ao programa Minha Casa, Minha Vida”. *Revista Teoria e Debate*, v. 82, maio.
- (2009). “A reforma urbana no processo de participação popular na Constituinte”. Câmara dos Deputados, *Constituição 20 anos. Estado, democracia e participação popular: cadernos de textos*. Brasília: FIBGE, Censo 2010 (<http://www.sidra.ibge.gov.br>).
- FUNDAÇÃO JOÃO PINHEIRO. Centro de Estatística e Informação. Nota técnica: *déficit habitacional do Brasil*, anos 2011 e 2012.
- LAGO, Paulo Cesar do (2010). *Participação popular e reforma urbana: da Constituinte ao Estatuto da Cidade*. São Paulo: Universidade Presbiteriana Mackenzie.
- MARICATO, Ermínia (2014). “É a questão urbana, estúpido!”. In: Maricato et al., *Cidades rebeldes: passe livre e as manifestações que tomaram as ruas do Brasil*. São Paulo: Boitempo, p. 19-26.
- ROLNIK, Raquel (2015). *Guerra dos lugares: a colonização da terra e da moradia na era das finanças*. São Paulo: Universidade de São Paulo, Faculdade de Arquitetura e Urbanismo.
- SOUZA, Lúcio Rennó Ailton (2012). “A metamorfose do orçamento participativo: mudança de governo e seus efeitos em Porto Alegre”. *Revista de Sociologia e Política*, v. 20, no 41, p. 235-252.
- VAINER, Carlos (2014). “Quando a cidade vai às ruas”. In: Maricato et al., *Cidades rebeldes: passe livre e as manifestações que tomaram as ruas do Brasil*. São Paulo: Boitempo, p. 35-40.
- WORLD BANK. “Participation and Public Engagement. Participatory Budget Formulation” (<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0,,contentMDK:20509380~pagePK:148956~piPK:216618~theSitePK:410306,00.html>, em 29/06/2015).

The Brazilian democratic-bureaucratic regime

genesis, evolution and challenges



The present paper employs the concept of Maussian reciprocity in understanding political transactions among the key players of Brazilian society for the democratic institutionalisation and operationalisation of the country. It formulates the concept of democratic-bureaucratic regime to explain the relations established between the state and civil society in Brazil, the challenges for which are the consolidation of a semi-parliamentary presidentialism and the diverse emerging demands for quality of life.

From bureaucratic authoritarianism to liberalizing transactions

Most political analysts reflecting on the Brazilian authoritarian regime (1964-1985), in which the military establishment took office, tend to classify it as an authoritarian-bureaucratic political regime (Schmitter, 1982). The posture of the state intervention was radical, especially when dealing with business associations and workers; however, unlike the legacy of the authoritarian state corporatism of 1937, such intervention did not aim at controlling mobilization, but rather to ensure their political apathy. When *taking control to demobilize the civil society*, through the systematic political violence (from media censorship to physical repression) or the co-operation of interests through institutional agencies, the bureaucratic authoritarianism did not deactivate civil society, but avoided or interrupted its eventual conversion to autonomous collective mobilizations.

The authoritarian-bureaucratic regime limited, conditioned and selected interests through the control of associations (especially labour unions and business groups)

and of elections through the institutionalization of two political parties: the *Aliança Renovadora Nacional* (ARENA - the National Renewal Alliance) and consented opposition, *Movimento Democrático Brasileiro* (MDB - Brazilian Democratic Movement), which posed as a channel for divergences, although unable to change public policies or the core of the government.

The authoritarian-bureaucratic regime made the Brazilian economy fully capitalist; it denied political and civil rights and also made new demands that conflicted with the authoritarian political demobilization (Werneck Vianna, 1986). As a modern civil society emerged (Arato, 1992) – not exactly within the narrow framework of the regime -- conflicts with the regime accumulated, so as to progressively extend the political costs of authoritarianism. The exponential growth of MDB (the only electoral opposition which internalized liberal and leftist tendencies) during legislative and state governments elections (1974 and 1978) together with renewed business and labour unionism (exemplified by the illegal yet victorious steelworker's union strike of 1980) continuously damaged the regime (Rocha, 2013).



Júlio Aurélio Vianna Lopes

Full Researcher in Human and Social Sciences of the Fundação Casa de Rui Barbosa (since 2002), awarded at ANPOCS/ Ford 2009 Contest on the Constitution of 1988. He has a degree in Law (UFF), MSc and PhD in Political Science (IUPERJ) and Post-Doctorate in Sociology (UFPE). His areas of academic interest are democracy, citizenship, and social movements. His recent publications include *Desafios institucionais da ordem de 1988* (ed. FCRB), 2014; *Como foi feita a Constituição de 1988* (ed. Cultura) in 2013; and *Cooperativismo contemporâneo: caminho para a sustentabilidade/ Contemporary Cooperativism: path to sustainability* (ed. Confebras) in 2012 (bilingual version in Portuguese / English).

With the exception of the armed leftist groups that fought the regime during its most repressive period (1968-1973), the Brazilian military dictatorship worked to designate opponents through political transactions that aimed to split them. Thus were the periods of “relaxation” and “openness”, liberalisations limited by General Geisel (reduction, but not extinction of journalistic censorship) and General Figueiredo (permission for political party organization, except for communists), respectively. Transactions between the political regime and opposing interests were also intrinsic to its dynamic (Werneck Vianna, 1986), since the military supported a civil and military techno-bureaucracy, the diffusion of which regulated through its interfaces with society, despite all of them being authoritarian.

However, as new social groups emerged (mostly workers and entrepreneurs) the electoral opposition grew in the 1982 elections, under a limited multiparty system. And the substitute of ARENA, the *Partido Democrático Social* (PDS - the Social Democratic Party) lost its position in the most important state governments, thereby the regime benefited less from transactions (Rocha, 2013) accredited to greater liberalization than the military government admitted.

A collective mobilization (“*Diretas já*”) for the direct election of the President (which had previously been chosen indirectly by a board formed by the Parliament and delegates from the state legislatures) galvanized efforts of millions of Brazilians in 1984, under

the direction of opposition governors (especially from Sao Paulo, Rio de Janeiro and Minas Gerais); the civil society (especially the Order of Attorneys of Brazil, the Brazilian Press Association, the Confederation of Bishops of Brazil, the National Union of Students, the Workers Headquarters and the General Confederation of Workers;) and all opposition parties, united by Ulysses Guimarães, the PMDB leader (which had substituted of MDB).

Although the direct presidential election was rejected for not having gotten sufficient parliamentary votes, the process weakened the regime even more because the legislative majority (although not wide enough to comply with the constitutional requirement) had been favourable in the Lower House, the *Câmara dos Deputados*. Political transactions were promptly established among the democratic opposition (except for the *PT - Partido dos Trabalhadores*, the Workers’ Party) and segments of the regime, in order to achieve a peaceful transition to democracy and finding an opposition candidate for the indirect succession of General Figueiredo.

Political transactions for the change of government with the indirect electoral college defined the candidacy of Tancredo Neves (governor of Minas Gerais by PMDB, which had come from an extinct party of centre-right opposition – PP, the People’s Party), which led to military neutrality and the support of the opposition (including three members of PT) formed by PMDB, the Brazilian Labour Party (*PTB*), the Democratic Labour Par-

ty (*PDT*) and also the illegal parties: Brazilian Communist Party (*PCB*) and Communist Party Brazil (*PC do B*). Neve’s indirect election on January 15, 1985 was preceded by a popular campaign comparable to “*Diretas Já*”, and made dissidence from the parliamentary regime feasible in the electoral college, which was which formed the Liberal Front Party (*PFL*).

The Constituent Congress (1987-1988) was characterized by three phases: fragmentation, polarisation and consortium in drafting the constitution. Bureaucratic elites and representatives of civil society confronted each other when they had always been safeguarded.

The notorious “transition through transaction” (Share and Mainwaring, 1986), the government’s political alternation – despite the tragic death of Tancredo after illness that prevented him from taking office – brought an unprecedented political liberalization to the country (the main theme of transactions between opposition leaders and members of the authoritarian regime). The government of José Sarney (Vice-President of Tancredo from PFL) took measures to abolish various authoritarian obstacles, through the Minister of Justice, Fernando Lyra, along with the Parliament.

In 1985, the suspension of political rights (of opponents of authoritarianism) was eliminated; voting rights were granted to illiterate people; election propaganda (limited at that time) was permitted; the proportional coalitions returned; party loyalty was eliminated; political representation was instituted for the Federal District; direct elections were called for municipalities where they had still been forbidden; and union autonomy and the right to strike were recognized (ibid). Extensive freedom of party organization went into effect, with the legalization of the communist organizations and the re-foundation of the Brazilian Socialist Party (PSB).

The constitutional construction: from polarization to consortium

Conceding ample constituent functions to members of Parliament to be installed in 1987 was the last item on the agenda liberalisation agreed between PMDB and PFL, according to the proposal presented by the government before the parliamentary elections of 1986. Limited to *political liberalisation* (reduction or suppression of controls of the political and associative representation), the “Democratic Alliance” ended with the emergence of the issue of *political democratisation* (institutional equality necessary for the exercise of freedoms) in the constitutional process (Vianna Lopes, 2013). If political transactions between PMDB and PFL, under a contractual logic (a previous condition for concessions), were enough for the

agenda for liberalizing to a democratic transition, other political agents and another transactional logic also proved necessary for the constitutional construction.

The Constituent Assembly (1987-1988) was characterized by three phases: fragmentation, polarization and consortium of constitutional elaboration.

The fragmentary dynamics (01/02/1987 to 26/11/1987) predominated from the implementation to the constituent organization (“*Centrão*”) of the center-right, was successively comprised of (Proceedings, v 1-13.): the Democratic Alliance division in the formation of the Directorate; refusal of the basic project (external or internal) for the discussions; dissemination of individual constituent options to the detriment of the constituents (except the left); thematic productions from each of the 24 subcommittees (responsible for sending the material to other eight committees, whose proposals would be sent to a systematizing commission); and not scheduling issues in the constitutional draft (4 attempts to prioritize the government system – parliamentary or presidential – were denied by the Assembly).

The dynamics of polarization (26/11/1987 to 28/01/1988) in 2 constituent blocks predominated (Proceedings, v. 13-19) from setting up a broad center-right (nicknamed “*Centrão*” by the opponents and adopted by the leaders) in reaction to the project made by the systematizing commission (center-left, which included the left – except PDT and PT, contrary to parliamentary provided

therein). It was characterized by generalization of the debate on the degree of democracy (political and social) that would involve the private sector and the market in the constitutional order; splitting in half of PMDB (307 from 559 constituents); Sarney government absorption by “*Centrão*”; rejection of the systematised project as a basis for voting; defection of the moderate members of “*Centrão*” who became equidistant and decisive; and impasses with no imposition from the blocks on the topics to be voted on by the Assembly.

The dynamics of consortium (Proceedings, v. 19-24) between center-left and center-right in the constitutional drafting came as a solution to the reiterated impasses on all themes related to political and social democracy (also including the market place in a neo-developmental order) *from the first voting of the Constitution* (the preamble, at the end of January 1988). Majorities were built by mutual concessions from both blocks under a logic of reciprocity, or *gifts* (giving, receiving and giving back, in that order), as the political consensus came from the uninterrupted overlapping of proposals already made, instead of single formulations of the opponent blocks. *In fact*, the democratic Magna Carta was prepared *in plenary* (28/01/1988 to 09/23/1988).

The constituent consortium – crucial for the president (Ulysses Guimarães) and the general rapporteur (Bernardo Cabral, also of the PMDB) of the Assembly – was characterized by: providing merely formal proposals from “*Cent-*

trão” to be voted; its comprehensive deconstruction in plenary; and the adoption of *individual* “amendment mergers” by prohibiting new proposals, either restating renouncing proposal that had already been made *in plenary* until reaching consensus (Lopes Vianna, 2013). Thanks to partial decomposition of the “Centrão” (without unity in relation to the degree of maximizing market), the center-left was most influential in the Magna Carta, in which the left (52 constituents) influenced more than the right (67 constituencies), despite being smaller (Fleisher, 1988). Among them, the largest party group was PDT (26), and the smallest PSB (2).

The constitutional construction: bureaucratic elites and social corporations

Political agents, representatives of the constituencies of bureaucratic authoritarianism still faced off in the Constituent Congress: the bureaucratic elites, imbued with the state regulation, and civil society, hitherto subordinate.

Most constituents (284 of the 559 members) had their electoral base in the performance of public administration, where they entered without voting rights, but from which they became electoral competitors, either in the 1986 election or at the beginning of their political career. These (former) public officials (260) usually came from the administrative apparatus of the Executive Branch of federal, regional or local levels, and only 24 of them from other

decision-making functions of the state: 15 came from the Public Attorney’s Office, six from the Public Prosecutor’s Office and 3 from the Judiciary. Therefore, 50.80% of the Assembly came from state bureaucratic elites (Vianna Lopes, chap. 1, 2013).

Although only 11.44% of the Constituent Assembly was composed of (former) civil society activists (64 elected) specialized in representing special interests – mostly from business and worker’s labour movements – social corporations extrapolated their electoral inclusion from the constitutional draft. Through the mechanism of the so-called “popular amendments” by which the Assembly received proposals signed by at least 30,000 voters each until 13/08/1987, civil society leveraged its constituent insertion, since the proposal required the sponsorship of three associations (Whitaker, 1989).

Although public institutions were allowed to sponsor the “popular amendments”, of the 83 accepted in the constitutional process, only 2 proposals were sponsored by the police (military and traffic highway patrol) and 3 proposals by regional and local legislatures. Associations were responsible for all other proposals (Whitaker 1989), 67 of which were sponsored by entities that did not represent state employees.

Common to all constituent proposals of civil society – except for the prohibited proposal for the territorial division of the State of Bahia – was the provision for associative inclusion in the governing body of the constitutional issue,

concomitantly to the provision of guarantees to the mobilized interest. The constitutionalisation of themes converted, simultaneously, civic entities into supporting tools for the state regulation, on which proposals were formulated, so that the management (including formulation) of public policies recognized them as indispensable institutional partners. This characteristic of the constituent proposals of civil society, as the regulatory scope inherited from the previous status quo was preserved or expanded, consisted of policy initiatives that inscribed social corporations in the state, without any opposition to the bureaucracy. Therefore, these attempts were successful transactions of *reciprocity*, between organized social groups and state bureaucratic elites, to which they conferred legitimacy, but they would be repaid by their incorporation into public administration.

Except for maintaining official censorship (by censor associations) and the legalisation of mediums (by Kardecist associations), all amendments of civil society were incorporated into the Constitution (Whitaker, 1989). Some were fully incorporated (Caldeira 1987), such as the children’s rights (sponsored by paediatric associations), the rights of the elderly (retirees’ associations), rural welfare (rural worker’s associations) and the end of official censorship (by journalists’ associations). Others coming from opposing entities were partially incorporated (Caldeira 1987), such as those relating to health and public education (the universality of which was proposed by medical and educational asso-



With only two exceptions, all amendments submitted by organizations of civil society were incorporated into the Constitution of 1988.

ciations, and their private sector counterparts by business associations) or job security (prohibition of dismissal by workers and of compensation by entrepreneurs), and land reform (as a rule by landless workers and as an exception by landowners).

In all cases, the representative bodies have been institutionalized within the corresponding public policy, with wide supervisory, advisory and supportive function of its management. The transaction of reciprocal gifts between state agents and social corporations was consecrated as a *general rule*, by the merger (in plenary) of individual amendments of Afif Domingos (“Centrão” PL - Liberal Party) and Antonio Mariz (PMDB and systematizing commission), supported across the ideological spec-

trum of the Constituent Congress. It was approved with 97.10% of the votes and stipulates (Article 10 of the Constitution) the mandatory participation of professional associations (workers and employers) in public regulatory agencies related to their interests (Annals, p. 7876-7877).

The bureaucratic democracy of 1988 and the Brazilian regulative citizenship

The constitutional order of 1988 resulted from democratizing transactions – in the form of donations and successive and mutual receptions – among the following political players:

- A unified center-left (including the left and supported, typically,

by center segments) and a divided center-right (by the occasional leave of its moderates). The relative predominance of the former in the constituent transactions did not suppress the trend of equal forces between them. Voting on the economic order was the only occasion subsequent to its constituent consortium that the center-left (focused the developmental guidance by the state) was confronted by “Centrão” (focused on market deregulation) was defeated, but missing one vote to eradicate its proposal and with the abstention of the moderates (Annals, p. 9904, 28/04/1988 session).

- Corporate social movements (mainly workers and entrepreneurs) and bureaucratic state elites (elected public officials). Underlying transactions with ideological

content, there was the institutionalization of joint functions for public policies, as reciprocal tributes – at the initiative of civil society. In addition to the formal inclusion of these segments (in the majority by experienced managers and at least 4 million signatures for “popular amendments”) in the constitutional process, the extreme difficulty of addressing the issue of strike for public servants also attests to the relevance of both in the Assembly. Unlike the strike of workers in the market (soon defined by consensus), the paralysis of public services was only set after two deadlocks and could only postpone the issue for subsequent legislation (*Anais*, p. 8399 and 8402).

The political engineering of the consensual majority during the constitutional process was characterized by the *rehabilitation of the institutions of the authoritarian regime to democratic responsibilities* in the future political regime. These democratising transactions *reversed the political meaning of the previous order*. They shaped a democratic-bureaucratic regime characterized by institutional projection of organized collective interests of the state, in order to combine, respectively, the reproduction of civil society to carry out public policies. There was no cut of the bureaucratic relationship between state and civil society, but a new overlap between them. In this new bureaucratic relationship, control features were mutually employed by both. Social movements have in the state apparatus, concomitantly, the source from which they draw their mobilization, the spe-

cific channel to formulate their demands, the instrument of satisfaction of their interests and the objective that confers to them the collective identity in society in general. The entities, agencies and institutions that had been used to submit the collective interests started to be legitimised as an auxiliary and subsidiary representation of those interests.

The results were adaptations rather than institutional innovations: instead of a Constitutional Court, its powers to the already-existing Supreme Court (which legitimised the dictatorship and the purge of its opponents); instead of external instances of legal reconciliation, there were actions performed by agencies attached to the traditional structure of the judiciary; instead of an external ombudsman, there was the allocation to the *Ministério Público* (the Public Prosecutor’s Office used to persecute opponents of authoritarianism); instead of specific independent bodies to investigate the legitimacy and economy of public spending, there was the exercise by the traditional Audit Courts (then merely accounting); instead of legal advice to government agencies (Attorney General) and to the poor (Public Defenders), there was the dismemberment of the same pre-existing service in the Executive Branch; and even the creation of the Superior Court of Justice was to circumvent the accumulation of functions by the Supreme Federal Court.

To this bureaucratic reconfiguration corresponds a regulative citizenship in which the institutional projection of civil society

has become intrinsic to the operation of the three republican powers: by the popular initiative of laws, by collective suits (especially from unions) of unconstitutionality before the Supreme Court, by the mandatory hearings of civil organizations in the legislative process, and by the associations in executive bodies (councils) of management of public and social policies. The widespread choice for the active entry of civil society in the state amalgamated, respectively, the imperative regulators of state elites and the autonomist aspirations of Brazilian civil society that clashed in the constitutional process.

Bureaucratic Democracy is a political regime in which the state is the institutional field of projection and self-organization of collective interests. Civil society (Araújo, 1992) exists *outside* it, but *faces* it, whereby specific demands are shaped. The guarantee of collective manifestations by the security authorities (article 5, XVI of the Constitution.); the popular initiative of laws (Article 14, III and Article 61, § 1 of the Constitution); the direct action of unconstitutionality by unions and parties (Article 103, VIII and IX.); the lawsuits in favour of collective and diffuse interests (Article 129, § 1 and III of the Constitution); the collective writ of mandamus by civil entity or political party (article 5, LXX.); the inclusion of neighbourhood associations in municipal planning (Article 29, X.); public hearings with civil society in the legislative process (Article 58, § 2, II.); the legitimacy of any associations and political

parties to trigger assessment by the Audit Courts (Article 74, § 2.); and the participation of associations in the implementation of government programs (Article 194, VII; 198, III, 204, II; 206, VI, 216, § 1 and 224). In any case, the social movements were not opposed to state regulation, but became supporters of it. The regulative citizenship outlined in the Constitution thus implies that social movements are effective adjuncts (thus independent) of state bodies (necessarily accessible) of the regulation of society.

In the democratic-bureaucratic regime of 1988, political parties acquired (Article 17, § 2) a new *private* character, strengthening themselves before the Electoral Court (another institution that reached its apex through the dictatorial control of consented elections) and approaching the Gramscian concept that allocates them both in political and civil societies (Gramsci, 1978). Its use of various legal instruments – all of which equally belong to civil society (as collective injunctions) – comprises the everyday competition of parties in the legislative and executive spheres.

Further to the political parties in the democratic-bureaucratic regime, the allocation of *party fund* (public funds granted to party associations) was gradually accentuated (with intensity from 2006) in its operation (Article 17, § 3), which had also appeared as one of the electoral control instruments of dictatorship. Henceforth, it is equivalent to a (public) party financing, the effectiveness of which has caused debates about its pos-

sible role in the democratisation of electoral disputes among parties of different sizes.

Like any modern political democracy (Lijphart, 2003), the Brazilian order of 1988 depends on both the configuration of its political institutions and the civic culture that welcomes them (or not). Therefore, its main challenges are, respectively, the institutionalization of the Presidency of the Republic and the channeling of the (non-corporate) diverse demands.

The institutional challenge of semi-parliamentary presidentialism

The main attempt at institutional innovation during the constituent process was the adoption of a semi-presidential parliamentary system. The hybrid proposal kept the presidency as the central entity of the institution, in accordance with the Brazilian republican tradition, with government functions within the cabinet (government appointment and dismissal) and outside the cabinet (dissolution and convocation of parliament). Its progressive advancement expressed a conceptual refinement superior to presidential constituents, divided between center-left and central-right blocks. There were 259 speeches (*Anais*, v 1-25.) in plenary on the subject, ranked second as the most discussed in the public order.

On 23/03/1988, however, an external collective amendment to “Centrão” combined it with segments of the left (PDT and PT) and the center-left, proposing a

The main attempt at institutional innovation, during the Constituent Assembly, was the adoption of a parliamentary semi-presidentialism as system of government.

semi-parliamentary presidentialism. Articulated by Humberto Lucena (PMDB), the hybrid proposal did not shift the axis of powers to the Parliament, but conferred functions in partnership with the Executive Branch, in which the Presidency would maintain the staff of government and state. It was victorious (*Anais*, p. 8737-8740) with 344 votes (212 dissenting votes).

But the presidential victory did not lead to the necessary consensus to settle the hybrid model: parliamentary constituents, refusing to cooperate in the improvement of the new presidential system, delegated this political responsibility to the supporters of the presidential regime (*Anais*, p 8746). There was a political split of the presidential group, caused by the parliamentary political delegation. Although victorious, the presidential supporters split between those who accepted to merge systems and those who did not. Thanks to the elective affinity between silent parliamentary and the fractionated presidential groups, the semi-

parliamentary presidentialism was *formally* adopted, but without a system for its elements (especially the presidential provisional measures with legal force). The only consensus signed by all party leaders on 03/06/1988 was the calling of a referendum on the subject in 1993 (*Anais*, p. 10,996.)

In fact, the lack of constituent transactions on a government consensual hybrid system (parliamentary or presidential) expressed the widespread misunderstanding of underestimating the issue in favour of the transitional mandate of the New Republic. Thus, over the government at the time (the end of which would bring on the first direct presidential election after the dictatorship) there were 626 plenary speeches (*Anais*, v 1-25) (more than all the topics of public order together), the determination of which still conditioned the parliamentary proposal.

Ratified in the plebiscite of 1993, the new presidentialism remained without a systemic compatibility between the Parliament and the Executive Orders that accumulated exponentially over democratic governments and even a specific constitutional reform (amendment 32/2001), which formalized some deference to legislature, failed to maximize parliamentary intervention upon them.

However, the trajectory of the hybrid system of government continues to indicate an unfinished semi-parliamentary presidentialism: on 02/10/15, the Parliament instituted a mechanism (“imposed budget”) by which a minority share of its budget initiatives be-

came mandatory to the Executive Branch, which was in line with the adopted (hybrid) presidential model, since it contributed to strengthen public policies by legislature and it involved the government without politically expropriating the Presidency.

Institutionalizing the semi-parliamentary presidentialism remains a central challenge for Brazilian democracy, expanding the governmental dimension of Parliament without inhibiting the role of systemic initiative granted to the Presidency (Abranches, 1988). But this institutionalization will only work properly if and when the substantive content of the presidential provisional measures are limited by democratic Magna Carta.

The civic challenge of collective mobilizations of June 2013

With the promulgation of the Constitution of 1988, the constituent consortium that developed the document was divided. The presidential succession of 1989 – the first direct election of the President under the new constitutional order – was characterized by the divergence (although new agents were emerging, such as *PSDB* – the Party of Brazilian Social Democracy that arose in the constitutional process) on the modernization of the country, and, during the clash in the run-off election (a novelty of the Political Charter), on the ideological polarization between the Left (Lula - *PT*) and the Right (Collor - *PRN* - Par-

ty of National Reconstruction).

The presidential victory of Collor involved a political crisis because it separated the elected President from a Parliament where a parliamentary constituency representing the government had not been reproduced, and where the President was confronted directly, proposing comprehensive reforms to the entire Constitution (Martinez-Lara, 1996) and reissuing unconstitutional executive orders (as had been decreed by the Supreme Court). With the discovery of improbity in the exercise of Presidency, a national collective mobilization emerged, based on criticism from lawyers and journalists, which resulted in thousands of protesters and the joining of



political parties that led to the impeachment of the president.

In 1992, the presidential impeachment of Collor *consolidated the Brazilian bureaucratic democracy* (and was the “baptism of fire” of the regime) as the Parliament, the Supreme Court, entities and civic mobilizations followed, *strictly and jointly*, the expected formal procedures, which lasted more than one year until the vice-president, Itamar Franco, dissident of the elected government, took office.

Large political blocks were supported by the 1988 regulative citizenship in two government periods: the double successive presidential mandates of Fernando Henrique Cardoso from PSDB (1995–1998 and 1999–2003), and Lula from PT (2003 to 2007 and 2007–2011). Both were authors of broad

alliances that went beyond the political spectrum (from left to right) around the theme of mass consumption, taking up issues related to market space in the constitutional order and whose public policies shaped the current modern Brazilian society – *without changing its extreme inequality*.

Focusing on the target of stabilizing inflation (which disorganized private and public finance), despite growth repressive remedies, Fernando Henrique Cardoso, in his ministerial power for management of the economy under Itamar Franco, joined parliamentary blocks centred by PSDB and PFL. After his election, legitimised by the stability of its economic plan, the *Plano Real* that had controlled the exponential inflation rate, he became the first president with a

majority in *both* parliamentary houses (Nunes, 1997).

His government was characterized by promoting mass consumption, boosted by the inflationary stability, which was supplemented by the expansion of supply of durable goods provided by the breaking of state monopolies that had still been sustained by the Constitution (Nunes, 1997). After declaring the desire for re-election (at all levels), the incumbent mobilized with a coalition that included PMDB.

In the trajectory of Brazilian-democratic bureaucratic regime, the FHC period (1995–2003) helped to institutionalize a budgetary *accountability* (“fiscal responsibility”) which became paradigmatic for the Brazilian public management (not only governmental management) and articulated regula-



Institutionalising semi-parliamentary presidentialism remains a central challenge, which requires limiting the substantive content of executive orders.

tive citizenship through social programs to compensate extreme poverty in Brazil. Although unprecedented, such public policies were not disseminated, given the predominant center-right configuration in the political composition of the coalition.

Reorienting the political meaning of his presidential candidacy (defeated successively in three elections), in 2002 Lula joined business leaders with whom he moved to the center of the political spectrum. He took up the theme of

io of the global financial crisis of 2008, the Brazilian market resisted the global recession – thanks to the steady pace of the preceding economic growth and the public fostering of it that remained a government option. Even parliamentary corruption scandals in governmental circles (“*Mensalão*”) did not prevent his favoured political successor in 2010.

On the trajectory of Brazilian democratic-bureaucratic regime, it was during the Lula mandate (2003–2011) that the regulative citizenship reached full institutionalization. With the Presidency of the Republic occupied by an icon of corporate workers who had fought for democracy, and whose demands on different levels were successfully included in the Democratic Constitution, the insertion of its entities was disseminated in public administration. The different aspects of unionism, through their representative associations (which multiplied during the period), became effective supporters of the institutional agencies of their interests.

During the first term of Lula’s successor, President Dilma Rousseff, who was from the bureaucratic elite of the state (a public manager without previous electoral experience who had been part of the armed resistance of the military dictatorship) civic mobilizations emerged unrelated to the regulative citizenship of 1988.

In the first week of June 2013, there was a storm of protest in the streets of the biggest Brazilian cities – in more than a hundred cities throughout the month – against the recent increase in public trans-

port fares. The protests were also against the world football championship of great magnitude (the Confederations Cup), held with public money in stadiums that were to be used one year later during the World Cup. *The quality of public services*, transportation (53.7%), health (36.7%) and education (29.8%) *explicitly* directed the protesters (IBOPE, 2013).

Though started as a reaction to the increase of public tariffs of public transportation, and convened by the association “Free Fare Movement”, the mobilizations evolved to claims *rights other than urban mobility*: revindications for the care of human life and human development, through *qualitative* critiques of respective government areas of transport, health and education. The protests also included (IBOPE, 2013) indignation for public spending on the football championships (30.9% of the protesters).

Among the Brazilian protesters who occupied the streets of hundreds of cities (including the country’s largest) in June 2013, the poor quality of the political environment *in general* (not of any specific leadership) was the main reason for adherence to the protests: 65 % of the participants, according to research conducted at the height (20/06/2013) of the demonstrations. Although the movement did not formulate policy reform proposals, there were legislative innovations during the month of June, institutionalizing ethical standards for public officials: more severe punishments for corruption, a ban from public administration of condemned cor-

Channelling diverse rights requires a left whose alliances institutionalise the participation of users of public services in order to rebuild education, medicine and technological innovation as careers of the state.

mass consumption – the pace of which was clearly slowing – through specific public policies for the formation of a modern mass market: provision of (public) bank credit, an exponential increase in the minimum wage and various direct income transfers (as the one received by families with children in public schools).

Also repeating his mandate with a second election (joined by PMDB), the amplitude of the government coalition was predominantly center-left (including PDT and PSB). In the dramatic scenar-

rupt officials, and the end of secret ballot for internal parliamentary trials.

In the presidential race of 2014, this qualitative critique on democracy echoed momentarily through the “third option” offered by the candidacy of Marina Silva (PSB), which came from the “Sustainability Network” movement after the tragic death of the candidate Eduardo Campos (PSB) during the election campaign. However, her candidacy could not resist the polarization between the themes of continuous mass consumption, respectively, under a neoliberal bias (Aécio Neves - PSDB) and the national-developmental bias (Dilma Rousseff - PT, who was successfully re-elected).

The quality of ordinary life (Vianna Lopes, 2014), however, became a utopian horizon beyond the limits of the regulative citizenship that could not – within a quarter century – qualify key public policies (transport, health, education and participation), which are fundamental tools against the extreme social inequality of Brazil. It is essential for a political front based on the expansion and qualification of goods, and especially of services that will eventually unlock the exhausted current political and economic model.

Channelling diverse rights requires a Left whose alliances institutionalize the participation of those that use public services to rebuild education, medicine and technological innovation as public careers in Brazil – without neglecting the issue of consumer consumption. ■

References

- ANAIS DA ASSEMBLÉIA NACIONAL CONSTITUINTE, v. 1 a 25. Brasília: Senado Federal, 1994 (Subsecretaria de Anais / Secretaria de Documentação e Informação)
- ANAIS DA ASSEMBLÉIA NACIONAL CONSTITUINTE – SUPLEMENTOS. Brasília: Senado Federal, 1994 (Subsecretaria de Anais / Secretaria de Documentação e Informação)
- ABRANCHES, Sérgio. “Presidencialismo de coalizão”. *Dados – Revista de Ciências Sociais*. Rio de Janeiro, number 31, 1988.
- ARATO, Andrew; COHEN, Jean. *Civil Society and Political Theory*. Michigan: MIT Press, 1992.
- CALDEIRA, Cesar (org.). *Dossiê Constituinte I: as grandes questões nacionais e as propostas populares*. Rio de Janeiro: CEDI (Ecumenical Centre for documentation and information), in 1987.
- FLEISCHER, David. “Perfil socioeconômico e político da Constituinte”. In: Coelho, João Gilberto Lucas (org.), *O Processo Constituinte – 1987/1988*. Brasília: Agil/UnB, 1988.
- GRAMSCI, Antônio. *Maquiavel, a política e o Estado moderno*. Rio de Janeiro: Civilização Brasileira, 1978.
- LIJPHART, Arendt. *Modelos de democracia*. Rio de Janeiro: Civilização Brasileira, 2003.
- MARTÍNEZ-LARA, Javier. *Building Democracy in Brazil. The Politics of Constitutional Change*. New York: St. Martin's Press, 1996.
- MAUSS, Marcel. *Ensaio sobre a dádiva*. São Paulo: Cosac Naify, 2013.
- Movimento Passe Livre*. Available at: www.mpl.org.br/ (accessed in 07/05/2015).
- NUNES, Marcos Alonso. *Agências executivas: estratégias de reforma administrativa*. Brasília: ENAP, 1997.
- ROCHA, Antônio Sergio. “Genealogia da Constituinte: do autoritarismo à democratização”. *Lua Nova*, 88, São Paulo, 2013.
- SHARE, Donald; MAINWARING, Scott. “Transição pela transação: democratização no Brasil e na Espanha”. *Dados – Revista de Ciências Sociais*. Rio de Janeiro, v. 29, number 2, 1986.
- SCHMITTER, Philip (org.). *O novo autoritarismo na América Latina*. São Paulo: Paz e Terra, 1982.
- VIANNA LOPES, Júlio Aurélio. *Como foi feita a Constituição de 1988*. São Paulo: Cultura, 2013.
- _____. “Qualidade de vida, direitos difusos e cidadania”. In: MARTINS, P.H. et alii (orgs.), *Guía sobre post-desarrollo y nuevos horizontes utópicos*. Buenos Aires: Estudios Sociológicos, 2014 (e-book).
- WERNECK VIANNA, Luiz Jorge. *Travessia – da abertura à Constituinte 86*. Rio de Janeiro: Taurus, 1986.
- WHITAKER, Francisco (org.). *Cidadão constituinte – a saga das emendas populares*. Rio de Janeiro: Paz e Terra, 1989.
- <http://www.issuenoticia.com.br/brasil/veja-pesquisa-completa-do-ibope-sobre-os-manifestantes/2238> (accessed in 07/05/15)
- <http://www.ibope.com.br/pt-br/noticias/Paginas/89-dos-manifestantes-nao-se-sentem-representados-por-partidos.aspx> (accessed in 08/05/15)
- <http://exame.abril.com.br/brasil/noticias/conquistas-no-congresso-e-no-stf-nao-diminuem-protestos> (accessed in 08/05/15)



César Benjamin

Editor of *Contraponto Editora*

“ The discourses of those who have not seen are just discourses.
The discourses of those who have seen are prophecies”

Antônio Vieira, *Sermão da Terceira Domingo do Advento*
(Sermon of the Third Advent Domingo), 1669

A certain idea of Brazil

I Many reasons have been put together, throughout our history, to make it difficult to decipher, even imperfectly, the Brazilian enigma. Even as an independent country, we remain a very strange animal in the zoo of nations: a young society, product of the European expansion, designed from the start to serve the global market, organized around a long and late slavery, the only monarchy on a republican continent, established on an extensive territorial base located in the tropics, with a population in the process of formation, without a deep past in which to anchor an identity. What future would be reserved for a nation like this one?

For a long time, attempts to understand this enigma and form a theory about Brazil were largely unsuccessful. We did not do anything other than copy the European knowledge, based on predominant determinisms: geographical ("civilization is an achievement of the cold countries, as it is the victory of the societies against the difficulties imposed by the environment"), and racial ("civilization expresses the potential of some fittest human subgroups") – both of which hopelessly condemning our country. While looking at itself in the European mirror, Brazil could only build a negative and pessimistic picture of itself upon verifying its obvious non-European condition.



2

There were many worthy efforts to overcome this impasse. But it was only in the 1930s, after more than a hundred years of independence, did we began to consistently develop our own history. In 1934, the conservative author, Gilberto Freyre, was responsible for a revolutionary reinterpretation of Brazil with the book *Casa Grande e Senzala* (The Masters and the Slaves), based on the sugar trade through the light of modern cultural anthropology, a newly created discipline. Abandoning approaches based on geography and race, Freyre turned everything upside down, undertaking a tremendous effort of the civilizing role of afro-descendants and indians in the Brazilian social construct. He praised the miscibility, plasticity and mobility of the Portuguese, features that distinguished them from the Anglo-Saxon colonizers.

According to Freyre, the colonization of Brazil was not done by the State or the other formal institutions, all of which were too weak. It was work of the patriarchal family, around which it was constituted a complete and specific way of life. The monoculture of latifundia and the slave-based production regime were drivers of hurtful division and sorrow; but the extended family, the inclusiveness of new members, polygamy in a context of scarcity of white women and the presence of considerable number of domestic slaves constituted an exchange space, in which afro-descendants and indians - mainly females - were much more adapted to the tropics, colo-

nized the colonizers by teaching them how to live in the country. The number of *mulatos*, *mamelucos* and *cafusos* increased, creating cracks in the radical duality that separated masters from slaves.

Nothing escapes from the comprehensive and investigative look of the anthropologist: food, legends, clothes, colors, odors, festivals, songs, architecture, sexuality, superstitions, habits, tools and techniques, words and language expressions. Great-grandparents' letters are taken from old trunks. Horrific reports from the Inquisition are exposed with fine irony by this spy interested, first of all, in unveiling the uniqueness of the Brazilian experience. It was not found in politics or in economy, not even in the deeds of great men. It was in the culture, the collective work of anonymous generations. A culture of synthesis, which loosened and diluted the tension between moral codes and the mundane life, a tension constituted by traditional Judeo-Christian based societies. According to Freyre, we owe our cheerful attitude to the indians and afro-descendants who were never completely demoralized by the Christianity of the colonizer. A Christianity, by the way, that also had to be adapted an mixed.

3

In 1936, Sérgio Buarque wrote *Raízes do Brasil* (Roots of Brazil), an instigative essay - a "classic by birth" in the words of Antonio Candido - trying to understand how a rural society of Iberian roots would experience the inevitable transition to the urban and "American" mo-

dernity of the twentieth century. Unlike the writer from Pernambuco, Gilberto Freyre, the writer Sérgio Buarque from São Paulo felt no nostalgia for the agrarian Brazil that was falling apart, but neither did he believe in the effectiveness of the authoritarianism in vogue in the 1930s, which promised to speed up the modernization from the top down. He observed a secular time in history and considered modernization as a process. He also sought out the uniqueness of the Brazilian process, but from a sociological perspective: we are a transplanted but national society, with its own characteristics. The private and emotional dimension of life always overlapped - for good and for evil - the bureaucratic impersonality, often sliding into passionism and impulsiveness typical of the friendly man, in a general scenario in which formal rights were absent.

Our history, according to Sérgio Buarque, revolved around the "Iberian complex." But the success of the Portuguese colonization was not the result of a methodical and rational development, it was not emanated from a constructive and energetic will; it sought the wealth that requires boldness, not wealth that demands work. The ethics of adventure prevailed over the work ethic. It is a backward inheritance to be overcome, but it was the basis of nationality that constructed the "roots of Brazil." It should not be simply rejected or denied, but transformed.

"We must dare to start, in an unprecedented way, something that has never been done in these latitudes" - a sentence full of meanings: we should find the way to overcome our

delay and, at the same time, affirm our identity, leveraging our virtues. It would necessarily have to be a path full of specificities, as are the paths of all people when authentic. Sérgio says it is a tremendous challenge for a society in which intelligence has always been an ornament, an avid belletrist aiming to import the latest fashion, unable to produce knowledge and promote any real change.

Still, Sérgio Buarque is optimistic. He announces that "our revolution" is underway, with the dissolution of the rurally based Iberian complex and the emergence of a new decisive actor: the urban masses. Increasingly numerous, free from the tutelage of local masters, they would no longer request favors, but rights. Instead of the domestic, patriarchal and private community, we would finally found a political community in order to transform, in our way, the friendly man to a citizen.

4

Just six years later, in a dizzying sequence, Caio Prado Jr. publishes *Formação do Brasil contemporâneo* (Formation of Contemporary Brazil), the first major Brazilian historiographical synthesis in almost a hundred years, if counting from Varnhagen. The text definitely reveals our origins as a colonial enterprise, presenting the strong hypothesis that the history of Brazil has a profound meaning: the transformation of this colonial enterprise we were into a nation we will be.

Caio Prado realizes that the colonization of Brazil represented a new problem, since the most known

means of domination throughout human history – the plunder of accumulated wealth, tax collection and unfair trade – did not apply in this land with no precious metals (in the sixteenth century) and inhabited by scattered tribes who lived as in the Neolithic period. Solving the problem required more than thirty years. Finally, a territorial company of great dimension was created, with Portuguese administration, with Dutch and Venetian capital, indigenous and African manpower, technology developed in Cyprus and raw materials from the Azores and Madeira – the sugarcane. These components formed a multinational holding company, powered by slave labor, but governed by economic calculation and the pursuit of profit. All the elements of the country – landscape, fauna, flora and people – had to be destroyed, and then recomposed and remade, in other ways, to support the prosperity of the commercial enterprise.

According to Caio Prado, we were not a nation, and not even a society; we were a territorial company facing outward and controlled from the outside. The "Brazil Co." always worked well: it propitiated good deals and generated a very high profit. The sugar business flourished in the sixteenth and seventeenth centuries, as it was the first good of mass consumption on a global scale, and around which the modern world market was formed. Afterwards, the magnificent business of gold took hold, thanks to which Britain – which never had gold mines – stockpiled the huge reserves that allowed it to create the world's monetary

standard (pound gold), symbol and support of its hegemony in the nineteenth century. From 1840 until well into the twentieth century, the coffee business was very successful, a low-cost, stimulant beverage with easy distribution, it was offered to the working class of Europe and the United States to discipline them for factory work. Moreover, permeating our entire history, the perpetual indebtedness of the "Brazil Co." has always been a stupendous business, induced by its outside controllers.

However, the multi-secular presence of the huge and diverse territorial company gradually created the building blocks of a new nation. "A semi-desert territory was populated; a kind of human life was organized that differed not only from the original one, of the indigenous people and their nations, but also from the Portuguese that undertook the occupation. Something new was created at the level of human achievement (...): a well differentiated and characterized population, even ethnically, living in a specific territory; a particular material structure, formed on the basis of peculiar elements; a social organization defined by specific relations; finally, an awareness, a particular collective mental "attitude" (...) This new historical process was enlarged and still crawls. It still has not expired."

Here is an important key reading to understand the tensions we experience until today: they reflect the clash between the Brazil business-for-others, which we still are, and Brazil nation-for-itself, which we wish to be. Completing this

process, "help it come to an end" – or in the words of Caio Prado, undertake the Brazilian Revolution – is to support the flourishing of the last major nationality of the modern West, a late nationality, whose potential remains largely incubating.

5

Celso Furtado wrote a brilliant synthesis of *Formação econômica do Brasil* (Economic Growth of Brazil), a text that also cites history to show the fundamental challenges of Brazilian modernization in the twentieth century. Like the others, Furtado writes an interpreting essay, a "thoughtful history", from the point of view of the economist with solid humanistic background. He dismisses the idea that Brazil would have belatedly reproduced a feudal type of society. He describes the characteristics of the economic cycles based on the production of primary goods and driven by external demand, pointing out the weaknesses and imbalances arising therefrom. He looks at the regions, studying the cases of decay without transformation. He shows that in our history, repeatedly, the sources of autonomous demand were exports of food, raw materials and minerals, since the internal market had atrophied, leading to a low multiplier effect on income; he shows there was a permanent leakage of wealth to other countries on a large scale. We remain on the periphery of the world-system that gave us birth. How could we get out of this position?

Throughout his work, Furtado says that underdevelopment is a spe-

cific process, which tends to reproduce itself over time. It is not just a transitory stage that would restrict, more or less naturally, the means to overcome it. The strengthening of the internal market, the development of industry and the formation of an endogenous nucleus of creation and dissemination of technical progress – necessary for overcoming our condition – could not result be the result of spontaneous forces. It required a conscious intervention created to produce change. His analysis of how Brazil adopted innovative, pragmatic and effective countercyclical policies during the 1929-1933 crisis – even before these policies had clearly been shaped by the modern economic theory – became a classic. Such policies created a new paradigm, which laid the foundations of our industrialization process. Concluding the process, however, was the great challenge.

Furtado never dissociated knowledge from values, economy from society: "The process of reproducing social inequality exerts a decisive influence on the methods of using oversupply. Therefore, the oversupply composition is mostly a reflection of the system of social domination, which means that without knowledge of the power structures it is impossible to advance in studying the development of the productive forces." Few are the economists capable of conducting such analysis nowadays.

6

The tributaries from different influences – notably Franz Boas, Max Weber, Karl Marx and John M. Keynes, in that order. These four

influential works laid the foundation of modern Brazilian social science and enabled the beginning of a fruitful reinterpretation of Brazil. Working as a backdrop, the developmental cycle was in motion, strengthened by structural (and structuring) processes which drove us, as it was believed at the time, from the past (rural population, agricultural economics, fragmented territory) to the future (urban population, industrial economy, integrated territory). With an awareness of how to discuss ourselves, with our own language, we finally had an identity under construction. Distinguishing past from future, we started to live in an oriented time, the first condition necessary to implement a project. The impasses of the slave Empire and the apathy of the Old Republic were finally over.

We had many other visionary scholars and men of action. Among them, Darcy Ribeiro was perhaps the greatest prophet of Brazilian civilization. He radically reversed the old European arguments against us, stating the advantages of the tropical miscegenation against an alleged temperate and cold purity. He showed how we grindingly succeeded in building a new-people from the human groups that the mercantile capitalism either found in this territory or transplanted to our country. They were originally detribalized indians, de-Europeanised white individuals and de-Africanised black people, and then people from all over the world. He studied the fundamental characteristics of this human contingent, resulting from modernity, the greatest new-people of the modern world. He saw

that these people are also a people-nation, recognizing themselves as such, speaking the same language, inhabiting a well-defined territory and establishing their own State. Based on a broad view of the human adventure, he spoke of a people that is still at the beginning of their own history, and whose identity – for its genesis and pathway – cannot be based on race, religion, imperial vocation, xenophobia or isolationism. A people who found in their culture their only reason to exist.

The composition was almost complete: we were a miscengenerated country; sentimental and cheerful; modern; culturally cannibalistic; open to others and that which was new; eager to develop with several opportunities before us. The past condemned us, but we would be redeemed by the future. The mythical figure of *Macunaíma* and the real person of Garrincha – characters who operated outside the box, who used to do everything the wrong way only to be successful in the end – amused and encouraged us.

7

Thus, we produced between the 1930s and 1960s clear contours of a certain idea of Brazil. It is irrelevant whether this idea was one hundred percent right or wrong from the point of view of an alleged positive science: if it was accurate in detail, if it could explain everything, since the ideological self-representation of a society performs the function of defining values, creating hopes and mobilizing energies. It does not faithfully portray "what exists". At one point in its history, after spending four centuries in a maze, Brazil

recognized itself and discovered an unsuspected potential. It is impossible to overstate the importance of this step. Precisely for this reason it is also impossible to overstate the devastating impact of its deconstruction, given away for nothing.

Contrary to popular belief, our current crisis is not simply an economic crisis. It results, first and foremost, from the progressive loss of the idea of Brazil, replaced by buzzwords of that same ornamental intelligence, which is the futile, farcical, fashion slave, referred to by Sérgio Buarque. Globalization is the fashion of the moment. The only difference from the old days is that knowledge – alas – is no longer imported from Europe, but from the United States. The effect is the same: as a backdrop, negativity and disqualification of who we are and who we may become, now with massive doses of marketing.

The sophisticated debate about our specificity and our ways was delegitimized. Mediocrity was stripped of modesty, once more moving on the scene with astonishing haughtiness, increasingly arrogant and proud of itself. It does not like imagination, quality, invention of new ways; it likes labels, asks for sameness. In the 1990s, from the very mouths of our greatest authorities and even from some of our most influential scholars – particularly economists – we threw out all the previous intellectual effort and we started to recognize the country as “an emerging market”. A deep change in perspective. Until then, even if we were indeed an incomplete and imperfect nation, we had still lived in an ideological universe in which completing it and improving it in one way or another

were our common references. When we started to recognize ourselves only as a market, everything changed. A market is not a place for citizenship, solidarity, sovereignty, identity. It is a space for flows, dominated by competition, where the strongest survive – and that is all.

8

The most remarkable fact in the last 25 years in the history of Brazil is the radical change of the categories that organize and delimit our imagery. Let's go back a little bit. In the early twentieth century, under the influence of positivism, Brazil was said to look, first of all, for civilization and progress, concepts that can now sound naive or misguided but were explicitly linked to a human future: the idea that material progress could be based on a broad social or moral retrogress was unimaginable at that time, since the advances in these various spheres were taken as parallel and complementary. Then, as we have already seen, Brazil started to talk about modernization, formulated as a response to backwardness and poverty; the modernizing effort was only necessary and legitimate because it would eliminate such problems. People, social groups and the national community, with its diversity and complexity, remained the fundamental reference in a debate that never dissociated itself from purpose and destiny.

We are now being crushed by the talk of competitiveness. Not even in the working plan does this concept express any greatness. The predominating thought of ruling elite is that they owe no explana-

tion to anyone. Competitiveness follows the same logic of war: win supremacy over the other, which requires technological progress. A progress of means controlled by a few, which says nothing about the ends. This empty concept of human content, averse to comprehensive social judiciousness, has come to dictate the discourse, sanctioning a desired model for society. It has also come with an additional aggravation at large: financial accumulation - volatile, wily, short-termist, almost always fictitious, inherently speculative, and with huge destructive potential.

Big capital is what is "competitive", the flag-bearer of a rationale to be generalized, without mediation, for society as a whole. On the other hand, applying any other logic - that of the poor, that of non-capitalist agents or simply non-competitive economic agents, that of citizenship, of sovereignty, of culture, of long-term national interests - has all been rendered irrational or unimportant. Such opposing logic should be denounced, humiliated and gradually silenced, since it does not constitute language, but rather noise. It does not express rights, but rather costs; it does not point to other ways of organizing society, but rather to disorder and economic chaos, according to the powerful who consider it a constant threat.

9

In addition to vast culture and intellectual honesty, Gilberto, Sergio, Caio, Celso, Darcy and many others, although aligned to very different theoretical and political theories, even proposing diverse

interpretations, had one key thing in common: they liked Brazil. They wanted from the bottom of their hearts that the country succeed, and they devoted their lives and best efforts to achieve this end. This feeling can be read in every line they wrote, every gesture they made, every word they pronounced. There was generosity in them. And it is there where there has been another important change: evidently, obviously, cynically, almost explicitly, the formulators and promoters of the new hegemonic discourse do not like Brazil. They like business. What we hear from them all the time is that Brazil, as a society, nation and project, is nonsense. It is a thorn in their side. Hope-Brazil became Brazil-risk.

Allotting ever increasing wealth to the richest, who are associated with cultural and consumption patterns increasingly distant from the local reality, as well as condemning most people to a lower standard of living, this option feeds centrifugal forces that break with the historical and socio-cultural ties that the citizens had maintained to some degree. The groups that are in the best position to participate in the world market are increasingly tempted to undo the ties of national solidarity, completely disconnecting from their standard of living, their values, the way in which they identify and invest their wealth, and thereby disconnecting from their own destiny, the standards, values and fate of the country as a whole.

Quotidian facts show how rapidly the foundation of a civilized sociability is weakening among us: a common system of values, roads

for upward social mobility, the idea of a future under construction. The consequences in the long-run are unpredictable. The segments that are eager to be modern at any cost call for the creation of armored institutions and areas of restricted access, where competitiveness, profitability, speed and pragmatism, as well as the lifestyle associated with them, can strut with no barriers. But these institutions and areas remain immersed in a much larger physical and social territory, which contains different people with different needs, multiple behaviors and other problems. It is an illusion to believe that they can undo the ties linking them to the context in which they find themselves.

10

Darcy Ribeiro showed that the first step in the process of submission and destruction of indigenous people was the transformation of the specific indian - the "Gavião", the Urubu-Kaapor, the Xavante, the Bororo, the storyteller, part of a community, inhabitant of a meaningful space - into what he called the "generic indian", a homeless figure, whose "indianess", visible in his body but no longer in his culture, had become a negative sign in the white world, in which the indian has always been inserted in a low position. I believe much of the anguish of Darcy at the end of life was due to the awareness of the situation of the Brazilian people as a whole, under the risk of turning into a generic and unspecific people, whose only choice would be to accept an eternal disadvantaged position, tending to decline in the international system.

This is our greatest challenge, which can be seen from various angles. Using the terminology of Caio Prado, we are witnessing the victory of the Brazil business-of-others perspective over the Brazil nation-for-itself. Thus, a harsh political and cultural struggle is necessary. The alternatives are radical for both sides. There is a bifurcation in the road. The country will have to decide: either accepting to become just a flow space for the international capital, which means being expelled from history, or retaking its construction process on new grounds.

If we choose the second option, we must rediscover the idea of Brazil. Behind the power of the United States there is an idea of the United States. Behind Japan's reconstruction there is an idea of Japan. Behind the European Union there is an idea of Europe. Behind the rise of China there is an idea of China. If we do not reconstruct an idea of Brazil, we will not be able to take any consistent step. (The title of this article, by the way, is taken from General de Gaulle's *Memories*. Officer of the General Staff of the French Army, refused to surrender to the Germans, who at that stage of the war seemed invincible, and was the key player of a spectacular escape to England, from where he led the Resistance. According to the texts he wrote, he did it against all odds, as he had in mind "a certain idea of France", and life under occupation did not fit in it.)

II

The effort of the thinkers who came before us left very valuable starting points. But we must recog-

nize that they spoke about a country that, at least in part, does not exist anymore. Gilberto Freyre's Brazil was based on the large family of the masters' house, an integrating space inside monumental inequality; Sergio Buarque's country had just started the adventure of urbanized development, which intended to join modernity and citizenship; Caio Prado's kept the prospect of national liberation and socialism; Celso Furtado's was a dynamic economy, which experienced accelerated industrial modernization; Darcy Ribeiro - whose idols, as he used to say, were Anísio Teixeira and Cândido Rondon - conceived a country focused on the extension of good quality public schools, and rejected the genocide of the most vulnerable populations.

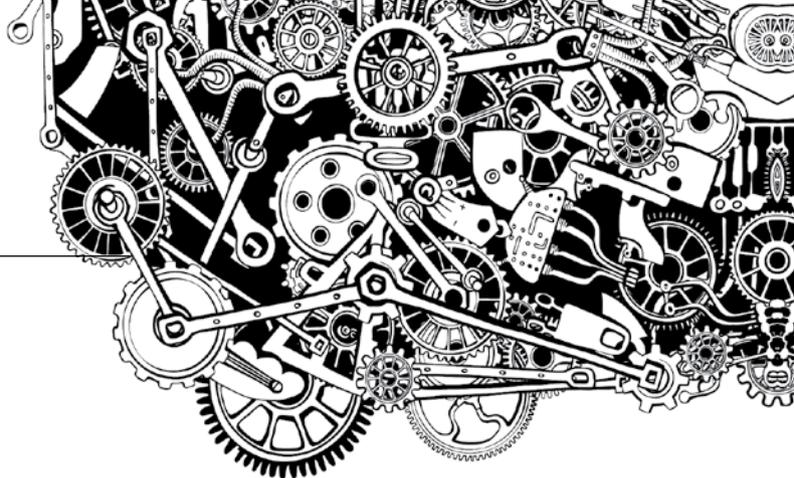
The core elements with which they all worked have changed profoundly in the recent decades. The most dynamic economy in the world, which had doubled its product five times in a row in fifty years, is on its way to experiencing its third decade of creeping development. All mechanisms that ensured social mobility in most of the twentieth century have been ruthlessly dismantled, beginning with the public school. Rapid urbanization has concentrated uprooted multitudes, while the disorganization of the labor market has multiplied exclusion. Hostage of the financial system, the national state no longer complies with its essential structuring functions. The agricultural frontier has been closed, establishing in recently occupied areas a land structure that is even more concentrated than areas of secular occupation. In this urbanized and stagnant society, the

electronic mass media has by far become the main institution to disseminate desires, behaviors and values by daily inoculating a futile lust for inaccessible consumption that is massive and reckless. "There has never been such a big the distance between what we are and what we could be," said Celso Furtado recently, before leaving us.

All of these processes are before us, challenging us, perhaps demanding from us a more arduous analytical effort than that done in the generations of our sages. We do not know to what extent such processes definitely changed the sociological conditions of our existence, and in which direction. We do not have a theory of contemporary Brazil. We are flying blind, immersed in a crisis of destiny, the biggest one being that of our existence. History is looking into our eyes, asking, "So, what are you? What do you want to be? Does Brazil make sense? Which Brazil?"

We have hesitated to tackle such difficult issues, such radical ones. We prefer to play macroeconomics. But the disjunction has been placed: either the Brazilian people, moved by self-awareness, pull in the reins of the nation for the first time in order to retake, reinvent and develop it, or this century will witness the undoing of Brazil. If this really occurs, such an outcome will represent a very hard blow to one of the best promises of Western modernity, as well as setback to the process of civilization for all mankind. The invention of the future will become much more painful for everyone.

"The discourses of those who have seen," said Vieira, "are prophecies" ■



Context Matters

The Role of ICTs for Supporting Democracy in the Southern Hemisphere



Rüdiger Schwarz

Rüdiger Schwarz studied Political Science, Economic and Social History/ Modern History at the Universität Mannheim, the Johns-Hopkins University (JHU) in Baltimore and the School of Advanced International Studies (SAIS) in Washington D.C. He did Internships with the German Institute for International and Security Affairs (SWP) as well as the Armed Forces Staff, German Defense Department, (BMVg). He also worked for the Heidelberg Institute for International Conflict Research (HIK) holding the position of head of the study group on African conflicts during 2005 and 2010. From 2007 to 2012, he worked for the Walter Hallstein-Institute for European Constitutional Law (WHI). Since 2012, he has been acting as project lead for the research department of Global Constitutionalism and the Internet.

To use Information and Communications Technologies (ICTs) for supporting democratic and good governance especially in the Southern Hemisphere seems convincing. Yet in the past, 60–80% of e-government/ e-democracy projects in the non-OECD world, mostly transplants of industrialized, northern contexts partially or totally failed¹. Why has this been the case? To answer this question we need to have a closer look at the relationship between democratic principles (including good governance) and the context in which they are implemented.

My argument is that, while we share an idea – although vague – about the normative concept of democracy, such as government of the people, by the people and for the people, as Abraham Lincoln aptly put it, there is neither a global standard for its implementation, nor do we see anything like universal socio-political context conditions on which democratic systems are built upon. We

share a norm, interpreted in a thousand different ways, implemented in a thousand different contexts.

Should a democratic system entail forms of direct democracy? Should a democratic system be organized in a central or rather in a distributed way? What goals should be prioritized for democratic systems to achieve? Under which socio-political and economic context conditions is a democratic system operating or is supposed to be implemented? Are we talking about a case of established statehood, emerging markets or about a developing country? How to translate democracy in multi-ethnic contexts, where political affiliations often primarily mirror ethnic backgrounds? What are the expectations and, especially, the level of trust citizens have in their respective political system? And to what extent do ICTs presuppose what they are supposed to support. Or in other words, what level of "democratic preconditions" such



as the rule of law have to be already implemented before ICT can make a difference?

When it comes to ICT's potential impact on democracy, there is no alternative than to deal with these questions on an case by case basis.

Yet while the individual case and its specific context must always serve as our point of reference, and while one-fits all approaches of ICTs impact on democracy tell us close to nothing, there is also some conceptual middle ground. It is this middle ground and its practical implications this article is dedicated to.

So what is meant by "conceptual middle ground"? It means that there are groups of countries that share similar socio-political and economic features and thereby also similar starting conditions for the use of ICTs in supporting democracy. One group of countries is referred to as "states of the southern hemisphere".

To determine the role ICTs can play to support democratic principles this article is divided into two parts:

The first part identifies three interrelated characteristics of this heterogeneous group of countries, which are of specific importance for the application of ICTs: (1) poor public infrastructure; (2) loss of trust in any form of public institu-

tions and their governance; (3) rapid diffusion of mobile technology.

The second part then sketches out three "realms" or fields of action where ICTs can have an specific impact on the performance as well as the legitimacy of democratic systems of the southern hemisphere, and which can serve as starting points for specific political programs and actions: (1) internal administrative processes; (2) service delivery; (3) monitorial citizenship.

Context

Claiming that all states of the southern hemisphere share a "homogenous context" is obviously nonsense. What we can say instead is that the majority of these political systems share some of the following characteristics, which are of specific importance for the impact ICTs might have on supporting democracy in these countries. Therefore, ICT applications can specifically help to tackle problems involved in these contexts, given that they are embedded in or part of the right political strategies and actions for which they cannot serve as a surrogate.

Poor public infrastructure

The acceptance of democratic systems depends to a large extent on their output, defined as providing

collective goods and implementing collectively binding rules. A political system might be grounded in democratic processes, but if public institutions and their governance remain invisible to the majority of its citizens or if they cannot deliver services, then it is unlikely that the principle of democracy has any meaning to its people. Sometimes described as “limited statehood” the insufficient presence of state institu-

tions and their poor ability to provide public services are often an everyday reality to people in these states.

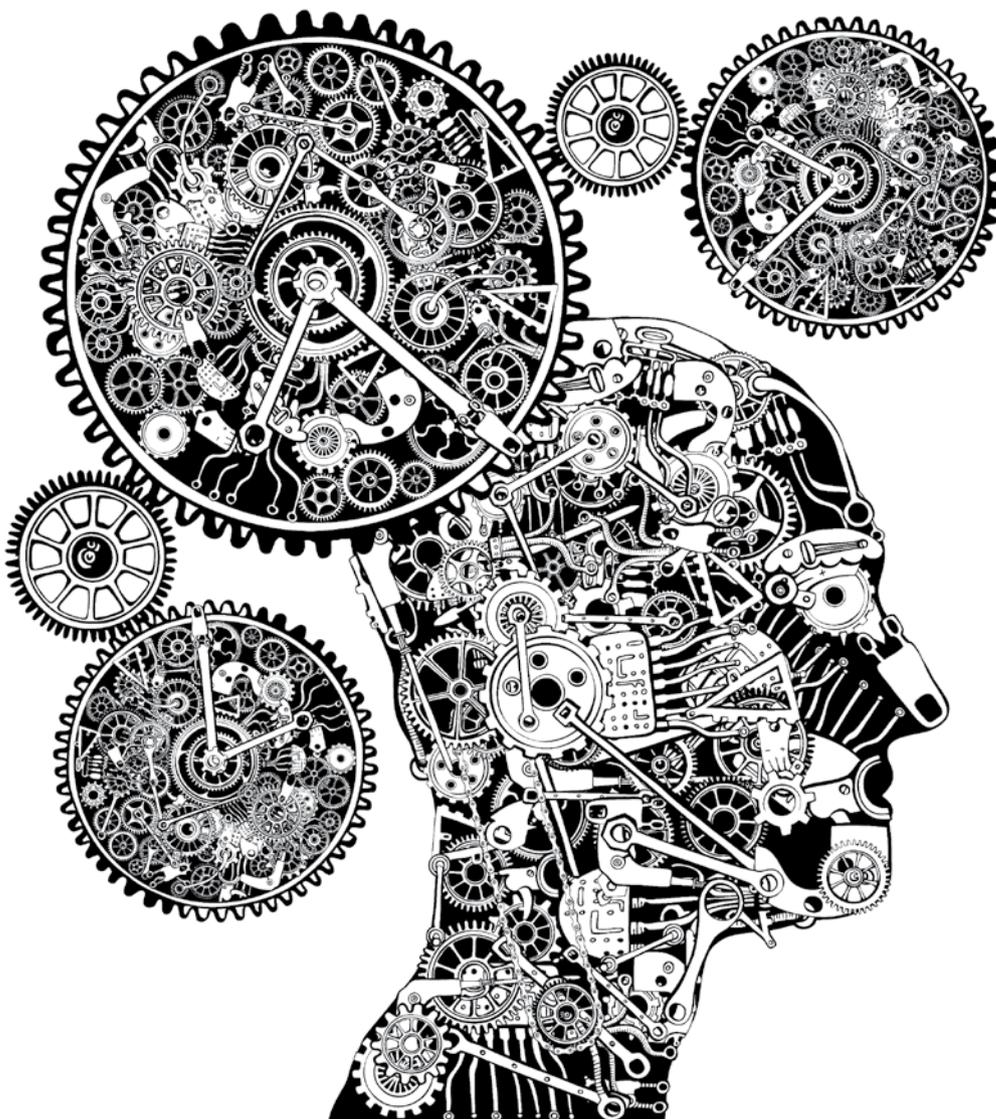
Mistrust

Particularly but not exclusively connected to the limited ability to provide services, a deep mistrust of citizens towards their public institutions often characterizes political systems of the southern hemisphere. On the one hand,

this is due to the inadequate provision of services or to arbitrary/biased enforcement of laws and regulations. On the other hand, this mistrust is also rooted in the non-transparent, opaque and seemingly arbitrary way public institutions often act. Is the government just not providing enough resources for the education system, or are local authorities misusing them? How much public money is provided for local healthcare, and how is this money spent for? If people do not have this information, it is impossible for them to hold their representatives accountable. For many, opaque and arbitrary action of public authorities has been a daily experience for decades, which has led to a deep mistrust in public authorities and actions.

Rapid Diffusion of Mobile Technology

While there has been and will be a Digital Divide between industrialized and nonindustrialized nations, the speed and depth by which mobile technology have made inroads in many states of the southern hemisphere is unparalleled. Until a few years ago, mobile phones served as a status symbol for members of the elite. However, estimations now assume that by 2019 there will be around 930 mio. mobile accounts operational on the African continent (this equates to one per African). In addition, these mobile phones are increasingly succeeded by low cost smartphones, which are expected to increase the Internet penetration rate on the African continent to 50%



within the next decade². This is important because, as we will see, especially in the field of service delivery and monitorial citizenship, the mass diffusion of cell-phones and smartphones is a pivotal precondition for ICTs supporting democratic principles.

Realms for ICTs Specific Impact

Against this backdrop, what precisely can ICTs do to help improve the input as well as output legitimacy of democratic systems? As mentioned above there are three “realms” where ICTs especially can make a difference.

Digitization of Administrative Processes

It is an often undervalued fact that in the past public administrations of the southern hemisphere were much less able to adopt ICTs to support their internal processes and modes of operation than their counterparts in the industrialized world. While public administration in the latter cases often have been computerized and to some extent interconnected on larger scales since the 1960s and 1970s, the situation of many public administrations in the southern hemisphere looks quite different. Here, paper based, non-connected administrative units with little horizontal and vertical interchange of information are often the standard. ICTs and especially the Internet in these contexts are expected to systematically change that practice, enabling a direct shift towards highly digitized and interconnected structures of public institutions.

In addition, there is also hope that the collection of new data and their integrations in the so-called integrated information structures will enable public institutions to better plan and implement fact based policies. Translated into practice, this can result in projects like IFMIS³, a computerized financial management system that the Kenyan government is using to improve the internal administrative organisation of financial management and revenue mobilization of their public administration; or iTax⁴, which is used by the Tanzanian government, serving as an accounting system for state revenues.

lack resources to establish a dense net of outlets or offices throughout their territory. There are two ways ICTs can have a positive impact on this situation: either through dispensing the need for having a physical infrastructure (offices) for delivering services completely, or by enabling the effective combination of physical and digital infrastructure, e.g. through one-stop-shop settings. The first case is particularly feasible when the service sought after is just information. If I want to buy a piece of land and want to be sure that the alleged seller is in fact the rightful owner of

In the Southern Hemisphere, it is a common norm that administrative units are not connected. They are based on paper, with little horizontal and vertical information exchange. The spread of ICTs is expected to change this practice systematically.

Improvement of Service Delivery

In many states of the southern hemisphere the delivery of services by public institutions is inadequate, often in the sense that there are only few physical representations of these public institutions, especially in rural areas. Therefore, just reaching these offices often entails significant costs in terms of time and money (e.g. for travelling long distances for a public administration’s office). At the same time, states often simply

that property, then a digitized land registry with the opportunity to send an inquiry by text message instead of visiting a distanced office to consult the paper records is the way forward.

In cases where the service entails more than information, e.g. issuing a single business permit, identity card or driver’s license, some sort of physical infrastructure however remains needed. But instead of having an administrative office for every single service, their integration in one-

stop-shop centers, where all public services are available in one place, is a resource-saving option. This approach can be combined with digital components in the way that the application process, let's say for a business permit, is done online, while the actual issuing and picking up of the permit happens at the one-stop-shop location. Countries as different as Chile (Chile-Atiende⁵) and Kenya (Huduma⁶) are pursuing such one-stop-shop approaches. This, however, only makes sense if the internal structures and processes of the respective administrative system have already been changed through ICTs. Only when public administrations have digitized their internal procedures and implemented integrated information structures where information is horizontally and vertically interconnected and available to all administrative institutions, can approaches like one-stop centers including their digital components succeed.

Establishment of Trust by Monitorial Citizenship

Referring to the initial definition of democracy, the first two "realms" of ICTs' impact mainly refer to the aspect of "government for the people", or to put it more simply, they refer to the question how ICTs could improve the performance of

public institutions. Yet there is also the question how ICTs could support "government by the people", which in our context means how citizens can play a direct role or have a direct impact on the actions and performances of public institutions. This certainly also entails the question of how ICTs could enable citizens to directly govern themselves without any involvement of state or public institutions or administrations. While it is absolutely legitimate to focus on that aspect, and while there are certainly examples of ICTs enabled forms of self-governance, it would go far beyond the scope of this article to cover with these issues. Therefore, the focus here is on the question how citizens can impact and control actions of public institutions by using ICTs.

As I mentioned in the beginning, there is frequently a deep level of distrust by citizens towards any form of public authority, more often than not for good reason. This mistrust is rooted in experiences of corruption, mismanagement and impunity on the side of public actors. One way to reestablish trust, or better, establish it in the first place, is to provide citizens with the opportunity to "*monitor what powerful institutions do...and demand change when they misbehave*"⁷, as Ethan Zuckerman, the director of MIT's

The impact of ICTs on democracy depends on a wide array of contexts. The application of ICT to support governance requires a case-by-case response.

Center for Civic Media⁸, defines his idea of monitorial citizenship⁹. ICTs offer plenty of technical instruments ranging from applications aimed at providing citizens easily with the information they need to monitor public institutions to technical systems that ensure that their queries or complaints are effectively channeled back into public institutions. That means, e.g., that mobile apps enable me instantly to figure out how much money a county received from central government for education, and based on this information to assess whether this is spent diligently. It also can mean that a citizen's complaint by text message is automatically processed in a way that the responsible institution has to react to this complaint within a set time frame, otherwise the complaint is automatically forwarded to legal authorities.

It entails whistleblower systems to report corruption as well as simple free telephone lines to report misconduct of any public authority. ICTs thereby have the potential to support not only the transparency of political actions, a topic that is often covered, but also to support a balance of (informational) power between citizens and public authorities, which is a prerequisite in establishing trust in public authorities and in the functioning of democratic system in general.

Conclusion

As I suggested in the beginning, there can be no such thing as a general impact of ICTs on democracy, as this (potential) impact is highly dependent on the societal, political and economic contexts in which ICTs are applied. That also means that the question whether and how ICTs can be applied in a specific case to support the principle of democratic governance requires an answer on a case by case basis.

What we can identify instead are groups or clusters of political systems that share to different degree the same context conditions under which ICTs can be deployed. Building upon these shared context conditions we can discover common “realms” of ICTs’ potential impact. As regards states of the southern hemisphere, this article identifies two “realms” in the performance of democratic systems (improvement of internal organization of public institutions and the delivery of public services) and one “realm”

concerning level of trust citizens have in their democratic systems (monitoring citizenship), where ICTs can make a specific difference.

It is thereby important to realize that these different “realms” of ICTs’ impact, though referring to different aspects of the process of democratic systems, are functionally highly interconnected. Any project of improving the provision of public services e.g. by one-stop shop approaches, is doomed to failure if it is built upon a paper based, non connected administrative system.

At the same time, any form of ICT related enhancement of public institutions and their provision of services is unlikely to yield long term results, unless there is a chance for citizens to monitor the actions of these institutions. And monitoring citizenship itself only makes sense if there is something to monitor at all, that means, if the administrative system through the reform of internal processes is at least able (not to be equated with willing) to provide services, what brings us back again to improved performances of public administrations by ICT...

So there is no magic formula per se by which ICTs can support or enable democracy. Yet if we take the trouble to precisely analyze the context, we are likely to discover at least “realms” in specific groups or clusters of states where ICTs have the potential to render political systems more democratic. ■

Notes

1. HEEKS, Richard: *Most e-Government-for-Development Projects fail: How can risks be reduced?*. i-Government Working Paper Series, Institute for Development Policy and Management, Universidade de Manchester, no. 14, 2003; Gartner Symposium/ITxpo (2002); UN World Public Sector Report 2003: E-government at the Crossroads (2003).
2. *The Economist*, 25/04/2015, p. 32.
3. IFMIS stands for Integrated Financial Management Information System. (<http://www.icta.go.ke/integrated-financial-management-information-systems-ifmis/>).
4. iTax stands for integrated Tax Administration System. (<http://www2.gtz.de/dokumente/bib-2011/giz2011-0048en-itax-case-study.pdf>).
5. ChileAtiende is a one-stop shop infrastructure in Chile that offers public services via 206 stationary and 5 mobile outlets, as well as via Internet. (<http://www.chileatiende.cl/>).
6. Quite similar to ChileAtiende, the Kenyan equivalent is called Huduma, the swahili word for “service”, which is supposed to provide a one-stop infrastructure through approx. 50 outlets and via Internet, when the rollout phase will have finished. (<http://www.hudumakenya.go.ke/>).
7. <http://www.ethanzuckerman.com/blog/2014/01/24/promise-tracker-and-monitorial-citizenship/>.
8. <https://www.media.mit.edu/people/ethanz/>.
9. In this respect he also initiated a project called “Promise Tracker”, which is designed to enable citizens via ICT to effectively monitor the implementation (or non-implementation) of promises made by elected officials.

ICT and governance in East Africa

A 2014 Landscape Assessment in Kenya, Uganda and Tanzania



Varyanne Sika

Varyanne Sika works as a governance and technology researcher at iHub Research in Nairobi, Kenya. iHub Research, supports the iHub's overall mission through discovery of uses and approaches to technology in Africa, experimentation towards knowledge creation and sharing insights for improved decision making by technology stakeholders. Varyanne is a social science researcher by training with experience from various development organizations. She is interested in the intersection and interaction between technology and society. She is currently completing her MA in Development Studies at the Institute for Development Studies, University of Nairobi.

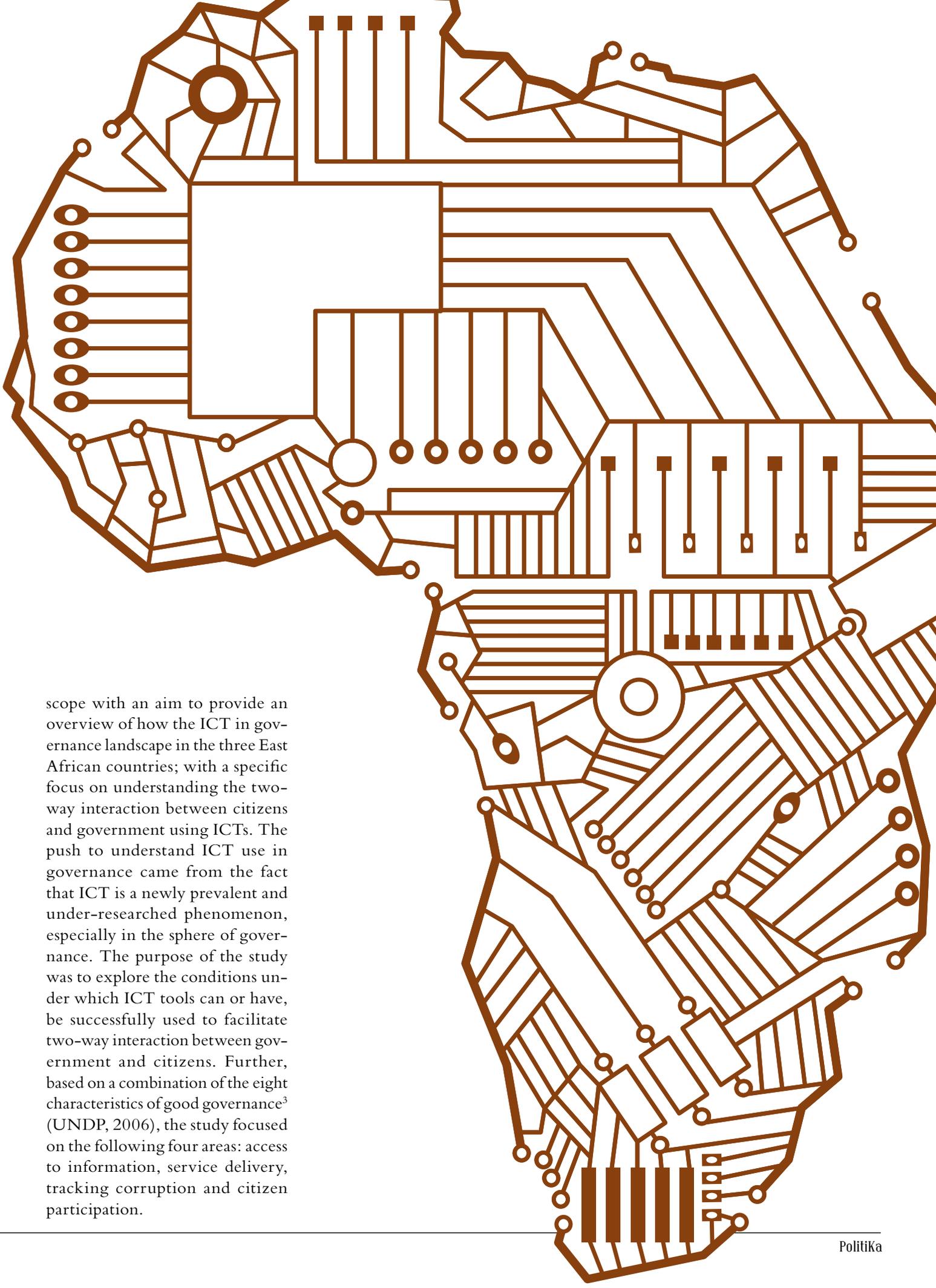
ICTs are often seen as a catalyst for democratic processes, freedom of speech and fraud solution, while e-governance has been said to have the potential to establish an environment for improved service delivery, increased transparency and accountability (OECD 2003; Ndou, 2004; Dawes, 2008; Klopp et al 2013). However, e-governance and many ICT projects in governance result in lower expected returns especially in developing/transitional countries where 35% of e-governance related projects are likely to fail (Heeks, 2003). This failure is attributed to, among other factors, the design-reality gap. The design-reality gap is a physical and cultural one between project design and realities on the ground where implementation occurs (Heeks, 2002). Other factors that lead to the failure of ICT projects in governance and e-governance involve political control of ICT infrastructure (Heeks, 2002).

Limited penetration, lack of strategies and local policies, low financial resources, the high cost for end users, poor IT skills, low usability and political will are often described as reasons for the failure to realize the full potential of ICT. The absence of government strategies to harmonize local, regional and continental ICT networks and policies (Gillwald, 2010; Waema, 2011) is further accompanied by a shortage of technological training and capacity, as well as public officials' resistance to change and technology (Thomas et al, 2010).

Normative ICT literature generally promotes the idea that ICTs, Internet and e-governance platforms facilitate democratization, but lacks evidence of implementation (APC, 2009). Some reports (Bekri et al 2011; Alozie et al 2011) agree that considerable empirical examples are not provided but purely advance the present theory discussions of ICTs in Eastern Africa. Relations of ICT adoptions and

democratic outcomes, for example, Internet penetration and good governance, are frequently put into existing context but rarely supported by evidence. For example, there are some contrasting findings on this issue; Groshek (2009) supports the idea that Internet diffusion has positive impact on democratization, whilst Nesbit et al (2012) found no correlation. In other cases, some authors claim that proper Internet use, rather than penetration may have positive impact on citizens' demand for democratization (Nesbit, 2012). Similarly, citizens believed e-government would reduce bribery cases in a study on citizen perceptions of e-government in Ethiopia, India and Fiji, however, no evidence to support this idea was provided (Singh et al, 2010).

With this in mind, iHub Research¹ undertook a study in 2014 to understand and describe the landscape in Kenya, Uganda and Tanzania in the ICT and governance sector. This study² had a wide

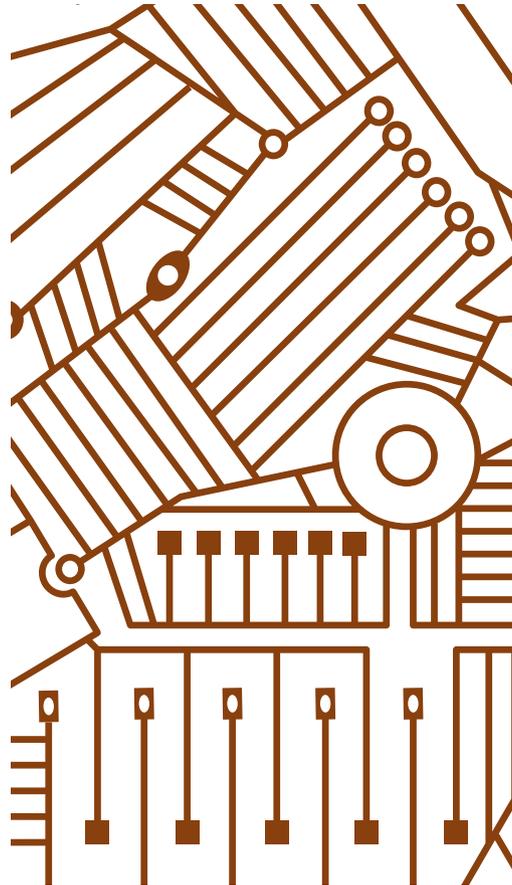


scope with an aim to provide an overview of how the ICT in governance landscape in the three East African countries; with a specific focus on understanding the two-way interaction between citizens and government using ICTs. The push to understand ICT use in governance came from the fact that ICT is a newly prevalent and under-researched phenomenon, especially in the sphere of governance. The purpose of the study was to explore the conditions under which ICT tools can or have, be successfully used to facilitate two-way interaction between government and citizens. Further, based on a combination of the eight characteristics of good governance³ (UNDP, 2006), the study focused on the following four areas: access to information, service delivery, tracking corruption and citizen participation.

Methodological Framework and Study Sites

This study was framed within the first and the third approaches of Garson's (1999) four proposed theoretical frameworks on the ICT use in governance. The first framework is of ICT use in decentralization and democratization and the third theoretical framework emphasizes a continuous two-way interaction between ICTs and the organizational and institutional environment (Yildiz, 2007). The second and fourth approaches proposed by Garson which are excluded in framing this study are the dystopian approach which underlines technology's limitations and contradictions, and the approach in which e-governance is placed within the theories of globalization.

The ICT and Governance in East Africa study was a qualitative audit of the existing ICT tools in governance in Kenya, Uganda and Tanzania. The study also used both primary and secondary data from six study sites⁴ in the region. In Kenya, the study focused on Nairobi and Nakuru. These selections were based on the prominence of ICT initiatives in the two areas. In Uganda, the study focused on Kampala, the capital city, Apac and Lira in northern Uganda, periurban towns which are also postconflict areas, and in Fort-Portal, a periurban town in Western Uganda. In Tanzania, the study focused on Dares-



When citizens do not participate in the initial stages of developing ICT tools, it undermines all subsequent performance and no improvement in governance can occur.

Salaam and Mwanza. A combination of semi-structured interviews and focus group discussions was used to gather data.

When ICTs in Governance Work

Against the backdrop of scarce evidence to back up claims of ICTs being generally beneficial in governance, the iHub Research study⁵ set out to investigate the implementation of ICTs in governance. The cases in which ICTs are successful in promoting citizen participation possess two characteristics:

- i) They involve low cost and non-Internet⁶ based ICTs
- ii) They include physical meet-up of citizens

The success in citizen participation is seen as such through a sustained high frequency of information flow to and from citizens on governance issues. ICT initiatives that were interviewed which possessed these two characteristics were more successful in promoting citizen participation compared to those that did not.

Low cost and non-Internet based ICTs were found to be particularly effective in reach, citizen awareness/action, and sustained use over time. A combination of SMS and community radio, for instance, was found to be rather popular and effective in the three countries by enhancing two-way interaction between citizens and government. Such combina-

tions gain a wider reach of citizen information disbursement, facilitating a wider audience reach and higher response rates.

An example of low cost ICTs in governance found in the study is the use of Short Message Service (SMS) by a radio station to share information related to various public proceedings conducted by their local county assembly, at no cost to the citizens. One radio station (Radio Amani) in Nakuru, Kenya, has witnessed the establishment of listeners' fan groups in different areas of its operation. The radio station itself does not organize the listener fan groups; instead, citizens with interests in different topics, one of which is governance, as discussed and aired on the station, take it upon themselves to meet. These groups listen to the shows together and participate in discussions jointly, reducing the expenses in communication with the radio station to share their opinions. The listener fan groups do more than listening to radio shows and calling in to make joint contributions. They work on income-generating projects together, apply for joint loans for their economic endeavours; they even buy land together in some cases.⁷

In the case of AfyaRadio⁸ in Tanzania, their broadcasts encourage listeners to report incidents of corruption or misappropriation of public utilities. Citizens therefore report cases through the radio station's toll-free numbers, and the station takes it upon itself to follow up accordingly. In instances where no action is taken after making follow ups, the sta-

tion publicly calls out the 'culprits' on air to put a spotlight on their failure to take action. This has induced fear among government officials who do not want their corrupt ways made public. When these incidents of corruption are reduced, citizens are motivated to use ICT tools to report corruption, as their contribution does not go in vain.

Toll-free services have proven to be a motivator of the use of ICTs; the study found that people tend to use ICTs to participate in governance issues more when there are few to no cost implications associated with the tool. Other situations in which ICTs in governance work are those in which navigating basic public services are simplified using ICT, particularly, paying for utilities such as water and electricity.⁹

Limitations of ICTs in Governance

Citizens stated that they only visit governance-related sites that are a priority for their needs at a specific time, and even then, they reported that the websites are clunky and ugly. User experience was not found to be a key factor in the creation of these websites. Participants from the focus group discussions said that the cluttered and user-unfriendliness of websites, particularly those run by government, was especially off-putting. The Kenya Revenue Authority's¹⁰ (KRA) website was highlighted as an example of tools that seem to be designed only for the tech savvy. On the KRA website, obtaining a Personal Iden-

tification Number (PIN) certificate is not a straightforward process; this forces users to go to cyber cafés where there are tech savvy assistants who help users through the process at a cost.

"Those websites are ugly, it discourages me from going beyond the home page, so I don't." – FGD Participant, Nairobi.

The impression made by said 'ugly' and cluttered websites is taken to indicate that government institutions do not in fact take into consideration what the citizens think or have to say. In some cases, citizens felt that even though costs to accessing government services are reduced through ICT tools, some are still unable to meet the costs of accessing these tools. Websites, for instance, are difficult to access for people living in rural areas, in which a majority of East Africa's population resides (IFAD, 2011).

Citizens who are end-users of these ICT tools are often not involved in their development and as a result, many would-be users are not invested in using the tools. Some ICT tools do not address users' priority problems, and user experience seemingly is not taken into account. This lack of inclusion in the initial stages of the development of tools hampers their general usability.

Citizens' perceptions on societal challenges and ICT tools (mis) match

Common challenges faced in society that the focus group discussions participants highlighted

included corruption, (youth) unemployment, insecurity, poor service delivery in education and health, persistent difficulty in communicating with government through its representatives, income inequality, neglect of rural areas, lack of information on what is going on in the government, poor awareness of rights of citizens to participate in governance issues, and perceived indifference by government to citizen complaints and concerns. Other issues that were raised were, poor budgetary allocation, poor infrastructure, environmental issues, illiteracy and generation gap between government officials and most citizens especially given that majority of the population in the three countries are youth and that most government officials are older. From the issues raised by citizens, it would be expected that most governance tools would be focused on the issues that were raised by the citizens. However, there was little indication, from the interviews with the organizations running the tools, that citizen opinions on what constitutes governance priorities informed the establishment of tools.

For a citizen who thinks that the priority areas in governance are those highlighted in the previous paragraph, it is difficult for them to interact with tools that address different areas of governance. This illustrates a design-reality gap in the ICT tools used in governance; citizen consultations do not seem to inform the creation or prioritization of efforts. An example of a design-

reality gap, which led to an initiative being dormant, is the Road Conexion¹¹ application in Uganda, which was developed at a three-day hackathon. This application did not address the priority needs that citizens had, and was eventually halted due to disuse. The developers found out later based on their judgement of the patterns of use of the application, that citizens in Uganda have far more pressing needs than traffic information.

Rights Commission's toll-free number which some of them had used successfully, they knew about U-Report which publishes findings in the national newspapers, UMEME's (Uganda's Power Company) toll-free number as well as the National Water and Sewerage Company's toll-free number. In Tanzania, participants had heard of the Tanzania Revenue Authority's online services, Tanzania Electricity Supply Company (TANESCO)

Planning is not always consistent with local realities. The experiences of users need to be taken into account, which requires time and resources. Success stories should be disclosed and shared, as well as hold real meetings among citizens.

The cases of service delivery and corruption are few exceptions to this finding. Service delivery tools were created mostly out of the need to increase effectiveness, reduce queues and bureaucracies in government processes and access services quickly and efficiently. Both governments and citizens share this need. Most participants were more aware of service delivery tools and initiatives than they were about any other type of tools under consideration for this study.

In Uganda, for instance, participants knew about Huduma¹² which is a new e-Citizen service delivery platform in Kenya, they knew about Uganda Human

mobile payment services for electricity bills, and Dar es Salaam Water and Sewerage Corporation's (DAWASCO) mobile payment service for water bills. Lastly, in Kenya, tools that participants had knowledge of included Huduma and Kenya Power's mobile payment services as well as their Twitter and Facebook customer service accounts.

A major hurdle faced in the deployment and use of ICT tools in governance is a lack of trust in the government, as well as apathy among citizens that is brought about by perceived government failure to respond to complaints or issues raised along various governance lines.

“Why should I bother to report an issue when those that have been reported by others before me have never been addressed?” – FGD Participant in Kampala, Uganda

Citizens who participated in the study indicated a conviction that little to nothing would be done about the problems they report. They believed that if action is hardly ever taken when incidents are reported physically, it’s unlikely that any action will be taken virtually.

“If my going to the office, physical presence, does not inspire the [government] official to act on a problem, how will communication using their websites or Facebook be different?” – FGD Participant in Nairobi, Kenya.

Challenges faced by implementers of ICT tools for governance

Implementers of ICTs in governance experience both internal and external challenges. Internal challenges within the implementing organizations were resource and design-based. Internal challenges formed the larger part of general challenges in implementing ICTs for governance. External challenges presented by factors outside of the implementing organizations were also resource based. The main challenges reported by implementers of ICTs in governance in the study- that is, civil society organizations, government, and developers- include: limited resources to wid-

en the reach of initiatives or address technical challenges, challenges in convincing relevant stakeholders to share their data and keeping data up to date. In cases concerning data collection, financial constraints for grant-based work, one CSO in Tanzania said:

“Governance is not fund based, it (reliance on grants) compromises the continuity of the work we do, but we have no other way to raise money for this project. The government will not give us money to do it, citizens will not pay to participate either.”

Other challenges they face include: limited technical know-how to maximize the potential of some of the ICT and governance initiatives (particularly in social media strategies), limited access to information and limited resources to process information into comprehensible formats for citizens’ easy consumption, low uptake and usage of most of the tools, a lack of user analytics to monitor trend in the use of their tools and initiatives either due to lack of expertise or because of non-prioritization.

Conclusion and Recommendations

Despite the investment in ICTs in Governance by the East African governments, evident in the established policies for ICT and e-Government, the implementation of ICT-related projects in governance has not yet been effective in promoting

two-way interaction between citizens and governments.

The underlying reason for challenges in implementation of ICTs and ICT initiatives in governance is majorly the design-reality gap yet to be effectively addressed by governance stakeholders. This means that decisions on which ICT tools and initiatives to deploy in governance lies squarely with governments and organizations running the initiatives. Since the initiatives are created for the two-way interaction between citizens and government, more successful implementation would be achieved if citizens were involved in the design process. The design process of applications, which are made for citizens, should involve comprehensive needs assessments and user experience design, which require adequate time and resources. Mobile and web applications that are created or developed in competitions such as tech hackathons do speed up the design process such that within a few days or a few weeks, an app is created. The short time taken to create apps in these hackathons does not allow enough time to involve citizens in the design process; the design-reality gap in these apps is therefore maintained.

Low-cost and non-Internet based ICTs are a natural fit for promoting citizen participation in the three East African countries studied, with respect to governance. A big proportion, up to 75% of the East African population lives in rural areas (IFAD, 2011), which, as yet, do

not enjoy extensive ICT infrastructure as the urban areas do. This therefore makes it imperative that ICT initiatives match the infrastructure available and tech-savviness among citizens in rural areas. The high investment of ICTs in governance is informed primarily by the potential and promise of their effectiveness in governance. To meet this potential, investment in ICTs for governance needs to shift from developing the ICT tools themselves, to efforts and strategies that reduce the gap between design and implementation of ICT tools and initiatives.

Based on the study, we draw the following recommendations:

1. The design of ICT initiatives in governance that are meant to facilitate two-way interaction between citizens and government should include the input of citizens who are intended to use them. This can be incorporated through incorporating user experience testing with various sample groups of the target audience for feedback and co-designing.
2. The design process of ICT initiatives for governance should be comprehensive enough to include implementation and monitoring and evaluation (M&E) plans to assess impact and effectiveness.
3. Training the implementers of ICT initiatives in governance should be conducted before implementation actually begins. This training and/or awareness raising should also be extended to the citizens who are the targeted users of the ICT tools or applications for governance.
4. To reduce the rampant reluctance of citizens to interact with government and CSOs, success stories about interaction with government should be shared and supported by stakeholders. Other strategies to address the lack of optimism by citizens in interacting with government should also be explored to encourage more interaction. ICTs in governance should complement and enable good governance practices and not be considered the sole solution to governance problems.
5. CSOs and government ICT initiatives should increasingly share what works and what does not work with ICTs in Governance, not only among themselves but also with citizens. Citizens are locked out of such exchanges despite being important stakeholders in the governance process.
6. Non-Internet based ICTs used in governance, such as mobile phones and radios need to be integrated more in ICT and governance initiatives since they are the most widely used and most accessible to the East African population. While mobile and web applications are useful, they are yet to reach critical mass. Furthermore, for those people that are able to access mobile and web applications, strategies to improve their engagement with these tools need to be developed and deployed.
7. ICTs used in promoting citizen participation should incorporate or encourage physical meetups of the citizens (with other stakeholders) to unpack the governance issues in question. This allows citizens to deepen their understanding and engagement around governance issues faced. Introduction of ICT initiatives without the physical meetup or physical engagement component, is more likely to lead to a disinvestment in the initiative by the citizens over time and could perpetuate the sense of apathy which is a predominant hindrance to citizen participation. However, because of the difficulty in organizing physical meetups, alternative ways which allow citizens to unpack issues on which they are engaging government on need to be established and/or encouraged. ■

References

- ASSOCIATION FOR PROGRESSIVE COMMUNICATION (APC). (2009). ICTs for Democracy: Information and Communication Technologies for the Enhancement of Democracy - with a Focus on Empowerment. SIDA.
- ALOZIE, N. O., AKPAN-OBONG, P., & FOSTER, W. A. (2011). "Sizing up information and communication technologies as agents of political development in sub-Saharan Africa". *Telecommunications Policy*, 35(8), 752-763
- BEKRI, D., DUNN, B., OGUZERTEM, I., SU, Y., & UPRETI, S. (2011). *Harnessing Social Media Tools to Fight Corruption*. Londres: LSE Department of International Development.
- DAWES, S. (2008). "The Evolution and Continuing Challenges of E-Governance". *Public Administration Review*, 68(6): S86-S102.
- GARSON, G. D. (1999). "Information Systems, Politics and Government: Leading Theoretical Perspectives". *Handbook of Public Information Systems*.
- GILLWALD, A. (2010). "The Poverty of ICT Policy, Research, and Practice in Africa". *Information Technologies & International Development*, 6(SE), 79-88.
- GROSHEK, J. (2009). "The Democratic Effects of the internet, 1994 - 2003: A Cross-National Inquiry of 152 Countries". *International Communication Gazette*, 71(3), 115-136.
- HEEKS, R. (2002a). "e-Government in Africa: Promise and practice". *Information Polity*, 7(2/3):97-114.
- HEEKS, R. (2002b). "Information Systems and Developing Countries: Failure, Success, and Local Improvisations". *The Information Society*, 18: 101-112.
- HEEKS, R. (2003). "Most e-Government-for-development projects fail: how can risks be reduced?". i-Government Working Paper Series. IDPM, Universidade de Manchester, RU.
- KLOPP, J. M., MARCELO, E. M., KIRUI, G., & MWANGI, H. (2013). "Negotiating e-politics: Initiating e-government in a municipal council in Kenya". *Information Polity*, 18(1), 21-42.
- NDOU, V. (2004). "E-government for developing countries: Opportunities and challenges". *The Electronic Journal on Information Systems in Developing Countries*, 18(1): 1-24.
- NISBET, E. C., STOYCHEFF, E., & PEARCE, K. E. (2012). "Internet Use and Democratic Demands: A Multinational, Multilevel Model of internet Use and Citizen Attitudes About Democracy". *Journal of Communication*, 62(2), 249-265.
- OCDE (2003). "The e-Government Imperative". Paris: OECD Publications Service.
- SINGH, G., PATHAK, R. D., NAZ, R., & BELWAL, R. (2010). "E-Governance for Improved Public Sector Service Delivery in India, Ethiopia and Fiji". *International Journal of Public Sector Management*, 23(3), 254-275.
- THOMAS, C., SAMUELS, D., KANU, M., & MBARIKA, V. W. (2010). "Facilitating Better Governance Through E-Government Initiatives: Successful Cases in Sub-Saharan Africa". *International Journal of Business & Public Administration*, 7(1), 71-85.
- UNDP, United Nations Development Programme (2006). Definition of basic concepts and terminologies in governance and public administration Note by the Secretariat.* Disponível em <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan022332.pdf>
- WAEMA, T. M. (2011). "Summary of Findings and e-Local Governance Roadmap". In: E. O. Adera (org.), *Local Governance and ICTs in Africa: Case Studies and Guidelines for Implementation and Evaluation* (p. 280-313). IDRC: Pam-bazuka Press.
- YILDIZ, M. "E-Government Research: Reviewing the Literature, Limitations and Ways forward". *Government Information Quarterly*, 24, 646-665 (2007).

Notes

1. iHub Research supports the iHub's overall mission through discovery of uses and approaches to technology in Africa, experimentation towards knowledge creation, and sharing insights for improved decision making by technology stakeholders. (<http://www.ihub.co.ke/research/about>)
2. The ICT and Governance in East Africa study was made possible through the generous support of the Swedish International Development Cooperation Agency (SIDA) to the ICT4Democracy East Africa Network. iHub Research was also supported by the ICT4Democracy East Africa.
3. Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law.
4. Detailed description of the study sites can be found on the ihub blog at the address: <http://community.ihub.co.ke/blogs/19497>
5. The full report can be found on <http://community.ihub.co.ke/static/ict4gov>
6. Non-Internet based ICTs are those that do not require Internet connectivity to operate. Examples of non-Internet based ICTs are feature phones and radio.
7. More examples can be found in the ICT and Governance in East Africa report, *ibid*.
8. More examples and descriptions of the various initiatives assessed can be found in the study report (available for free download), in the section "Theme Specific Findings" pg 17-28. <http://community.ihub.co.ke/static/ict4gov>
9. *Ibid*.
10. Kenya Revenue Authority: <http://www.kra.go.ke/>.
11. Road Conexion is a stalled mobile phone (Android) application, which was meant to monitor road traffic and inform drivers with traffic news.
12. <http://www.hudumakenya.go.ke/>.



Manfred Nitsch

Democracy, religion and economics in Latin America

Since 1977, Manfred Nitsch has been a professor of Economics at the Free University of Berlin and its Institute for Latin American Studies (emeritus since 2005). His studies have included economics, business administration, education and languages from Goettingen, Geneva (Switzerland), Middlebury Vt. (USA) and Munich. His research areas include development banking and microfinance, pension reform, monetary Keynesianism, biofuels, Amazonian studies and international economics. His Brazilian doctoral alumni include various university professors, such as Francisco de Assis Costa and Indio Campos at UFPA; Carlos Alberto dos Santos, former Technical Director of SEBRAE; and Helmut Schwarzer, Secretary at the Ministry of Social Welfare under Lula, then at OIT in Geneva, and afterwards Secretary at the Ministry of Social Development and Fight against Hunger. This interview was conducted by Paulo Bracarense, a professor at UFPR, former Secretary of Labour of Curitiba, former Director of the Ministry of Science, Technology and Innovation and member of the Editorial Board of *Politika*. Nitsch was his mentor in the Master of Public Policy in the joint program of the Humboldt University of Berlin and the European University Viadrina Frankfurt (Oder).

Politika | First, we would like to thank you for contributing to Politika magazine, which has dedicated this issue to the 30th anniversary of the return of democracy to Brazil. We would like your opinion of the history of the Brazilian development process, a process that you were personally and intellectually engaged with. You were born in 1940 in the beautiful region of the Harz Mountains and graduated there in Lower Saxony in the middle of the conflicts of World War II. This period was followed by the very first years of democratic life in Germany after the end of the war in 1945. Your region had belonged to British Zone of the Allied occupation of Germany until 1948, when it became a definite part of West Germany. Do you think it is possible, despite the historic differences, to construct a parallel between the feelings of a young German in the very first years of the democratization process and the young Brazilian in the following years during the end of the military regime in Brazil, let's say during a period of ten years until adulthood?

MANFRED NITSCH | Fortunately, compared with the Nazi regime in Germany, the military regime in Brazil was much milder. The country Hitler left behind was the result of the war and the

Holocaust, with millions of dead, refugees and ruined cities. My small town, Bad Harzburg, a resort with hotels, had been converted in a hospital during the war with red crosses over the facades. Its streets were populated by thousands of soldiers and civilians without legs or arms, and all the houses were occupied by poor, homeless refugees from the eastern provinces of Germany, which were annexed by Russia and Poland. Other cities in the central part of Germany were occupied by the Soviet Union and then formed the German Democratic Republic. It is impossible to compare the two situations.

But in seeking any parallels, I do see something regarding human rights. Both the military and the moral defeat of the murderous racism of the Nazis were exclusive in Germany. That had made me sensitive to all forms of discrimination. But this defeat was also the basis for the Declaration of Human Rights at the United Nations in 1948. The universalization of these standards certainly contributed to the fight against authoritarianism in all parts

of the world, and in that sense, it also served to advance the democratization of Brazil after the military regime. The conversion of submissive and humble, but also of the colonels, the powerful and the aristocrats into citizens according to the Constitution of 1988, sometimes referred to as “citizen constitution,” remotely resembles my experience as a “re-educated” youth in the British Zone. Educators and teachers were all openly anti-Nazi, even though their biographies often presented critical points on which they did not want to discuss. It may be that we have yet another parallel with Brazil and other countries with authoritarian regimes: people who were not explicitly victims preferred to stay silent, because in one way or another, they had collaborated with the former regime and benefited from it.

PolitiKa | Your Fulbright scholarship program at Middlebury College in Vermont between 1962 and 1963 was certainly a very enriching experience for a young university student, just over twenty years old. Despite the difficulty of a German student in understanding the rigid and “ridiculous” rules of the time, according to your recent letter to Dr. Laurie L. Patton, who shall assume the presidency of Middlebury College as of July 2015. It was during a time that was full of conflict in the world: In April 1961, there was the attempted invasion of the Bay of Pigs in Cuba, and in August of that same year the Berlin Wall was erected. In 1962, living in Middlebury, you followed the missile crisis with Cuba and the Soviet Union. At that time, the



I closely followed the debates of the Second Vatican Council. It resulted in the peace between the Catholic Church and liberal democracy, religious freedom, market economy and universal human rights. “

United States was still getting over McCarthyism and, as a result of the Cold War, the country was preparing military coups in Latin America that would have as its hallmark Brazil in 1964. How did this American experience influence your choice for Latin American studies? At what point was there an understanding the role of the United States in the military coups throughout the region and later in the policy for South American, in particular for developing the economies of the South American countries?

MANFRED NITSCH | I studied in Vermont in New England in the United States, where John F. Kennedy, from Boston was a hero. His “New Frontier” and its “Alliance for Progress”, his “Peace Corps” and his defence of democratic freedom in Berlin - “Ich bin ein Berliner!” [I am a Berliner!] were the most important impressions at the time. It was first the Vietnam War that changed the image of the United States, in my eyes as part of the “Generation of 68” in which I include myself in general. But in Middlebury at the time of the Cuban Missile Crisis, I felt certain shock when friends of my fraternity brothers were enthusiastic about a war against the “fucking communists”, without the slightest idea of what was meant by “war”.

It was the Middlebury economics courses and the subsequent stay in Colombia, with a brief spell in the Brazilian Amazon in the fall of 1963, just a few months before the coup in March, 1964, that led me to Latin American studies. It was studying in Geneva in 1960-1961 – at the time there was a great wave of

decolonization, with many armed conflicts in colonial empires, but there was also the declaration of the First United Nations Development Decade – when I had decided that I wanted to dedicate myself to the theme of “development” both in my studies and in my professional career.

It seems to me that the 1964 coup in Brazil was primarily a consequence of what is presented internationally as the “chaos” of the Goulart administration, or, rather, of the social conflicts and domestic politics. Indeed, the interests and activities of the United States were on the side of the military and the groups that supported the coup, but I have my doubts as to how decisive it was to the success of the coup.

PolitiKa | After starting your university studies in economics, pedagogy and languages in 1959, having passed through Spain and Switzerland, you returned back to Germany in 1961 to study at the University of Munich, where you remained until 1968 – except for a year in the Americas in 1962-1963. In 1961-1962, you accompanied the preparations and the opening of the Second Vatican Council (1962-1965) of Pope John XXIII. At that time, you also began at the University of Munich with the then- liberal Joseph Ratzinger as professor of theology (1963-1966), who would become the conservative Pope Benedict XVI. Ratzinger had as a protégé the friar and Brazilian theologian Leonardo Boff, who was one of the great expressions of liberation theology in Latin America. Do you agree with the statement of Professor Gerd-Rainer Horn of the Institute of Political Studies in Paris that the seeds of liberation theology

would have just been produced at the end of the 1960s in Europe, together with important contributions from Jon Sobrino of Spain and Joseph Comblin of Belgium? What is the influence of the Catholic Church in the course of the democratization process in Brazil, recalling your role in building the Workers’ Party in the late 1970s?

MANFRED NITSCH | Baptized a Lutheran Protestant in northern Germany, although without much piety in the family, and as I mentioned, “re-educated” by antifascists under the tutelage of the British, I found myself in Munich, the capital of Bavaria in the southern Catholic Germany, as if I were in another country, when considering the customs of the popular and official religion. Processions and other manifestations of the old social doctrine of the Church seemed to me closer to fascism – much as I had just experienced in the Spain of Francisco Franco during a two-month internship at a factory near Barcelona in 1961. Then in Middlebury I had encountered some reservations against Kennedy for being Catholic, as well as for suspected “ultramontanist” affiliations, that is pro-Vatican and even fascists.

So aware and curious, I closely followed the discussions and debates on the Second Vatican Council, and for me the famous “Aggiornamento” initiated by Pope John XXIII resulted in the peace between the Catholic Church and liberal democracy (abandoning of the Stato Corporativo of Mussolini and Franco as an ideal), which included religious freedom (abandoning the union between



I have been confronted with both lines of Catholicism in Latin American: that of the right, the Opus Dei-type, and the representatives and defenders Liberation Theology, condemned to theological ostracism by the Vatican. “

the state and the Catholic Church and a partial recognition of other religions and other Christian churches), the market economy (abandoning corporatism) and universal human rights (partially abandoning of insistence on divine natural rights over human rights).

However, this view was quite Eurocentric or North Atlantic, because in Latin America the old social doctrine, which was obviously obsolete, was put “on the agenda” with an *aggiornamento sui generis*, meaning, liberation theology. I do not know well the mentioned authors, but throughout my career I have been confronted with both lines of Latin American Catholicism: the right kind of *Opus Dei*, which defends of the privileges of the rich and powerful; and the poor, fatalism that everything is as it is because “it was God’s will”. On the other hand, the representatives and advocates of liberation theology have tended to speak of “fight” and “us” against “them” to use a Marxist vocabulary, often praising the Cuban model. They were thereby persecuted as “communists” in their respective countries and theologically ostracized by the Vatican. However, grassroots organizations and defenders of indigenous people, land reform, women’s advocacy and children, other initiatives of local and regional clergy, as well as the general spirit against authoritarianism and in favour of human rights and civic, led to an almost natural alliance between secular international unionism, whose exponent was Lula and the Brazilian social movements, many of which operated under the church’s umbrella without necessarily being Catholics.

Betinho, with his program, stands out as an important figure to unite the progressive forces under the banner of “citizenship”, which today manifests itself in slogans with words such as “for all”, “nobody” or “universal”. Society as a whole must fight hunger, poverty and racism, and for the well-being and human dignity. For some, the left has made peace with capitalism, abandoning the “fight” that would be required, while others insist that this fight must and can be done within the essentially liberal framework of the Constitution of 1988.

PolitiKa | You open the chapter “Tropical Capitalism versus citizenship” from the book *O Brasil não é mais aquele: mudanças sociais após a democratização* (Brazil is no longer that other one: social change after democratization), organized by Angela Maria d’Incao in 2001, stating that around the period “close to governments Fernando Henrique Cardoso, the normative collective model of the lower classes, as well as the government’s official discourse, went from a tropical authoritarian capitalism to a modern vision of citizenship and democracy with its multiple dimensions: economic, social and political”. It had been fifteen years after the election of Tancredo Neves and Jose Sarney. Do you believe that the democratization process in Brazil had already been established? How were these economic, social and political advances seen from the standpoint of European observers, particularly the Germans?

MANFRED NITSCH | Ultimately, with the presidencies of FHC and Lula (both of whom had high regards and international prestige even before assuming office), Brazil has been generally viewed as a country with a

functioning democracy. The turmoil of 2013 and 2014 and the serious corruption scandals have been noticed and commented; however, compared to other Latin American nations and the world at large, Brazil is still well-regarded and respected. The few posters calling for military intervention in recent demonstrations have been noted and interpreted as expressions of the freedom of opinion, but the same call was not taken seriously by commentators.

PolitiKa | In the same article, you point out that, despite these advances already achieved by the democratic process following the military dictatorship from 1964 until 1985, “the old elitism” was not dead. The *ancien régime* still survived subcutaneously in the right, in the form of patronage, vote rigging, cliques, favouritism[...] etc., which has so often been analysed, criticized and apparently banned, but in fact it was never fully addressed and overcome by the left and by enlightened liberals.” In 2003 the government of the Brazilian Social Democratic Party (PSDB) lost the elections to the Workers Party (PT). In your opinion, has the construction of democracy over this new 15-year period with the PT running the country overcome, to some extent, the main features of what you described as *ancien régime* of the right?

MANFRED NITSCH | There are still certainly remnants of the *ancien régime*, but I have the impression that, in terms of human rights, Brazil has advanced under PT leadership. Even the way in which corruption has been dealt with can be seen as the advancement of justice and citizenship, because the typical example of the old corporatism was, and still is, impunity.

PolitiKa | Going back a bit to the issue of religious social doctrine and your connection with the current process of democratization of Brazil. In your article published in 2013, *Deus é brasileiro? Reflexões atuais sobre 50 anos de encontros com o Brasil - e com diversas doutrinas sociais religiosas* (Is God Brazilian? Current reflections on 50 years of encounters with Brazil - and with various religious social doctrines), you mention that, because of profound popular religiosity, a gap in the Catholic religious superstructure has opened up the way for a kind of charismatic Marianism to other religions, such as established Protestant Christian churches, Pentecostal and Evangelical, among others. A remarkable fact in current Brazilian politics is the strong growth of the evangelical churches, in particular those of Pentecostal nature. Its influence can be seen in the election results at all levels, in the agenda of state-building and behaviour of citizens. Topics such as abortion, sexual orientation and even in scientific development, stem cell studies are discussed under the light of a certain "religiosity". This phenomenon is not exclusive to Brazil in Latin American. In your opinion, is there any possibility of the region moving towards a policy of "reactionary fundamentalism"?

MANFRED NITSCH | It is truly amazing for a German Lutheran – of a liberal environ that has always been more on the side of the secular "Enlightenment" than Catholics – that "Protestantism" and "evangelical" can be words found next to a "reactionary fundamentalism". My explanation is Pan-American: in the United States, the pilgrim fathers had already taken an evangelical fundamentalism and a destination to find a promised land and build a new world away from the intrigues and conflicts of old Europe.

A little isolated and faithful to the words of the Bible, they became fundamentalists, but very different from Catholic fundamentalism, because they assimilated to an important feature of the doctrine of the Swiss reformer Calvin: the defence of the free market and enrichment – always held within rigid moral honesty.

Its entry into Latin America reflects the gaps in Catholicism already discussed: both the Right and Leftist Catholics have fundamental problems with liberalism. Even Pope Francis writes "this economy kills" in his recent Apostolic Letter, and he does not speak of excesses, but of the global dominance of liberal economy. In contrast, evangelicals often preach a popular Calvinism, if not sometimes vulgar, because whomever pays the church more most certainly reaches paradise, promising divine blessing for economic and social progress. Denounced as "prosperity theology", this kind of religion corresponds perfectly to the wishes of the people and everyday life at the mall, at school and in companies and public administrations. However, in the political and social movements, they are generally more conservative than Catholics, going against the principles of citizen equality, women's rights, religious freedom and the fight against discrimination of homosexuals and other minorities.

Another gap left by the Catholic Church can be seen in the difficulty of the clergy with traditional popular religiosity. The two wings of Catholicism have problems with the *aggiornamento* of cult worship of saints, of ceremonies, the church and family festivities and the discourse to

create a community of believers, if people's beliefs diverge too much. Instead, Evangelicals and Pentecostals, as "newbies" without divergent traditions in their localities and communities, can offer both a modern view of economics and liberal policy to a more homogeneous community of believers with strong common beliefs. Finally, it emphasizes that the biggest trend in the current regulations of Brazil is probably secularism. In my article *Is God Brazilian?*, I defend the thesis that Brazil is the most advanced country in the process of assuming and accepting within the collective superego (almost "God"), human rights and other universal standards of the United Nations.

Within this context I would like to add that my answer to your first question about the end of the Hitler dictatorship and the reconstruction of democracy with a reflection on religion. Since the very beginning, the politically and economically liberal order of the Federal Republic of Germany, the "social market economy" of West Germany, was blessed by both churches with much, much emphasis. Both the Catholic Church, with its bias for fascism, and the Protestant churches, where there was even a strong wing in favour of openly supporting Hitler as a saviour, there was a deep sense of shame, because the traditional Christian anti-Judaism of both churches had obviously been the important seed for barbaric and murderous anti-Semitism of the Nazis.

On the side of constitutional politics, the Christian Democratic Union (CDU - Christlich-Demokratische Union) of Konrad



Latin American Catholicism could use a dose of Calvinism to compete with the evangelicals, but also to support, legitimize and even bless the yearning of the lower classes to get out of poverty and not be the object of charity.

Adenauer then took the hegemony for most of the political life of Germany, from the post-war to today with Angela Merkel. Also the “social market economy” – on the national level as the fundamentally liberal order and on the level of the “Western world” and globally – received the explicit or implicit blessing not only by the Protestants constantly beside Calvinism, but also by the Catholic Church.

So I’m always extremely irritated when the liberal order in Latin American, both politically and constitutionally as well as socio-economically, is often fundamentally attacked by the Catholic authorities, whether it be as defenders of the privileged according to the old Church’s social doctrine, or defenders of “the poor”. The complaint that this order that is formally established and lived daily is “inhuman” or is an order “that kills”, leaving the police, judicial, political and administrative authorities who defend this order morally defenceless, and therefore open to corruption and violence. It seems to me that the Latin American Catholicism could use a dose of Calvinism to compete with the evangelicals, but also to support, legitimize and even bless the yearning of the lower classes to get out of poverty and not be “poor”, the object of charity and special attention, the sheep following “pastors”.

PolitiKa | In your recent article for the SEBRAE, *Garantias de crédito para micro e pequenas empresas – Experiências com sistemas entre autoajuda, fomento público e parcerias público-privadas* (Credit guarantees for small and micro companies - Experiences with systems of self-help,

public promotion and public-private partnerships), you establish what is called the “basic triangle between lender, borrower and guarantor”. The basic idea is that there has always been credit and obligations, or debt between people, in human societies, and that there may have always existed a third element that gave collateral or guarantees, so that the lender or financier would be protected from the risk of losing money in the event the debtor could not or did not want to pay. In May 2015, Brazil hosted Muhammad Yunus, Nobel Peace Prize Laureate of 2006 for his fight against poverty in Bangladesh through micro-credit for the poor by creating the Grameen Bank, for several rounds of conferences, particularly in universities. He said that the bank lends nearly \$ 5 billion a year and currently has about 8 million customers, of which 97% are women. Do you believe that Yunus’s proposal may serve as an instrument for democratic consolidation in Brazil, where there is one of the worst income distributions in the world, according to the Gini index, or do you think it would only serve to strengthen the policies for mitigating poverty?

MANFRED NITSCH | Yunus is an amazing person and a great advocate of microfinance; the Nobel Peace Prize (not the Prize for Economics!) for him and his Grameen Bank is well justified. In the modern world, access to the formal financial system is not yet, but should be “normal” for all people of the world, but traditionally there are high mental, cultural and cost barriers inhibiting the use of financial services. With all the electronic digitalization in recent decades, the costs of this type of business has fallen so dramatically that it seems to me that much of the “noise” around microfinance is due to the technological progress. The concept of the Grameen Bank of Yunus was innovative in three respects: first, mutual trust between



There is a good capitalism. There are excesses and repairable shortcomings of the market economy that inhibit a better result. Money is something symbolic that becomes diabolic when it is not well regulated and well monitored.

the poor people as honest customers and the bank as saving administrator and a reliable service when credit is needed; second, women as individual clients and as members of groups outside of her family background, while aligned with the family and the community – a very difficult question in the Islamic environment and beyond; third, credit as a business and not as charity or usury, meaning credit with reliable conditions that cover costs and include a certain return on invested capital.

So to a large extent, formal microcredit has not been a source of additional capital, but has replaced the informal moneylender, more a less a loan shark, to finance consumption or investment; therefore, its role in starting new businesses or additional investments should not be exaggerated. If any “poverty alleviation” can be achieved at all, it will be an important advance. Whether too high or low, the cost of credit always occupies a very modest place in the cost-benefit analysis of people, regardless of social class. Access is important; but compared to introducing infrastructure, local roads, electricity or water, access to the financial system is not a panacea to overcome poverty, but it is just one dimension among others.

Yunus is also a genius of public relations, and when his basic concept lost originality, because the commercial approach to microfinance became dominant opinion, he began to propagate the “social business”, a kind of a company or association similar to OSIP’s in Brazil: profitability as a company, but without maximizing returns and altruism as an NGO, but without donations. I think there is a niche for this, but to alleviate poverty or to overcome the poor

distribution of national or global income, it does not have the mass appeal it could due to macroeconomic impacts. I find SEBRAE’s focus more convincing, that is, the vision of honest, law-abiding and environmentally responsible entrepreneurs who are fair to their employees and partners. Document simplification, access to basic banking services and technical support for innovations are typical instruments of this approach.

Altruism and social engagement are always welcome, but for the majority of companies and people it is enough to comply with prevailing ethical standards, giving space to make money and increase the company, and thereby helping the underprivileged out of poverty and to become political and economic citizens.

Politika | On your agenda for Brazil there is a clear concern with the issue of sustainability and its three pillars of economic, social and environmental development. Your articles on the Amazon, your contribution in SEBRAE’s participation in Rio + 20, and the discussions on the energy matrix – particularly the Brazilian policy regarding ethanol production – reveal what might be called a concern for the “ecological question”. In a recent publication, with an English translation entitled “The Good Society without Growth”, Professor Reinhard Loske, former deputy of the German Green Party, questions the need for companies to have economic growth as a paradigm. He goes on to question “Why green growth is not enough?” claiming that even sustainable growth will not be enough when there is a world population of 9 billion people by 2050. How do you see the development of a democratic society in Brazil, where a change in the means of production and consumption patterns seem necessary,

without jeopardizing the most disadvantaged in an proposal similar to that of Loske?

MANFRED NITSCH | The Gross Domestic Product (GDP) is the sum of the net monetary value of all purchases and sales, consumption, investment, exports and imports, and tax payments and contributions to the state within a certain area. With the advancement of technology, the range and price of products changes constantly; and in recent decades, or even in recent centuries, there has been a vast increase in the productivity of human labour and therefore in per capita income worldwide. This growth was undoubtedly based on the exploitation of natural resources and the pollution of the atmosphere and oceans. Since the creativity of homo sapiens is not going away, and neither is money, we will also have in the future something like GDP per capita; however, the way this sum will increase or decrease, either nominally or in real terms, will depend, among other things, on the environmental services will be monetized. There may finally come the time when there is a call to include ecologically friendly prices on monetary markets, which means higher prices for goods and services that are currently undervalued. This would lead us to “beautifully” green growth. Reinhard Loske covers dirty growth very well, of the “business as usual” type, and certainly we should all live with less pollution and waste – which means with less GDP. The allegation that the poor would be “jeopardised” by the introduction of economic instruments for greening seems to me yet another discourse of the

privileged who do not want to jeopardize their pool and private car.

A critical look at the production processes and consumption patterns must always occur, from both an ecological point of view as well as a social one. Our first studies on ethanol as fuel already date back to the 1980s, and still today it is the rule that edible calories are always the noblest and monetarily more expensive than in the form of fuel. Except for short extraordinary fluctuations in international oil and sugar prices, it has always been more economical to export sugar and import oil or gasoline than to use edible cane juice for ethanol as fuel. The subsidy for the sugar and alcohol industry and for the owners of individual cars has been and is still paid by consumers and Brazilian taxpayers.

In the Amazon, I participate in the G7 Pilot Program for the Conservation of Tropical Forest in Brazil (PPG7) as a member of the International Advisory Group (IAG). It was almost impossible to overcome the doctrine – just as colonial today as it was in the past – that there is a “frontier” beyond which there is “enormous wealth” to be conquered by pioneers through deforestation and colonization. The Constitution of 1988 defines the rainforest as “national heritage”, yet it does not prohibit the destruction or conversion of their land to pasture or plantation. With recent droughts and other climate vagaries, there is now a little more knowledge spread about the value of the environmental services rendered by the Amazon and Atlantic forests, as well as the very high risks for all of South America and beyond if the

deforestation does not stop – although the exhaustive culture continues. The international efforts to monetize and pay for this service, such as REDD (Reduction of Emissions from Deforestation and Degradation of Forests) and carbon trading markets is slow and complicated.

I am quite pessimistic about the preservation without a courageous turn in the environmental and agricultural-forestry policy of the federal government and also of state and local governments in the Amazon region. Environmental NGOs and indigenous people do a good job, but the slogan of the campaign against the “internationalization of the Amazon” makes it difficult to gain international support and also makes it difficult to clarify the truly international and global aspects of climate functions that the Brazilian rainforests have for the planet.

PolitiKa | Finally, three easy questions to pose: Is there such a thing as “good capitalism” and “bad capitalism”? Is money an evil phenomenon? Is God really Brazilian?

MANFRED NITSCH | (1) Yes, there is a good capitalism. There are excesses and repairable shortcomings of the market economy (“bad capitalism”) that inhibit a better result. Economic “paradise” does not exist. (2) Money is something symbolic that becomes diabolic when it is not well regulated and well monitored. Demonizing the monetary economy as such means allowing corruption and violence against the representatives of liberal orders. (3) Of course he is! ■

www.tvjoaomangabeira.org.br

ACCESS THE WEB TV WATCH IN REAL TIME

.Training School Miguel Arraes

.Socialist Memory Center

.Courses

.Seminars

.Workshops

.Events

.Conferences

.Debates





**"Whenever we've got references in History,
surely we've got a future."**

EDUARDO CAMPOS
Speech at Transport Forum
Recife, 2008

**"We don't confine ourselves to worship our
ancestries, however, we try to move forward
the immortal flame that spirited us."**

ARIANO SUASSUNA
Speech at Brazilian Academy of Letters
Rio de Janeiro, 1990



**"We keep from the past what help us increase
our perspectives, projecting them right up to
the future."**

MIGUEL ARRAES
Pernambuco governor's speech
Recife, 1963



WWW.MEMORIASOCIALISTA.COM.BR

**WELCOME TO THE PLACE WITH MORE THAN 12 THOUSAND HISTORICAL RECORDS OF
PARTIDO SOCIALISTA BRASILEIRO (BRAZILIAN SOCIALIST PARTY), THAT KEEPS
THE FIGHT FOR DEMOCRATIC SOCIALISM ALIVE.**