Brazilian social policy in times of crisis: on the road to a private liberal social model?

A política social brasileira em tempos de crise: na rota de um modelo social liberal privado?

La política social brasileña en tiempos de crisis: ¿camino de un modelo social-liberal privado?

Key turning points in Brazil’s history have resulted from decisions made in times of great crisis and national and international challenges, as highlighted by Fiori 1. For example, the changes in the 1930s that led to the modernization of the Brazilian state and promoted industrialization and economic growth came as a response to the challenge raised by the “Age of Catastrophe”, of great wars, revolution, and economic crisis. Fifty years later, Brazil’s re-democratization marked a new historical turning point, inseparable from the world’s geopolitical and economic transformation that began with the crisis and redefinition of United States foreign policy and included the reaffirmation of the dollar, deregulation of international finances, and the arms race that culminated in the disintegration of the USSR and the end of the Cold War.

Brazil’s social policy also underwent reconfiguration and change in the 1930s and 1980s. The rise of Getúlio Vargas to power in 1930 launched an important phase in the expansion of social rights in the country, while urban wage-earning classes gained greater weight in the political and economic scenario. In the 1980s, the Federal Constitution of 1988 marked a turning point in the country’s social protection system, at least in relation to the prevailing legislation, since it guaranteed a broad range of social rights while establishing the concept of social security as a comprehensive set of measures aimed at ensuring rights related to pensions, social assistance, and universal coverage of care. In the case of health, the system evolved from a situation of access restricted to certain groups in society (tied to the pension system) to a system of universal access.

However, the new model’s implementation was hindered by challenges from the international scenario and particularly by Brazil’s domestic economic context, combining low growth rates with burgeoning inflation, mainly penalizing the lower income strata. While inflation undermined the purchasing power of wages, the country’s low economic activity proved incapable of generating the jobs needed to absorb the contingent of new workers in search of opportunities.

The public policy regime that predominated beginning in the 1990s can be described as a hybrid system 2 combining neoliberal policies associated with the Washington Consensus or Bretton Woods institutions (guaranteeing macroeconomic stability, privatization of public services and companies, liberalizing reforms, conditional income transfers, etc.) with more interventionist policies associated with neo-developmentalism (reduction of dependence on external savings, a package of incentives for crisis periods, the state as owner and investor in the industrial and banking sectors, minimum wage increases, industrial policies for labor-intensive sectors, and the use of state-owned companies to expand employment and wellbeing).

In the social field, this hybrid model was associated with a predominance of neoliberal policies, sometimes with a greater emphasis on interventionist policies, shaping different institutional ar-
rangements over the course of this period, with distinct roles attributed to the state (and consequently to private agents) in the national development process; a neoliberal institutional arrangement from 1995 to 2002; a transitional institutional arrangement from 2003 to 2006; and a neo-developmentalist institutional arrangement since 2007. The political and economic characteristics of the three periods differed, as did the interconnections between economic and social policies, key strategies, target publics, forms and agents in the provision of services, and the types of financing designed for social policy and specifically for health policy.

During the neoliberal arrangement, the key social policy strategy was decentralization, together with incentives for public-private partnerships, stimulus for social control, and the adoption of targeted actions in the poorest regions and populations. In the most recent period (neo-developmentalism), the main policies adopted territorial approaches (regional, urban, metropolitan), together with greater federal and state public investment in infrastructure, sanitation, housing, and health, maintaining the stimulus for public-private partnerships and selectivity in targeted programs to fight poverty.

What scenarios can be expected for Brazil's social policy in the coming decades, considering the looming trends in the current context of economic crisis and the adoption of fiscal adjustment policies, with the state's partial retreat from public investments?

According to Camarano et al. 4, the changes emerging in Brazil in the first two decades of the 21st century can be summarized in one word: “reduction” (although the reduction has been relative in various aspects). Some of these changes were positive, like the reductions in the population contingent under the poverty line and in income inequality, unemployment, and informal work; however, other changes raise challenges for social policies in the coming decades, particularly the decline in economic growth (in more recent years), in the birth rate, and in mortality rates in older age brackets.

Brazil's economic pattern since 2000 has been marked by a strong reduction in external vulnerability, expanded credit-based private consumption, better income distribution, and recovery of the government's autonomous spending, including modest growth in public infrastructure investment. The three sources of growth (exports, private consumption, and public spending) drove the economy's investment rate and formal employment to the highest levels in recent decades.

The reduction in poverty was due to the expansion of income transfers, especially the Bolsa Família Program and rural pensions, with a major impact on rural areas of the Northeast, historically Brazil's poorest region. The rise in the real minimum wage (mainly between 2006 and 2009) played an important role in reducing rural poverty (social security policy) and income equality in work.

The growth in private consumption was made possible by the reduction in poverty, expanded consumer credit, and rising per capita family income and the number of families in the middle income stratum, expanding the dimensions of a mass consumer society in Brazil. This dissemination of private consumption occurred through a structural link between the macroeconomic regime, relative price structure, and real wages 5.

However, the impact of private consumption was diffuse and generalized, as described accurately by Tavares 6. Despite the growing demand for both domestically-produced and imported electrical and electronic consumer goods and financial services associated with expanded consumer credit, families' consumption structure changed little, since the main consumer items are services and food industry products.

In reality, the low level of public investments in housing and transportation prevented an increase in disposable income for other kinds of consumption. The result was a persistent commitment of a high share of family income to housing, transportation, health, and education – items forming the basic contemporary needs and the heterogeneity of consumption patterns in Brazilian society. This is the structural limit: the change in consumption structure allowed a reduction in the share of spending on food; however, for the upper income strata, this change has been compromised by other types of spending.

Another important aspect of this period was the strong expansion of private social services. Heavy income concentration in the highest distributive deciles and the insufficient provision of adequate public services generated a strong demand for a mercantile version of public services (private health plans, complementary pension plans, private education, individual transportation, private security, etc.).

According to Medeiros 5, these two watersheds of income and services provision – public social-democratic and private liberal (which defends subsidies for both private health plans and private schooling, via tax breaks) – were present in the recent history of public policies in Brazil, participating in complementary fashion, even while vying for fiscal and political space.

With the recent changes in Brazil's economy, marked by a substantial decline in economic growth (with forecasts for negative growth in 2015
and 2016) and rising inflation rates associated with fiscal adjustment policies, with substantial cuts in funding for the social field, the gains achieved in the last decade both in the labor market and in other social policy areas are current under threat.

The apparent march of Brazil’s social policy towards a private social model forebodes major difficulties in maintaining the social rights written into the 1988 Federal Constitution, to the extent that this private model is conceptualized with a residual state and greater participation by market forces in the national development effort.

If this path materializes, we can glimpse a scenario with limited integration between social and economic policies, the adoption of passive or compensatory labor market policies, revision of the policy for minimum wage increases, declining public investments in social services, reduction in the population covered by income transfer policies and stagnation or decline in the value of the benefits, and strengthening of targeted social policies.

Given this scenario, the historical weaknesses in Brazil’s social protection system – unequal access to public services, lack of integration between programs and actions, disarticulation both vertical (between different levels of government) and horizontal (between different social policy sectors), low budget availability, etc. – tend to crystallize, thereby limiting the possibilities for an inclusive and sustainable development process.

Contributors
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References

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