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SOCIAL POLICY AND STRUCTURAL HETEROGENEITY IN LATIN AMERICA: THE TURNING POINT OF THE 21ST CENTURY[1]

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ABSTRACT: This article addresses the complementarity between social policy and pro-growth macroeconomic policies, which turned redistribution into a crucial issue to consolidate market societies through the expansion of demand. It focuses on the recent economic history of Latin America, marked by the emergence of new conceptual paradigms so as to grasp the singularities of the region´s development. Three questions are then raised: i) which social inclusion model distinguishes the new period of economic growth led by the so called social-developmentalist strategies? ii) what role is assigned to the social protection system and to social policies in general in this context? iii) which mechanisms enabled the transition towards a mass-consumption society? Brazil will serve as a case study.

KEYWORDS: social policy; inequality, Latin America; structuralism.

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POLÍTICA SOCIAL E HETEROGENEIDADE ESTRUTURAL NA AMÉRICA LATINA: A VIRADA DO SÉCULO XXI

RESUMO: Esse artigo examinaa complementariedade entre política social e políticas macroeconômicas pró-crescimento, tornando a redistribuição um fator dinâmico na consolidação de sociedades de mercado apoiadas na expansão da demanda. Analisa o período recente da história econômica latino-americana, marcado pelo surgimento de paradigmas conceituais voltados a explicar as especificidades do desenvolvimento da região. Três questões são abordadas no trabalho: i) que modelo de inclusão social caracteriza a nova fase de crescimento liderada pelas chamadas estratégias desenvolvimentistas?; ii) qual o papel atribuído ao sistema de proteção social e à política social lato sensu nesta dinâmica?; e iii) que mecanismos serviram para assegurar a transição a uma sociedade de consumo de massa? O Brasil é tomado como estudo de caso.

PALAVRAS-CHAVE: política social; desigualdade; América Latina; estruturalismo.

> The growing dissemination of modern products in Latin America in no way changes the weakness of the traditional social relations into which these objects are incorporated. How modern a society is has less to do with the objects that are disseminated within it than with the modernness of its institutions and of the relationships on which the design, acquisition, selection, and evaluation of the usefulness of those objects are based. (FAJNZYLBER, 1990, p.162)

1. INTRODUCTION

In their correspondence, especially in the year of 1942, Beveridge and Keynes (HARRIS, 1997) forged a partnership that would prove successful over the course of the 20th century, as they contributed reciprocally to the design and theoretical foundations of what would become the model for social regulation par excellence of the Fordist accumulation regime, envisioning not simply its complementarity, but rather its efficiency in stemming uncertainty and economic instability, both being sources of deep socioeconomic insecurity for familiesand individuals, and threats to the system itself.

The Keynesian welfare state (JESSOP, 1993) was an exceptional innovation, with its logic rooted in the disassociation between individual welfare and revenue from work or assets, so as to maintain aggregate demand at a satisfactory level, in periods of shrinking economic activity, and allow for permanent expansion. A minimum level of income should thus be guaranteed for all, independently of the value of one's work or properties, and it would fall to the state to determine such a level, in addition to the principal responsibility of guaranteeing that all citizens, regardless of class or status, have access to the best possible standard in an array of services judged to be indispensable (BRIGGS,1961).

For the first time, a model emerges in which social policy is recognized as inseparable from economic policy, and thus an essential instrument in the state's promoting of economic development (SIMÕES, 2012). In the words of Donzelot (1994, *apud* PALIER 2002, p.194), there emerges a "circular mechanism" characterized by bonds of cooperation and systemic strengthening of the regime of accumulation, not by subordination of the social element to the economic.

We may concisely define this model of regulation via the privileged role granted to social spending, in both sustaining consumption and incentivizing direct job creation. According to Palier (2002), the former use meets the consumption needs of the population (seniors and retired people, the poor, unemployed, and children through universal benefits, etc.) via cash transfers. Itensures increasingly dynamic market expansion in times of growth, and may constitute a countercyclical measure during downturns in the cycle. The latter use of social spending uses the provision of universal and decommodified or partially subsidized public services to create jobs in a number of sectors (healthcare, education, daycare, transportation, etc.), which is key in terms of raising work productivity, ideally disseminating this rise throughout the whole system. This job creation, one might add, is not only confined to the public sector in terms of direct provision, but also impacts many industrial sectors (pharmaceuticals and R&D, to name a few) that supply the public sector.

This model sought to insert the market into the political and social organization of nations (POLAYNI, 1944). In other words, the expansion of markets in the postwar period was dictated by the actions of political institutions (national states, in this case) and social institutions (mainly unions and the new regulatory forms adopted within social protection systems). This resulted in the formation of development models that reserved a significant portion of the fruits of economic growth for the population itself.

This led to the emergence of various formats of welfare states, all characterized by decommodification (POLANYI, 1944) of the workforce so as to ensure its relative emancipation vis-à-vis the market. Decommodification and deindividualization (ROSANVALLON, 2011) were thus the two driving forces in market societies. Their extraordinary expansion came alongside a striking reduction in levels of inequality and destitution, in addition to consolidating democratic institutions aimed at heading off risks and uncertainties by ensuring welfare, economic security, and growing social homogenization.

In order to face down the destabilizing machine of expanding capitalism, a form of social regulation with the following essential premises comes to the fore:

i. equal treatment: it overcomes class or status cleavages, making citizenship the foundation for universal access – policies for all [or, in the words of Beveridge, (1942, p.44), "a plan all-embracing in scope of persons and needs"];
ii. the end of the social service state: the welfare state is no longer limited, as it once was (at the time of the Poor Laws or within the limits imposed by the Bismarckian model), to providing a restricted array of services to a specific sector of the population, identified by criteria established a priori;
iii. coverage in keeping with contingencies and needs: instead of minimum social standards at a survival level, as in the past, the state is tasked with ensuring protection over the entire life cycle, and guaranteeing a standard of wellbeing compatible with and befitting economic development and its evolution. Hence, rights cannot be circumscribed in "packages."

Two separate modes of social policy, with specific objectives, spread during post-war period in the western economies that were able to install welfare states. They make up one of the poles of the *double movement* (POLANYI, 1944) inherent in the development of capitalism. On one side, cash transfers (contributory or noncontributory); on the other, the provision of decommodified services. While the former would seek to compensate for market failures and smooth consumption over the course of one's life, an array of services in terms of healthcare, education, and housing aimed at leveling out opportunities (BARR, 2012) and promoting equity.

In Latin America, meanwhile, social protection systems were shaped from their start by a regional context of great heterogeneity, although the region was a pioneer in introducing social security programs in the early 20th century, compared to other continents in the underdeveloped world (MESA-LAGO, 2007). These systems remained incomplete and unrefined, and although the principle of universality was referred to in a very few countries (Argentina, Chile, Uruguay, and Costa Rica), none would attain universal coverage until the 1970s. In the rest, the idea of protection remained embryonic and was nearly always the privilege of the elites in the public sector and the military, as well as sectors linked directly to the agro-export model. As for noncontributory benefits (for the poorest), the extremely limited offering failed to crystallize as a right or a state responsibility, and remained restricted, when available, to a very limited group of countries. The better part of the region – with its high levels of informality, low rate of wage employment and the predominance of the effective exclusion of rural and indigenous populations from contributory systems, in many cases – saw starkly reduced coverage.

Such characteristics on their own point to the fragile, nearly nonexistent link between social and economic policy, a state of affairs that predominated over the course of the second phase of Latin American state-led industrialization, commonly referred to as the first wave of developmentalism, with strikingly varied effects across the countries on the continent (BERTOLA and OCAMPO, 2012). While the national-developmentalist state managed to promote a process of capitalist modernization and support for the new urban industrial proletariat after World War II, it did not manage to incorporate the mass of workers on the margin of this new regime of accumulation, marked by wage relations. These masses thus remained largely set apart from incorporation into the market.

The 21st century seems to have finally enshrined a new framework in Latin America for social and economic policy, leading to the advent of mass consumption societies. This phenomenon is made even more relevant by the fact that one of the obstacles to economic and social development in Latin America, in a structuralist vision, lay in the lack of a vigorous domestic market which might, through an import-substitution process, push an increase in industrial productivity and a subsequent rise in average salary. Therefore, it would endanger a virtuous and permanent cycle of production and demand expansion, founded on a dynamic of innovation that might constantly refine the consumption patterns of a mass society.

Residual conditional cash transfers and microcredit programs, alongside specific forms of social regulation, such as the minimum wage, have shown themselves to be, if not completely functional, then at least contemporary with this new "developmentalist strategy," one which has finally discovered social policy. Latin America is recognized today for its success in having incorporated tens of millions of individuals into the consumer market in the span of a few years, while contributing to their social inclusion, a feat which stands as extraordinary in the light of the continent's history.

What did structuralist thinking cast as a hindrance to the defense and construction of social policies? What was the prevailing model of social regulation, redistribution, or framework for incorporating social and economic policy in the administrations that chose to return to a structuralist mode at the turn of this century? If, as Bertola and Ocampo (2012) indicate, Latin America failed to maintain a trajectory of sustainable growth over the course of the 20th century so as to reduce the gap that sets it apart from developed countries in countless respects, might the state's structuralist-driven perspective, with its exclusive focus on economic policy (and with a key emphasis on industrial expansion), have compromised that effort through its inability to associate and coordinate economic and social policy in search of a sustainable dynamic?

A number of authors (BIELSCHOWSKY, 2010, 2012; BRESSER-PEREIRA, 2012, BRESSER-PEREIRA and THEUER, 2012; CARNEIRO, 2012; CEPEDA, 2012; and BASTOS, 2012) has recognized the resurgence of Latin American structuralist thought in the void left by mediocre performance over the neoliberal era. And, just as happened in post-WWII, this turning point has come about amidst a keen crisis in central economies (CARNEIRO, 2012). The state resumes a leadership role in formulating a national project for development meant to overcome the bottlenecks that continue to block technical advancement, innovation, productive diversification, but now tied to a plan for social inclusion. This would thus be the differential for social-developmentalism (CARNEIRO, 2012), or, as Bastos (2012, p.793) puts it, "distributive developmentalism guided by the state," vis-à-vis the seminal structuralist thought: renewed attention on social issues and equity as a constitutive part of the new model of developmentalism, this time included amongst the priorities for state action.

In this article, we will examine whether (and how, and in what form) social policy has indeed become a prime, indissociable element of macroeconomic strategies around a return to economic growth on stable, sustainable bases, making redistribution a dynamic factor in the consolidation of market societies around the expansion of demand. Three issues run through the paper:

1. what model of social inclusion currently holds sway in this new phase of so-called developmentalist strategies?
2. what role is attributed to the social protection system and social policy *lato sensu* in this dynamic?
3. how do economic and social policy fit together in the context of the growth and expansion of the market society?

The article is divided into five parts. After this introduction, it will recapitulate the conception of the social element in original structuralist thinking. The third section addresses the first return to social policy in the CEPAL-driven formulation of the 1990s, in which the idea of social inclusion first appears, seeking to evaluate whether this point indeed constitutes a reflexive relation between social and economic policy. In the fourth section, there follows an analysis of the content of social policy and its rationale in Latin America's latest phase of growth, taking Brazil as an illustrative case. Finally, a few conclusions close out the article, addressing the questions formulated around the permanence (or lack thereof) of a missing link in the reflexivity of social policy as a driver of demand in this new phase of development. The objective is to reflect on the prevailing model of social regulation, and consider whether it strengthens universalist principles with the power to make more egalitarian societies possible on our continent.

2. THE PLACE OF THE SOCIAL IN ORIGINAL STRUCTURALIST THOUGHT

Original structuralist thought is, in its essence, not simply a critical alternative to orthodox liberal thought in economy, but rather, principally, a catching-up strategy. In this sense, it casts the state as the driver behind the transformation of the archaic productive structures inadequate to the expansion of capitalism in the developing world, which reproduces asymmetries between the center and the periphery, reproducing underdevelopment (FURTADO, 2013a, 2013b; PREBISCH, 1949), exacerbating inequalities between industrialized nations and the rest of the world and hamstringing the advance of market societies[2].

[2] As Bertola and Ocampo (2012) have demonstrated, the gap in per capita income between Latin America and developed countries only increased from 1950 to 2008.

Latin American structuralism forges a strategy to reduce such inequalities, questioning the place set aside for the periphery (the Ricardian model of comparative advantages and criticism of Joseph Viner's theory of economic development) through the structural transformation of the economy from agro-export to an urban-industrial base (BIELSCHOWSKY, 2012).

In this context, which prevailed immediately after the Second World War through the end of the 1980s, the goal was to overcome two dimensions of backwardness (the productive specialization of the periphery and its profound structural heterogeneity) through planned state interventions, thereby strengthening an institutional context (BERTOLA and OCAMPO, 2012; BIELSCHOWSKY, 2009) that had received little stimulus for innovation and the dissemination of technical advancement.

The most complete formulation on the challenges of the social from the initial construction of Latin American structuralist thought may perhaps be found in Aníbal Pinto's (2000 [1970]) classic works on the region's structural heterogeneity[3], one of the great obstacles to the full development of productive forces and capitalist social relations. Structural heterogeneity here refers to the "coexistence of a labor force employed with elevated levels of productivity (not far from those of the great centers), and 'normal' levels (that is, at the rate permitted by available techniques), with a labor force of sharply reduced productivity," (RODRÍGUEZ, 2009, p.323). This latter group poorly paid or paid at subsistence wages, leading to the persistence of structural underemployment (elastic labor supply), restricting the growth of the wage bill, which in turn impedes a rise in employment and salaries and tends to concentrate income in the most productive sectors, with extremely limited scope and magnitude. It should be emphasized that structural heterogeneity concerns not only employment, but also the productive structure itself. In Rodríguez's words:

> the image before us is that of economies that see their growth limited, if not impeded, by repeated shortfalls in the expansion of demand for various kinds of consumer goods, which may be decisively related to income distribution profiles marked by high concentration, this linked to the superabundance of labor and consequent limitations on rising salaries. (2009, p.319)

From this angle, the impediment to the advancement of market societies in Latin America lay above all in the absence of mechanisms for expanding consumption, it being constrained by low productivity and the persistent abundance of labor that

[3] According to Octavio Rodríguez, the seminal concept was first formulated by Prebisch in his 1948 manifesto (Heterogeneidad Estructural y Empleo, *Revista de la CEPAL*, special number, 1970).

is rudimentary from a technical point of view. In other words, "the dynamic action [that] operates on the supply side as well as around demand for final consumer goods" (FURTADO, 2013a, p.118) was not materializing.

Pinto, in refuting dualist theses[4], recognizes that in central postwar economies, the long-term tendency towards the homogenization of the system through the convergence of productivity levels across sectors was not exclusively the product of market forces or economic policies, but was driven by social policies as well[5]. In his words, this convergence was not "a totally spontaneous or natural tendency" (PINTO, 2000 [1970], p.574).

Pinto points out that the "capacity to spread or stimulate the modern sector was revealed [in Latin America] to be far less than expected, to say the least" (PINTO, 2000 [1970], p.575), leading to a deepening of theheterogeneity degree, instead of promoting the homogenization of the global structure. By doing so, Pinto observes that public spending and social investments, that might have compensated by pulling resources from the modern sector to those left on the margins of the benefits of economic growth (the internal periphery, marginalized groups, etc.), did not come through. That is to say, social policy was not integrated into the original structuralist framework, which quite probably strengthened the model's concentration-oriented deviations, while it expanded through "sumptuary" consumption (PINTO, 2000 [1970], p.583) guaranteed to the elites and upper middle classes. The author estimates that, by the late 1960s, 40-50% of the population on the continent were marginalized or not incorporated into the market, excluded in terms of both consumption and occupation[6]. The reproduction of internal peripheries reproduced the subsistence logic without breaking with it, thus compromising the generation of surpluses.

Indeed, original structuralist thought did not press on with its reflection around the need to construct social protection systems as a central element in overcoming the structural heterogeneity characteristic of Latin American economies. What was concretely observed was subordinating social security models created over the first three decades of the 20th century to structuralism's mold, in response to the process of economic modernization that served to shift the axis of capital accumulation towards

4 Given our focus on the CEPAL school of thought, we have deliberately not introduced Francisco de Oliveira's lucid, constructive, and vigorous critique of dualist thinking.

5 See, on this, Simões (2012), who describes in his thesis, using Polanyi's contribution, how economic policy is successfully molded to social policy without dominating it. Due to a lack of space, this point cannot be developed here.

6 In Brazil, as Dedecca (2005) has argued, the absence of social policies that might provide the foundation for solid economic growth in the period largely led to the segmentation of the Brazilian labor market, characterized by high levels of informality and by an excess of labor, factors that were apparently responsible for the "wretched income distribution associated to that development process" (p.101).

urban-industrial activities. These models proved incapable of fomenting greater social cohesion and homogeneity.

In broad strokes, the Latin American countries quickest to introduce social protection systems did so in two ways. One path was the result of the democratization of political institutions, in which the growing bargaining power of the working class drove the construction of pension and healthcare systems, in a few cases covering the portion of the population outside the labor market. This process was most intense in Uruguay – slightly less so in Chile – where the demands of the large working class found support in a democratic government committed to social development (HUBER and STEPHENS, 2012).

The second form, more present in the Brazilian and Argentine cases, saw social policies used to *coopt* the working class, which was exerting pressure on the authoritarian administrations of Vargas and Perón. Through labor legislation (MESA-LAGO, 2007), centralization of the control and management of the pension system and control of unions and political parties, the populist governments of these two countries began regulating the action of the working class (FLEURY, 1994). In both cases, the institutionalization of social policies came about in an environment characterized by authoritarianism, in which citizenship was regulated (SANTOS, 1979), and conceded only to workers linked to the formal market for urban work, which was quite restricted in many cases.

In not conceiving and formulating social policy as a means for changing social relations, the Latin American developmentalist state displayed severe short-sightedness in its early days. It neglected to acquire the means and mechanisms that might broaden the internal market and homogenize the economic system through homogenizing the social element, also contributing to the incorporation of technical progress on a growing scale through mass consumption. In the structuralists' original terms, the heart of the social lay in addressing the issue of land. Their strategy consisted of redistributing the means of production and land access through agrarian reform in order to destabilize the logic and concentrating mechanisms of landed estates, and progressively overcome structural heterogeneity and its crippling effect on the elastic labor supply. This radical proposal sought to promote a degree of land redistribution so as to absorb the labor surplus in agricultural disputes; instead of migrating to cities and lowering the value of urban-industrial labor, the agricultural workforce would be "pared down." The various models of agrarian reform introduced in the region over the course of the 20th century, however, were similarly unable to achieve this (THORP, 1998).

In our understanding, first-generation structuralist thought read the issue of the social as essentially a "concentration of factors" (land, in this case), which was compromising investment and change in the technological base.

However, we might refer to a perspicacious observation from Pinto that would pass unnoticed even during the reformulation of post-'90 structural thought. To wit, "'consumption financing' takes on equal or greater importance (especially in our countries) than the 'investment financing'" (PINTO, 2000 [1970], p.584).

Without continuing in a formulation as to how to incentivize consumption financing beyond salary increases tied to productivity gains, thus ignoring the central role played by social policy in this process, Pinto merely sketches out a solution to the damming of demand. This inversion of the terms of the model's equation never gained strength among structuralists, only *ex-post*, during the new phase of economic growth of the 2000s. This was the missing link in the structuralist and neo-structuralist models for overcoming the obstacles of persistent structural heterogeneity, promoting the expansion of the market society through social policy, just as expressed in Polanyi (1944).

Not only did structuralist thinking come around slowly to the relevance and centrality of social policy in promoting development, it, in implementing this point with a stark delay, privileged the problem of incorporation into the consumer market in a blow to the genuine logic of equity. Therefore, it compromised the goal to overcome Latin America's heterogeneity. Aníbal Pinto's insight would ultimately gain adherence on the margins of the structuralist framework, through both redemocratization, forcing governments to consider the vote of the masses, and the prevalence of the model of social risk management (HOLZMANN and JORGENSEN, 2000) put forth by neoliberalism, remade in the social protection floor (ILO, 2011; FAGNANI, 2015), where consumers replace citizens (LAVINAS, 2013).

3. NEO-STRUCTURALISM AND THE RESTORATION OF THE SOCIAL, PAUVRETÉ OBLIGE (POST-1990)

In Rodríguez' (2009) view, structuralist thinking renews itself in the 1990s in incorporating the challenge of equity as raised by Fajnzylber (1990). One might recall that poverty and indigence indices rose significantly in the region during the critical years of the 1980s. While the proportion of the poor rose from 40.5%, in 1980, to 48.4%, in 1990, the percentage of the indigent went from 18.6% to 22.6%, over the same period. In 1990, Latin America could count the stunning sum of 203 million people living in poverty, as opposed to 136 million ten years before (CEPAL, 2012). The lost decade and the deepening of social issues made it imperative to rethink a development strategy that might include some form of redistribution.

Fajnzylber then argued for a new model of industrialization that would incorporate technical advancement incrementally and promote equity, filling the so-called "empty box" in allowing Latin America to share growth with greater redistribution, just as was the case in the 1970s and '80s in countries such as Portugal, Spain, South Korea, and Israel, among others. This "new industrialization," as he dubbed it, ought to "bring along with it an improvement in income distribution, [and thus] in standards of social equity" (RODRÍGUEZ, 2009, p. 35). This was the only way to incorporate the bulk of the population into the "new alliance" for development. To this end, it should surmount "the central feature of the process of development in Latin America [which] has been its inadequate adoption of technical progress" (FAJNZYLBER, 1990, p.14) within the productive system, and from there overcome underdevelopment.

Fajnzylber credits the state with the role of associating the increase in productivity to "redistributive patterns that sustain increments of the demand for goods and services, these being compatible with the turnover (sale) of similarly expanding production" (RODRÍGUEZ, 2009, p.36). Only in opening the *black box* of technical advancement and innovation would it be possible to change the social structure and promote development as a complete process (CEPAL, 1990; 2000, p.10), thus creating inclusion.

The question is: where does social policy fit in this new model, which puts forth and bases itself on equity, not competitiveness (FAJNZYLBER, 2000 [1990], p.886)? What shape does it take on, since market expansion is always molded by the characteristics of society (POLANYI, 1944)? In the early structuralist phase, consumption expanded freely, as it was restricted to the peripheral elites who adopted "consumption patterns similar to those in countries where the level of capital accumulation was much higher and impregnated with a culture driven by technical progress" (FURTADO, 2013b, p.179). Hence, the glaring lack of redistributive mechanisms that might back up a steady trajectory towards surmounting underdevelopment.

Hence Furtado's dubbing such a process "modernization" (2013b, p.180): when industrialization stops import substitution so as to meet the demands of more sophisticated consumption patterns, it is done without the corresponding process of capital accumulation and incorporation of technical progress, which would allow for innovation to be internalized by the productive system. This modernization mirrors a larger phenomenon of dependence[7], which expresses "the persistent disparity between consumption levels (eventually including part of working-class consumption) and capital accumulation in production" (2013b, p.186), as well as productivity gains.

Seeking an alternative to the pressure built up by this modernization, incapable of transforming the productive structure or homogenizing keenly unequal Latin Ameri-

[7] By dependence, Furtado means the phenomenon in which a country "maintains itself in the position of cultural satellite to central countries in the capitalist system, and finds itself in a phase of capital accumulation far inferior to that of the latter" (2013b, p.184).

can societies, Fajnzylber introduces the themes of equity and social justice, albeit without laying out how to make them into the principle for structuring and coordinating the other goals in his famous sequence[8]. In the 1990 document *Transformação Produtiva com Equidade* (Productive Transformation with Equity), neither does CEPAL explain in detail how such a turn might be produced, rather simply mentioning the need to "improve income distribution" (2000 [1990], p.892) and bring industrialization and technical progress to other sectors, agriculture, and services. Some initiatives are launched through the choice of policies that may meet the "imperative of equity" and reorient productive dynamics, their core being technical services, training, support for microbusinesses, redrawing tax policy (to raise savings) and, more generally, "fit social services to the needs of the poorest sectors." In terms of institutional reforms, no reference is ever made to social protection systems as an indispensable pillar for structural transformations focused on reducing the elevated degree of social and productive heterogeneity. The strategy boils down to improving labor input through systems for training, accessible education, adult education, and vocational retraining (CEPAL, 2000 [1990], p.901).

Bielschowsky (2009, p.177, p.183) recognizes that education and knowledge appear as a prime vector that might ultimately guide changes in the social structure through the expansion of employment and salaries, and thus the wage bill. This is to say that, once again, the raising of work productivity takes on central importance in the neo-structuralist framework, now shot through by a discourse of equity. The latter, as in the seminal phase (1948-1989), is now conceived through the lens of surmounting the structural labor surplus through professional and vocational training.

One can glean from the publications and writings ballasting the strategy for facing down the expanding neoliberal wave, amidst societies' opening up to democracy, that social integration should be fomented through the creation of mid-sized and small microbusinesses, functioning at minimum standards of efficiency. With the defeat of agrarian reform, this new, strongly liberal-hued model has turned to absorbing the labor surplus, an effort now cast in terms of the autonomous worker and micro-business owner in the great cities being swelled by the swift process of urbanization. This effort would apparently lead to the reduction of underemployment and contribute to the expansion of the mass domestic market. In parallel, education, when prioritized, would improve the qualifications of the labor force, backing up an increase in productivity and then in salaries. Bielschowsky (2009, p.175) also sees mobilization around the

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8 According to the author, economic theory that prioritizes competitiveness to promote growth begins with the former principle and seeks to have equity as its output. In his proposal, the following equation is inverted: equity => austerity (understood as a change in consumption patterns) => growth => competitiveness.

return to a democratic order as a path to reconfigure, this time in a virtuous dynamic, the relationship between the structure of supply and demand. This was previously decentralized (hampering the market society and the wage bill, with consequences not only in terms of concentration of wealth and keen inequality, but also in the reproduction of underdevelopment).

Social policy as a strong institutional element of an integrated, reflexive, and diverse system of social protection, in the forms that backed up economic growth in the European welfare states and even in the United States[9], is not proposed in the neo-structuralist framework. According to Rodríguez, once again, “Latin American structuralism tends to consider the state and the sociopolitical relationships that sustain it as key in the search for and choosing of alternatives” (2009, p.48), thus ruling out a possible, functional mediation of social policy in redesigning social relationships and fomenting development.

The neo-structuralist perspective (BIELSCHOWSKY, 2009) finally comes to fruition in the 2000s with the return to and renewed interest in state intervention in the economy, no longer exclusively tied to the expansion and diversification of the industrial sector alone, but also with a more homogenous and broader view of development.

The main novelty of the economic growth wave post-2003-4 seems to be the fact that mass consumption has finally set in, notably through a rise in employment and salaries and a considerable broadening of credit availability (a new factor in the Latin American context), making the mass domestic market one of the drivers of the return to development. One may thus affirm that the innovation of the 2000s was that “modernization” came to the working classes as well, through the extension of a consumption pattern previously restricted to the lifestyles of the middle classes, such as cars, appliances, electronics, and a number of other goods. Fajnzylber’s critical reading of the Latin American development model of the 1980s, cited in the epigraph to this article, remains uncomfortably relevant and fits like a glove when introducing the topic of the next section, which addresses the social regulation model in vogue in the region. In his words, in Latin America, “physical objects have been transplanted to a greater extent than the know-how and the institutions required to design, produce, and adapt these objects to local conditions” (1990, p.20), promoting the “convergence of ‘showcase modernness’” (1990, p.26).

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[9] The creation of Social Security in 1935, with public social security and unemployment insurance, in addition to other forms of income guarantees through targeted policies. For more on this, see Krugman (2007).

4. LATIN AMERICA IN THE 21ST CENTURY: GROWTH AND INCORPORATION INTO THE MARKET

The 2000s saw an important watershed across Latin America, especially after 2003, when the region entered a promising phase of strong economic recovery, with an average GDP growth rate around 4.1%, from 2004-2013, as opposed to an average of 2.7%, from 1984-2003 (IMF, 2014). In addition to riding the wave of rising commodity prices worldwide, given its abundance of natural resources, Latin America also moved to consolidate its macroeconomic and institutional fundamentals (BELLEFONTAINE and RHARRAB, 2014), further favoring a successful recovery out of the crisis.

Another characteristic of this clear bounce-back is the increasingly intense advance of the service sector, which came to 64% of regional GDP, in 2013. Regional industry remains lacking, hit hard by international competition and reduced competitiveness, given the resilience of low productivity levels in the manufacturing sector, which was even more severely struck by the effects of exchange rate appreciation.

The most influential factor in growth is family consumption – which comes to 2/3 of Latin America's GDP – reflecting the increase in employment, salaries, and credit. According to Bellefontaine and Rharrab,

> between 2004 and 2013, 85% of regional growth has come from the accumulation of production factors, labor in particular. The great contribution from labor input, which has been constant over the past 20 years, may be explained by the rise of the working-age population, an increase in their participation in the job market, the drop in unemployment, and an improvement in human capital. (2013, p. 23)

Indeed, between 2003 and 2013, the urban unemployment rate fell from 11.1% to 6.7% in Latin America (CEPAL/ILO, 2014, p.28), a noteworthy performance, although this downward trend has favored women less, with a rate of 7.3% as opposed to 5.8% for men. Employment rates went up, as did the gross employment rate[10]. In parallel, informality saw a slight dip and went from an approximate rate of 50% in 2003 to 46.4% in 2013 (CEPALSTAT)[11], leading to a broadening of formalized wage labor and the presence of entrepreneurs in the employed population (CEPAL, 2014, p.140). Even so, informality remains a registered trademark of the region.

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[10] The gross employment rate rose 5.7% from 2003-2010, off a negative figure (-0.6%) from the previous period (1991-1998) (CEPAL, 2012, p.206).

[11] According to the OIT (2013), informality rates (for non-agricultural work) oscillated across Latin America and the Caribbean, from 40% in Uruguay to 75% in the Plurinational State of Bolivia.

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In terms of productivity, today's bottlenecks were already seen as problems in the 1950s. Apparent labor productivity (GDP/employed population) grew 1.6% a.a., from 2002-2012, reverting the poor showing of the period 1990-2002 (0.1%). However, the agricultural sector[12] – characterized by low productivity – would see the greatest productivity gains of the turn of the century: an increase of 47% from 2002-2011, against just 9% for the manufacturing sector over the same period (CEPAL, 2014, p.147-148). Product per employee in the high-productivity sector[13] was, in 2011, 5.8 times that of its low-productivity counterpart. In 2002, the ratio was just a bit higher, at 6.4 times. This means that the challenge of social and productive heterogeneity persists, and continues to undermine the creation of a more integrated and converging dynamic with the dissemination of a more equitable pattern of growth. The low-productivity sector, which includes agriculture, commerce, and services, still accounted for 65% of employment in the region in 2011, as opposed to 69%, in 2002. Likewise, its size as a percentage of regional GDP remained practically unaltered during the period, around 40% (CEPAL, 2014).

In a recent study that examined seven Latin American countries[14], Bielschowsky *et al.* (2013) confirm this trend, estimating that from 1950 to 1980, total productivity grew, on average, 2.4% a.a., led by industry, with an annual growth rate of 3.2%. In contrast, the recent period of 1980-2005 saw total productivity rise just 0.1% a.a. in the region, this time with agriculture at the fore (2.4% a.a.). Labor productivity in industry, across this sampling of countries, showed mediocre growth (0.8% a.a.). The service sector, meanwhile, saw a negative figure (-0.8%). By way of comparison, in Asia (six countries)[15], average labor productivity across all sectors rose 2.9% a.a. over the same period, with sectorial performance of 3.7% a.a. in industry, 2.6% a.a. in agriculture, and 1.5% in services.

The absence of a solution for challenges around labor productivity in Latin America is thus patently apparent, with persistent profound structural heterogeneity, given the hypertrophy of the low-productivity tertiary sector (BIELSCHOWSKY, 2013). The rebound of economic activity, with a rise in employment, remuneration, and the advance of formalization, did not manage to derail this endogenous, structural mechanism for reproducing the region's inequalities.

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[12] A similar diagnosis to that of Lora and Pagés (2011), in which, compared to the rest of the world, labor productivity in Latin America only performed favorably in agriculture, with practically zero growth in the service sector and improvements below the international average in industry.

[13] According to CEPAL (2014), this category includes financial services, electricity, mining, real estate, and business services.

[14] To wit, Argentina, Brazil, Chile, Mexico, Venezuela, Colombia, and Peru.

[15] Here, China, India, South Korea, Thailand, the Philippines, and Indonesia.

As it has been amply stated, the minimum wage, with a strong and long-standing institutional framework in the region[16], becomes a key instrument within the equation for stimulating consumption and a prime instrument for social policy in the hands of the state. According to the ILO (2014), on average, the regional minimum wage rose by 57.5% 9 (in real terms) between 2000 and 2013[17]. The rise in the national minimum remuneration, which spreads gains to workers beyond the growth of labor productivity, stands as the principal mechanism for primary distribution, via the labor market.

A number of authors (LAVINAS, 2013a; INCHAUSTE *ET AL*, 2012), as well as CEPAL (2012) dovetail in recognizing that the pivotal factor in reducing poverty in Latin America over the past decade was the growth in employment. In CEPAL's view, new opportunities in the labor market can explain ¾ of the drop in poverty in the region over the 2000s, with the relevant rate dropping from 27.9% in 2013 (164 million people below the poverty line)[18], as against 43.9% in 2002 (ECLAC, 2013). Interpretations also converge on the point that wage inequality is notably correlated to real gains in the minimum wage[19].

Meanwhile, conditional cash transfer programs continue to spread, pushing towards incorporation into the market. In little-integrated areas, where a subsistence-oriented mode of social reproduction still persists – for example, in the regions and countries where indigenous communities or small-scale farmers dominate – and for a contingent of tens of millions of the poor and excluded on urban peripheries, with an income deficit that generates negative externalities and restricts solid market functioning, these programs provide, more than basic support, a definitive link with the commodification of a number of areas of life. Nearly all Latin American countries have now adopted conditional cash transfer programs, which are low-cost and have weak institutional backing[20], but considerable visibility (LAVINAS, 2013).

Although social spending has risen from 2002 to 2013, going from 15.2% to 19.2% of the region's GDP (CEPAL, 2014), the area most privileged in this respect has been monetary transfers (around 2/3 of social spending), to the detriment of spending on

[16] On this, see CEPAL (2014), with a detailed analysis of the policy for real increases in the minimum wage in Latin America starting in the early 2000s (p.152-160), and its impact on reducing inequalities.

[17] See ILO (2014, p.39).

[18] One might note that the poverty line adopted in Latin American countries generally follows the World Bank's guidelines: US$ 2.25/day, with the indigence line at US$ 1.25/day.

[19] CEPAL (2014) recognizes "that minimum wages have an impact across the distribution (lighthouse effect) and that real increases have had an equalizing effect on distribution" (p.152), demonstrating how the ratio of minimum wage/average and mean salary saw increases in the majority of Latin American countries from 2003-2012, sometimes spectacularly so, as was the case with Argentina and Uruguay.

[20] In no Latin American country do these conditional cash transfer programs stand as a right. They may be eliminated or modified by a decision from the central or federal executive branch at any time.

healthcare, education, housing, and sanitation, which have grown more slowly. Over more than two decades (1991-2013), while contributory and noncontributory cash transfers rose from 6.3% to 9.1% of the regional GDP, healthcare spending rose only from 3.2% to 4.2%; education from 3.7% to 5%; where as housing registered a very slight increase, from 0.6% to 0.8% of the region's GDP. In 2013, deficits in healthcare coverage were high (affecting 1/3 of formal workers and 57% of informal workers, according to the 2014 Social Panorama), just as a considerable percentage of workers did not contribute to social insurance (44.6% of salaried workers and 87.6% of autonomous workers).

This spending profile has thus prioritized correcting market failures instead of incentivizing social homogenization, through policies to equalize access to decommodified services, which would certainly bear a much higher cost and demand serious and consequential tax reform, engaged with creating a more far-reaching standard of redistribution.

It thus seems relevant to affirm that, in the 21st century, the role played by social policies in Latin America harbors significant differences from the virtuous role displayed in European countries during the postwar period. The first difference has to do with the timid growth of investment in social infrastructure.The demand for which tends to rise as demographic factors – such as an aging population, a new profile of family arrangements, the lengthening of the educational process for growing contingents of the population – as well as factors intrinsic to the process of capitalist modernization and the broadening of the consumer market have pressed for an increase in the provision of public services. Here, the public sector clearly cedes ground to the privatization of a growing array of services, healthcare being the most paradigmatic case, although hardly the only one[21].

If income rises and the public provision of services continues to register deficits in provision, both in terms of quality and quantity, the advance of private provision is naturally incentivized with the support of new financial services such as insurance, credit, and private pension funds. The latter have seen strong segmentation, increasingly meeting the needs of all income brackets, although still unable to guarantee ideal coverage or security against risks and uncertainties. The Brazilian case, as discussed in the next section, will illustrate this dynamic.

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[21] Due to a lack of space, we will simply cite a few examples that show that families' private spending (out of pocket and private insurance) holds the greatest weight in the region. In the case of Colombia and El Salvador, such spending represents 45-49% of total spending on healthcare. In Brazil, Mexico, Peru, and Uruguay, meanwhile, the private portion of healthcare spending varies between 54% and 63% (data for 2009 to 2011), tending to trend upward (SANCHEZ, 2014). Universal public healthcare has not been a part of the redistribution of welfare on the continent.

Another difference in the profile and structure of the prevailing model of social regulation vis-à-vis the more redistributive model implemented in European countries lies in the absence of linkages in the formation of a virtuous circle between production and mass consumption, with the weakest tie being not only low productivity levels, but also low investment rates, which, despite a rising trend over the decade, have consistently fallen short of the levels necessary to drive more active, sustained growth. The investment rate stands at 23% of the regional GDP (BELLEFONTAINE and RHARRAB, 2014). If we consider the investment rates of the countries with the largest economies, such as Argentina, Chile, Brazil, Uruguay, and Mexico, only Chile saw investments at 24.3% of GDP[22], in 2013.

Finally, one might recall the strong expansion of credit in the region, which, on average, rose from 31% of GDP in 2004 to 38.5% in 2011 (annual growth rate of 9%)[23]. As Hansen and Sulla (2013) indicate, credit to families accelerated much faster than corporate credit, with emphasis on consumer credit, followed by housing loans. Consequently, the role of credit in driving innovation, disseminating it throughout the productive structure and promoting the concentration of capital indispensable for economic development, seems to have been left aside as the leading tendency in the expansion of credit and financial markets on the Latin American continent.

We argue that the Brazilian case is extremely illustrative of this stimulating consumption strategy through expanded access to the credit market and the appropriation of social policy to guarantee the growth of domestic demand from a perspective of monetization and commodification instead of strengthening and consolidating social protection systems. Despite a few important counter-reforms, such as i) the re-nationalization of Argentine pensions in 2008; ii) the creation of a basic solidary pension, public retirement funds for poor seniors who did not contribute to social security, as was the case in Chile (2008); and iii) *Renta Dignidad*, in Bolivia, a public universal pension scheme, or the resilience of Social Security in Brazil amidst pushes to dismantle its financial architecture (LAVINAS, 2014; FAGNANI and VAZ, 2013), it is clear that social protection systems remain either unfinished or at risk. This is said taking into consideration that they lack an equally essential dimension of social policy, being the provision of universal public services to the whole of the population, swimming against the tide of commodification and the conditionalities that regulate and restrict access to assistance programs.

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[22] For a parallel, recall that the Asian countries had investment rates lower to Latin American ones in the 1960s, and saw them rise steadily starting in the 1970s.

[23] This dynamic varied significantly from country to country. Brazil, Paraguay, and Venezuela stand out over this period as the countries with the swiftest expansion of credit.

A "fractured" paradigm is thus implemented; instead of promoting the decommodification of the workforce, it incentivizes commodification all the way down, Fraser (2012), subordinating social policy to economic policy, the former understood simply as a multiplier to foment growth and the expansion of the domestic market in the short term.

5. BRAZIL AS ILLUSTRATION OF THE MODEL OF COMMODIFICATION OF SOCIAL POLICY

The ideas from this new cycle of growth have not moved away from the liberal field, although they have shifted somewhat in relation to the policies in place over the course of the 1990s (especially in the need for exchange rate devaluation and a raise in salaries). The heart of the proposals revolved around the urgency of expanding markets, with the state tasked with guaranteeing macroeconomic stability by controlling relative prices. In this model, redistributive issues would be secondary, without taking on crucial importance in pushing growth, although Brazil – in this sense a mirror of Latin America – saw a reduction in its levels of inequality and poverty post-2000, swimming against the tide of the trend in developed countries.

Since then, successive administrations[24] have put greater emphasis on a tripod of policies for stimulating domestic demand – increases in social spending, especially cash transfers; a policy of raising the real minimum wage; and expansion of personal credit, all this set against a panorama of growth with increased employment. This model, which Carneiro (2012) and Bastos (2012) have called social developmentalism, seeks to solve a series of structural bottlenecks via the expansion of the domestic consumer market, chief among its aims a greater diversification of the productive sector, which would drive a rise in productivity levels so as to overcome severe social and productive heterogeneity.

In broad strokes, social developmentalism may be defined as a model that includes something close to one of the main ideas of original structuralism, to wit, an emphasis on the growth of the mass consumer market. However, unlike the first wave, it includes the social dimension as a central pillar in Brazilian developmental strategy rather than simply focusing on demand.

In other words, the development of productive forces, seen by structuralism as the principal means for national development, is driven in new developmentalism by a series of policies focused on incorporating the population into the consumer market.

[24] Here we are referring essentially to the second Lula administration, post-2006, and the Dilma administration (begun in 2011).

Though it does not provide a defined theoretical framework, comprising rather an array of practical initiatives rooted in a political base with powerful social appeal (CARNEIRO, 2012), new developmentalism does not set out to break with the primacy of the market. In fact, the group of policies that characterize it seek to expand mercantile relations through the broadening of consumption of goods and services of all kinds across all levels of society.

It has been estimated that between 2003 and 2012, 18.7 million formal jobs[25] were created in Brazil, while average labor income[26] saw a real increase on the order of 30% over the same period (LAVINAS, 2014). The unemployment rate, meanwhile, fell from 12.4% in 2003 to 5.4% in 2013 (IBGE, PME). Not even this could cut the rate of informality at the pace expected, stalling at a still-elevated level of 42%.

In analyzing the policy tripod mentioned above, it becomes evident that social spending increases as a portion of GDP, reaching around 21% in 2013. As in Latin America as a whole, the bulk of this spending comes in the form of direct cash transfers (15% of GDP or 2/3 of social spending) (LAVINAS, 2013a) for the same year. If one considers federal social spending alone (which corresponded to 15.9% of GDP in 2013[27]) for the period 2000-2013, a similar trend emerges: direct cash transfers[28] represented around 70% in 2013, almost identical to the 2002 figure (68.8%).

As for the minimum wage, its real value practically doubled between 2001 and 2013[29]. It was responsible for 75% of the reduction in wage inequalities over the decade (VALOR ECONÔMICO, 2014). Since the minimum wage is a peg for the social security floor[30], it also allowed pension and retirement funds to have a significant impact on the drop in the Gini index, which fell from 0.593 in 2001 to 0.527 in 2013, whenit stabilized.

More jobs and rising labor income led to the broadening of work remuneration as a portion of GDP, when measured through the lens of income, revealing increased labor input in the composition of national product. From 2003 to 2013– the last year of the series made available by IBGE's System of National Accounts – the wage bill went from 38.5% to 43.4% of GDP.

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25 RAIS – CAGED, *Ministério do Trabalho*.

26 Estimated in 2013 at R$2,000.00 per month (constant values), while they had stood at R$1,494.00 (constant values), US$909 and US$680, respectively.

27 Tesouro Nacional (2016). *Gasto Social do Governo Central*. 2002-2015. <http://www.tesouro.fazenda.gov.br/documents/10180/318974/Gasto+Social+Governo+Central/c4c3d5b6-8791-46fb-b5e9-57a016db24ec>. This figure includes direct social spending and tax credits.

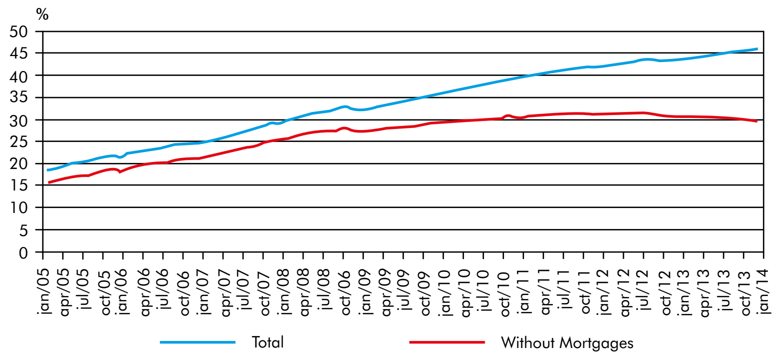
28 Contributory pension benefits, and also welfare benefits.

29 In January 2014, the minimum wage stood at R$724.00 or US$330 per month.

30 2/3 of retirement and pension funds in Brazil, for a total of 21 million in monthly benefits, are set at the minimum wage.

Finally, one might look to the behavior of credit, which broadened stunningly over the decade, soaring from 22% of GDP in 2001 to 56.5% in December 2013 (BACEN, 2014). By the end of 2013, free credit came to 56.6% of the total volume of credit. This led to an explosion in sales, which more than doubled in volume from 2003 to 2014 (IBGE, *Pesquisa Mensal de Comércio)*. Input from family income consequently rose over the course of the decade, going from 18.3% to 45.5% from 2005 to 2014 (Figure 1), growing faster than average income.

Figure 1 – Household debt level in Brazil from 2005 – 2014



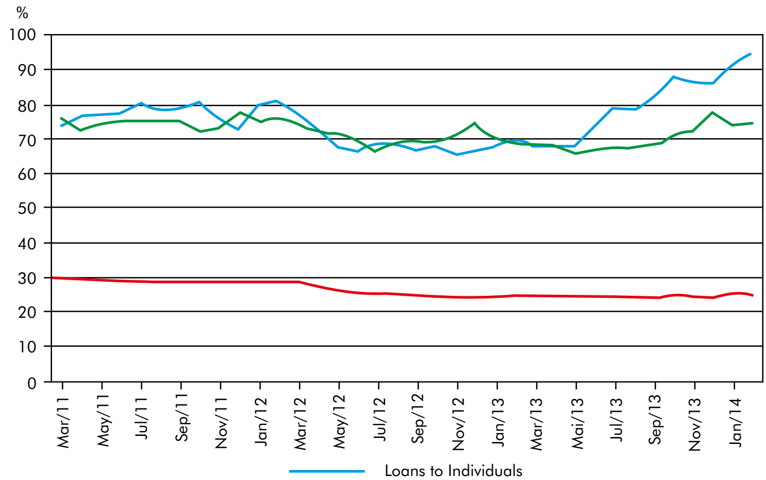
Note: in relation to income accumulated over the past twelve months.
Source: *Banco Central do Brasil*.

Such spectacular progress should be seen in a context of creating new forms of credit[31] meant to resolve inefficiencies around access to financial markets, especially related to high interest rates – which, albeit sinking over the past decade, and although inflation has remained under the limit of the current target (6.5%), still rank among the highest in the world. This evidently penalizes family income seriously, but does not hamper consumption, which is pushed on principally by the extension of repayment terms. Figure 2 shows the evolution of interest rates on individual loans, demonstrating that the credit supply is strongly segmented. For those with some kind of collateral, such as pension funds or a permanent position (civil servant or formally employed

[31] Two types of lines of credit have grown significantly since late 2003. One is consigned loans for formal workers and civil servants, instituted in December 2003 under the first Lula administration. In September 2004, they would be extended to retirees and pensioners under the general social welfare policy. In the so-called *Personal Loan With Payroll Discount*, the value of repayment installments is compulsorily and directly taken from salaries or benefits, and interest rates charged by banks or financial or credit institutions are lower than market levels, as these borrowers offer collateral. The maximum period for paying off this kind of loan is 72 months. Such loans to individuals fall under the category of free credit. The other kind of loan that saw considerable growth, but under the category of directed credit, was microcredit, which includes personal credit and has taken in growing numbers of the poorest and most vulnerable groups, contributing to finance consumption (SOARES, 2014).

stable worker), consigned credit[32] guarantees lower rates, around 30% a.a. For the rest, being workers and people in more vulnerable and unstable situations, without collateral, rates on personal credit – especially for financing consumption – can be triple that, with rising figures that vary from 75% to 95% a.a.

Figure 2 – Average interest rate – loans of individuals (2011-2013)



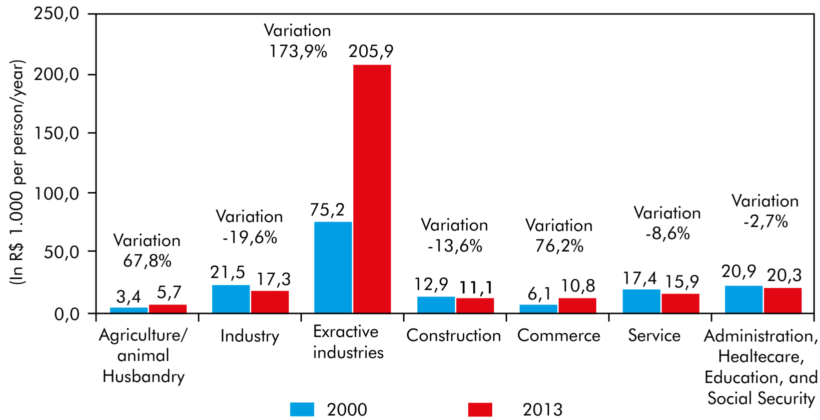
Source: Banco Central do Brasil.

In terms of hopes for changes in the productive structure and for a rise in labor productivity, the situation is quite different. Indeed, the Brazil of the 2000s still displays relatively low productivity levels. Figure3 shows the three sectorsin whichproductivity[33] rose significantly, in the period 2000-2013. First, come extractive industries (mainly due to investments made by Petrobras), followed by commerce, and then agriculture and animal husbandry, with agriculture and extractive industries undoubtedly spurred by the commodities boom over the course of the decade. The sector most favored by job creation, meanwhile, service, saw a sharp fall in productivity (-8.6%), but lower than theone registered by the manufacturing sector, that reached -19.6% over the period. Even construction, a sector that has recovered from 2008 onwards, has not benefitted from improvements in its productivity levels.

[32] According to BACEN, as of December 2013, consigned credit represented 28.9% of personal credit.

[33] Productivity was calculated using the ratio between added value and employed personnel in each sector of economic activity.

Figure 3 – Productivity rate* by sectors of economic activity, Brazil – 2000/2013 (in R$1,000 per person/year)



Note: (*) 2013 figures were inflated to 2000 prices, using the GDP deflator.
Source: Authors' elaboration based on data from IBGE – National Accounts System.

These data suggest that, despite a record number of formal jobs being created, Brazil did not attain greater homogeneity in its productive structure.

But what might have favored a strong rise in productivity in the agriculture and animal husbandry sector, for example? Our hypothesis is that, beyond a considerable rise in commodity valuations, a given framework for social and economic policy contributed to paring down the workforce surplus. On one hand, poverty-fighting policies, via cash transfer programs, wound up taking their beneficiaries out of the job market or reducing the pressure that they exerted, thus diminishing severely low-productivity underemployment[34]. In the absence of agrarian reform, which lost steam over the course of Lula's two terms and Dilma's administration, it fell to social poverty-fighting policy to guarantee monetary minimums through the *Bolsa Família* Program and rural welfare, ensuring incorporation into the consumer market. On the other hand, the national minimum wage aided in homogenizing the lower limit of labor remuneration (through the increase in the minimum wage), while political decisions from the federal executive branch elevated the poorest sectors' propensity to consume, thus raising demand. With the reduction in the labor surplus, which had been holding back an increase in the base salary, not only could the lower limit be raised, but the average salary could rise as well.

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[34] From 2000 to 2009, agricultural employment as a portion of the Brazilian occupational structure fell from 22.3% to 17.3% (IBGE, 2014). In absolute terms, there was a reduction of 4.7% in the population employed in this sector, while added value grew 34% over the same period – hence the significant increase in productivity, as shown in Figure 3.

It is plausible to suppose that social protection, a minor player, and one nearly absent in the previous phases of economic growth, has been successful as a strategy to foment demand and the expansion of the mass market at the turn of the 21st century. This compensated, to some measure, for the absence in productivity gains that ought to have been observed throughout the productive structure in the wake of growth. The goal of market incorporation implies a guarantee of income, this being a prominent framework in social policy in Brazil as well as Latin America as a whole, during this phase of economic recovery marked by the predominance of governments recognized as center-left.

With this, the country's notorious dynamic insufficiency – to wit, the persistence of structural underemployment, which hinders development – is partially addressed. This was done not by increments in productivity spread throughout the economy, with substantive transformations in the productive structure and employment (both lacking, for example, in the key industrial sector), but via institutional changes in the reproduction of the most vulnerable, least-qualified groups, now either placed outside the job market or concentrated in the service sector.

Our hypothesis is that Brazil's recent return to growth was made possible by a certain sort of social regulation, which prioritizes programs and policies that feature income guarantees, alongside the real increase in the minimum wage and the elimination of barriers to the financial market. Other aspects, not less relevant, also came into play, such as tax exemption policy, which was called in to compensate for standing structural problems with a not-entirely-successful attempt at remedying Brazil's low competitiveness domestically and abroad (CORDILHA, 2014). Social policy thus becomes the mechanism par excellence in the search for a short-term solution for part of the structural underemployment of the low-productivity workforce, reducing its supply on the job market but guaranteeing it as a presence on the consumer market. It does not, however, address the issue of structural heterogeneity, which continues to generate profound inequalities.

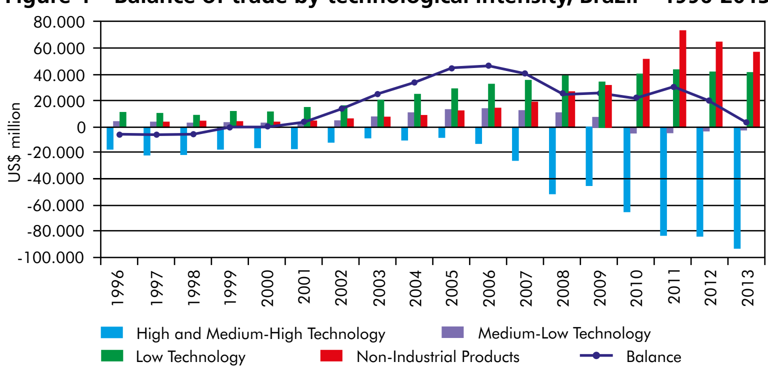
Bielschowsky indicates that one of the potential drivers for Brazilian development in the long term of the so-called social-developmentalist phase (post-2006) might be production and mass consumption[35], as they allow for "a virtuous integration between growth and an improvement in income distribution" (2012, p.739). But, while chains were undeniably struck away on the consumption side, production displays a less than virtuous dynamic. Figure 4, taken from Cordilha (2014), demonstrates not only a fall in the manufacturing industry's input in terms of total value added to the economy from 1996 to 2011, but also reveals, on the external front,

[35] The other two factors would be the use of natural resources and investments in infrastructure.

> signs of Brazil's strengthening as an exporter of raw materials, given growing dependence on the exportation of non-industrial and low-tech goods to sustain Brazilian surpluses, alongside a loss of competitiveness in industrial goods, with greater deficits around products of higher technological intensity. (2014, p.3)

The growing importation of manufactured goods may be seen in Brazil's 11-place leap in just seven years on the international ranking of the largest importers, from 31st place, in 2005, to 20th, in 2012 (IEDI). One should also recall another factor pushing the expansion of mass consumption domestically, which contributed to putting pressure on imports – the prolonged overvaluation of the Real (SINGER, 2012), to the detriment of the manufacturing sector, compensated by ample tax exemptions that wound up hobbling Social Security's budget[36] and any chance of broadening the scope of universal policies such as healthcare.

Figure 4 – Balance of trade by technological intensity, Brazil – 1996-2013



Note: (*) According to the OECD classification used by SECEX/MDIC.
Source: Authors' elaboration, based on data by SECEX/MDIC from Cordilha (2014).

Without a doubt, the past decade has brought decisive government regulatory action (FURTADO, 1987, p. 207), through social policy. However, the fractures in the model of social regulation, dominated by a specific kind of policy, have made it possible to drive the mass consumer market without adequately addressing the persistent bottleneck of structural heterogeneity. This would mean tackling grave problems and

[36] A number of authors (Fagnani and Vaz, Fagnani, Cordilha) have called attention to the fact that tax exemptions, particularly via the suspension of employers' contributions to social security, puts the Social Security budget at risk; once in surplus, it may begin incurring deficits. After the 2008-9 crisis, the Brazilian government moved to expand these payroll exemptions, favoring around 50 fairly uncompetitive sectors. Once a temporary measure, it is set to become permanent starting in 2015. According to Treasury estimates, quoted by Cordilha (2014), such exemptions may come to R$ 21.6 billion or US$ 10 billion in 2014, a figure slightly higher than total annual spending on the poverty-fighting *Bolsa Família* Program.

long-standing gaps in policy, including agrarian reform (to reduce the concentration of property), the universalization of access to quality healthcare and education, and equalizing well-being, to say nothing of tax reform (to reduce the concentration of income and wealth). If, as Furtado has put it (1987, p.210), the importance placed on non-economic factors in the interpretation of underdevelopment justifies the label "structuralist," then one may conclude that structuralist thought has finally incorporated social policy into its framework, being a non-economic dimension of the reproduction of life. It is social policy that alters the social structure. But, in recent cases, it has done so oriented almost exclusively towards the incorporating previously excluded groups into the consumer market, not prioritizing social inclusion. Herein lies its liberal slant.

The issue at center stage in the structuralist paradigm, the elevation of productivity, is thus tabled.

While in the first generation of structuralist thought the key missing link lay in ignorance of the role of social policy in promoting growth in the middle and long term, this phase of development seems to be lacking in its ignorance of the systemic role of social policy in adequately and effectively addressing the challenge of productivity and equity in the long term, through the promotion of universal and unconditional programs that seek to strengthen mechanisms for increasing social homogeneity, reducing differentials in education, healthcare, well-being, and hence productivity as well. For Furtado, underdevelopment means a disparity between the consumption levels of significant groups of a country's population (1972). It seems evident that such differentials in consumption patterns are increasingly shifting away from durable consumer goods (cars, electronics, or large home appliances), and towards access to often indispensable goods such as water and basic sanitation, and others, such as education and healthcare, that may truly open up opportunities and equalize living conditions and well-being.

In the decade of the return to growth, while consumption boomed, the percentage of households with adequate infrastructure – sanitation, trash collection, and treated water – went from 53.6%, in 2001, to 63.4%, in 2013. This means that more than a third of Brazilian homes still fall short of a decent standard of living. In the case of the lowest-income households – up to half a minimum wage per month – 48% still lacked adequate sanitation (IBGE, 2014). The progression of certain other goods, meanwhile, with individualized access mediated by the market, has seen a sharp upward bend. This is the case with cell phones, for example, which are now present in practically 90% of Brazilian households, as opposed to 31% in 2003. The percentages of homes with computers (12.5% in 2001 and 48.9% in 2013) and washing machines (33.6% in 2001 and 57.5% in 2013) also rose notably.

In a study by the Brazilian Institute of Geography and Statistics (IBGE, 2012), based on a methodology developed by Mexico's *Consejo Nacional de Evaluación de la Política de Desarrollo Social* – CONEVAL, the population was divided into vulnerable groups. Adesignation determined not only by income, but other indicators as well that point to the existence of deficits in the population's access to a range of services that are indispensable in social reproduction. First and foremost, the proportion of vulnerable citizens as classified by income[37] and social service deficits[38] still takes in 22.4% of Brazilian, although 34.2% are not affected by either kind of vulnerability. The most interesting factor, however, is that the proportion of the population falling under simply income poverty is 7.4%, while 36% are made vulnerable by some kind of social service deficit. This reveals two things: the first is that the incidence of vulnerability through social service deficits is greater than vulnerability through income poverty alone, and the second is that most people under the latter category also display some social service deficit.

As public health suffers from chronic underfinancing in Brazil (BAHIA, 2013), despite having the resources of the Social Security budget to better meet demand, private provision advances – while remaining inaccessible to the vast majority of the population. In Brazil, a country with a public, universal, free healthcare system, a victory from the era of redemocratization enshrined in the 1988 Constitution, private spending on healthcare outstrips public. While the former comes to 5.5% of GDP, the second stands at 4%. Moreover, ¼ of the population has private healthcare plans and that figure has only grown along with family incomes[39], stimulated by tax exemptions.

Likewise, 35% of Brazilian workers did not finish primary school, which becomes an important factor in stubbornly low work productivity. This deficit is mirrored at other educational levels; just 54.4% of 15- to 17-year-olds were enrolled in high school. This explains why, in 2013, only 54.3% of 19-year-olds had graduated high school (INEP). As for higher education, and in spite of university quota programs meant to include ethnic and racial minorities, 80% of college students attend private colleges,

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37 To calculate income poverty, the study employed a relative measure: the proportion of people earning income below 60% of the median.

38 Social service deficits were defined by a series of indicators, summarized under the following headings: a) educational lag; b) physical characteristics of the household; c) access to basic services; d) access to social security.

39 According to data from the 2008-2009 Family Budget Survey (POF), the richest families (the highest 10% by income), devoted 42.3% of their monthly spending on healthcare in paying for private plans, on average, while the poorest families (40% of the tail end of the distribution) spent an average of 7%. This tendency is flipped in the case of expenses on medicine, which take up nothing less than 74.2% of monthly health-related spending for the poorest families and 33.6% in the health budgets of the richest families (IBGE, 2012).

access to which is generally made possible by student loans obtained via the financial market.

Many performance indicators could be called up on the subject of educational quality, such as the country's clearly unsatisfactory PISA results. Just one figure is enough to shock on this account, however, related to adequate school infrastructure as defined in the PNE (National Education Plan), being access to: treated water and basic sanitation, electricity, high-speed internet, handicapped accessibility, libraries, spaces for sports practice, access to cultural goods and art, and science-related equipment and laboratories. While in 2009, 3.06% of Brazilian schools met those criteria, by 2013 the figure was virtually identical: 4.2% (MEC/INEP/Deed). That is to say, over nearly a decade of growth, crucial investments in social infrastructure did not keep up.

Castro (2013) has estimated the distributive effect of public goods such as healthcare and education, as well as cash transfers. He observes that in the current situation, "increased spending on public healthcare and education generate extremely positive developments, in terms of both growth and income distribution" (2013, p.130). Targeted transfers, meanwhile (*Bolsa Família* and BPC) had a smaller impact on growth and slightly more on the drop in inequality. This is a clear indicator that while the current pattern of social spending, mostly focused on cash transfers, may stimulate the domestic market, it contributes less to feeding a virtuous dynamic of long-term economic growth and facilitating the rise of locally produced value added.

We argue that the financing model for mass consumption, adopted in Brazil with relative success under the second Lula administration and under Dilma and meant to stimulate the domestic market and keep the economy functioning closer to its potential by driving job creation, broadened the integration of low-income sectors – and even the poorest – into the market. This integration was also facilitated by consumer credit in its various forms (*Minha Casa Melhor*[40] and *Crédito Caixa Fácil* are just two of such programs). The extension of the credit market to the destitute and to low-income families, with terms strictly regulated by the federal government, is doubtless a novelty and fills an important role in the democratization of consumption. However, this model of social regulation does not promote a process of social homogenization that might overcome profound, inequality-reproducing cleavages. It does remove barriers to integration into the market, but does not facilitate convergence to a standard

40 In June 2013, the federal government launched an exclusive financing line on furniture and household appliances for beneficiaries of the house-purchasing program *Minha Casa, Minha Vida*. The expectation is that 3.7 million families will be benefited, for a total of R$18.7 billion. The credit line offers up to R$ 5,000 per beneficiary. The interest rate is 5% per year, with a repayment term of 48 months. Families will be provided a magnetic *Minha Casa Melhor* card and given up to 12 months to spend their credit.

of well-being increasingly shared by all. The model of market incorporation cannot support a solid and sustainable standard for social inclusion, a middle or long-term path to the solution for the bottlenecks imposed by the permanence of profound social and productive heterogeneity.

6. BY WAY OF CONCLUSION

It is no coincidence that the first strategy for broadening and strengthening capital markets in Latin America consisted of the privatization of public funds, sustaining the regional transition, in the 1990s, from pay-as-you-go systems to capitalization systems (MESA-LAGO, 2009; LAVINAS, 2013). This attempt failed in part, and public pay-as-you-go systems had to be reintroduced.

The other strategy for expanding financialization came through the expansion of mass consumption through consumer credit for the most vulnerable, previously excluded groups. Conditional cash transfer programs came to be tied to this logic of market extension, stimulating links between the poorest groups and the financial sector through credit, insurance, and microcredit (LAVINAS, 2013; SOARES, 2014). In the absence of collateral, a steady (albeit small) income backed by the government opens up opportunities to grow mass consumption through credit, the newest forms of which seek to include groups only recently incorporated into the market. Magnitude guarantees scale. The deficit in the provision of free public services in terms of both quality and quantity, segmenting the market and exacerbating government shortfalls, has driven citizens to credit and insurance markets in search of security. This dynamic produces some negative externalities, such as the increase in family debt, and elevated interest rates drive financial capital gains in turn.

Instead of an expansion in the supply of public goods that equalize opportunities and well-being, what we have seen is the commodification of all aspects of life, under the hegemony of the capital market (private insurance and credit for any sort of misfortune). Only decommodification restricts the functioning of the financial market and its deleterious effects, especially in terms of the reproduction of inequalities. To substitute public goods with private provision is thus to restrict the scope of what ought to be decommodified; and this route will certainly not make us more equal.

Nor will it allow for a successful addressing of the problem of structural heterogeneity, which mirrors deficits in universalization. Fajnzylber's declaration at the start of this article obliges us to reflect on the recent trajectories of Latin American governments that used social policy to incentivize market incorporation, scorning true social catching-up – something only possible when equity-promoting policies are truly a priority on government agendas and within institutions, with a real effect on the distribution of social spending.

This article shows that the greatest advances of the decade of the return to growth in Latin America came in the labor market. The decoupling of well-being and income or assets as parameters of true social protection remains incomplete, in part because social protection systems, despite some progress, remain equally incomplete and threatened by weak institutional frameworks.

The vulnerable are guaranteed a level of minimum income defined by extremely low poverty and indigence lines, while in terms of social services and basic rights (where supply and coverage remain deficient and insufficient), they are forced towards the market, thus reducing the already-clipped scope of the public sphere.

We consider Fanjzylber and Furtado's line of argument penetrating and incontrovertible in its indication that both the spread of modern products and the generalization of consumption patterns on industrial goods, once a class differential, have little or no impact on the precarious nature of social relations and regional levels of inequality. What differentiates social protection systems in their classical form is precisely how they combine income guarantees with the unconditional universalization of rights and access. It is no accident that greater consumption and market incorporation sans any commitment to the larger decommodification of services and the deindividualization of the right of access cannot overcome our profound and persistent heterogeneity. But this seems to be of little consequence to those who exalt mass consumer society in Latin America while failing to place us on a sustainable trajectory towards overcoming our asymmetries.

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