

# SOCIAL DEVELOPMENTALISM, AUSTERITY AND CRISIS IN BRAZIL

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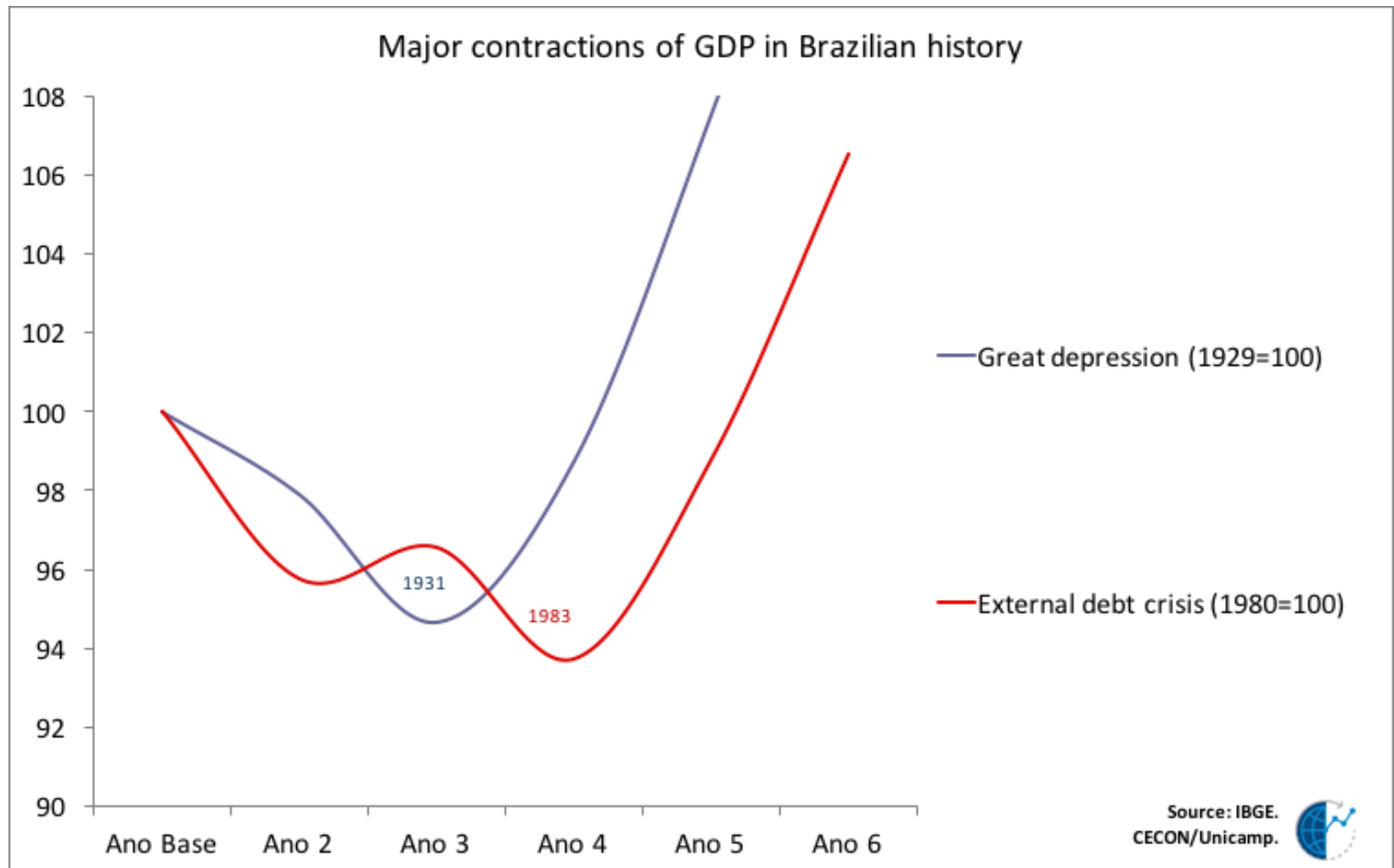
Berlin, November 2017

1. Prologue: the worse economic crisis in recent Brazilian history
2. Growth model and social developmentalism in Lula's government
3. Dilma: from supply side policies to austerity
4. Coup d'état and the dismantling of the social policies

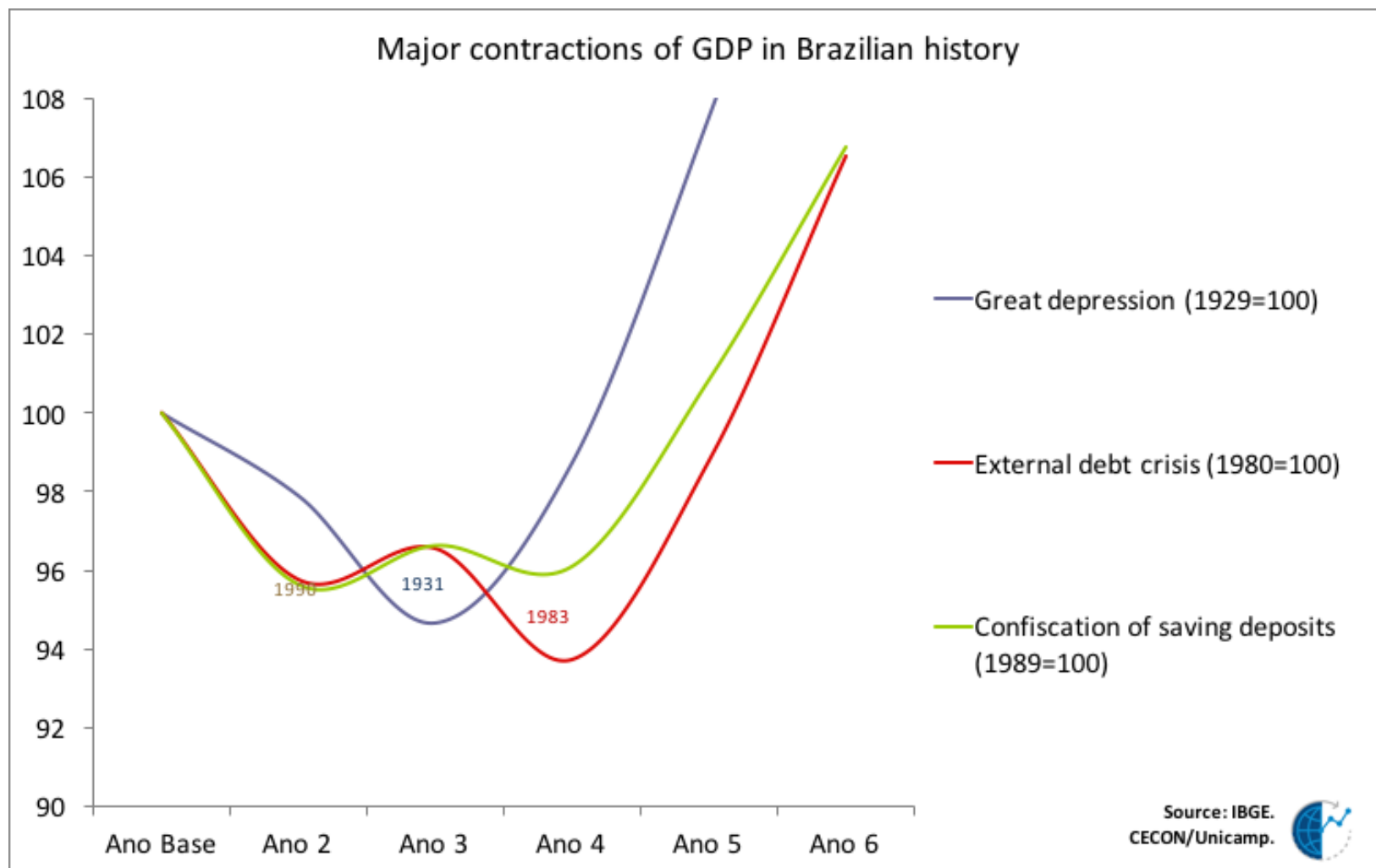
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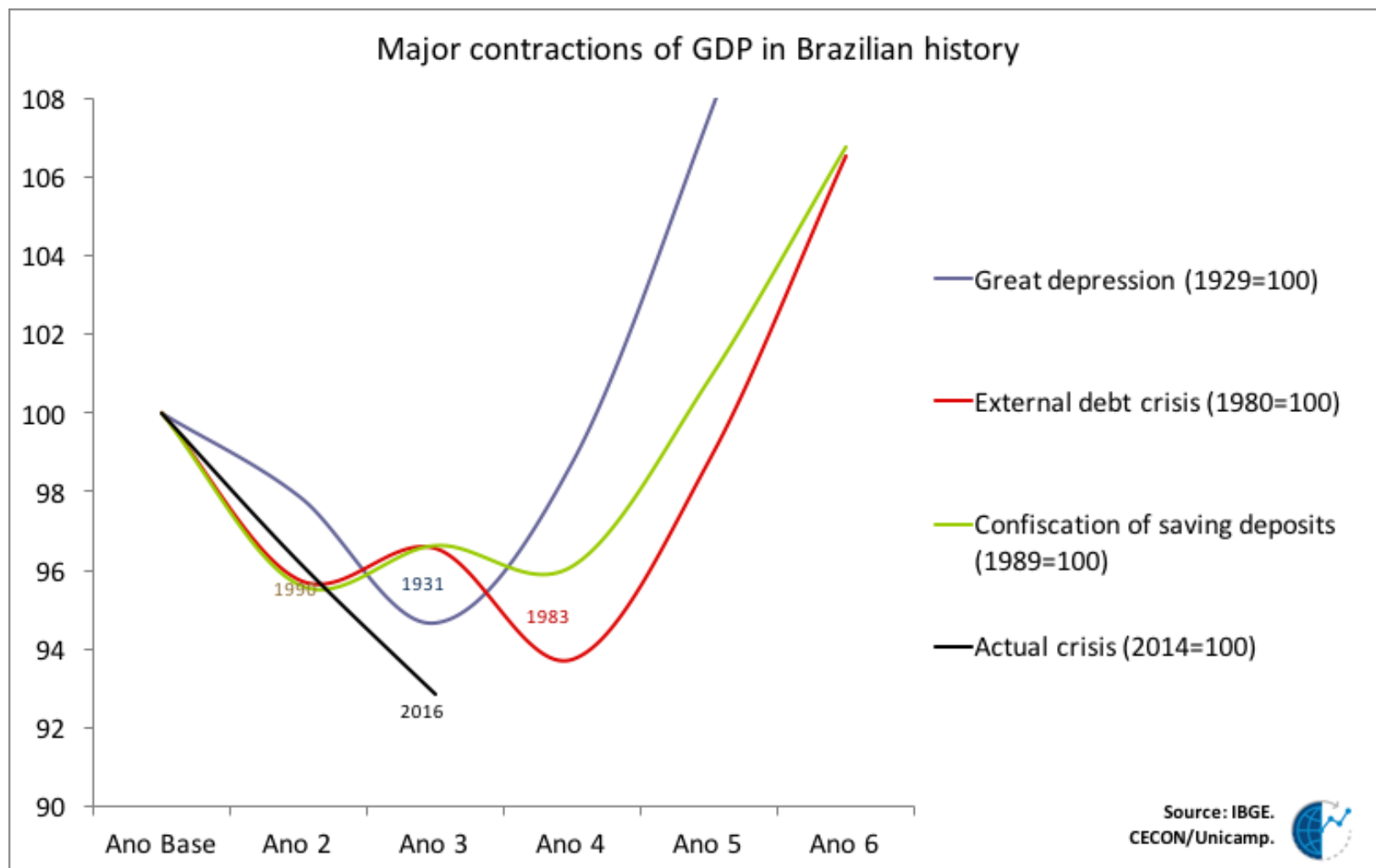
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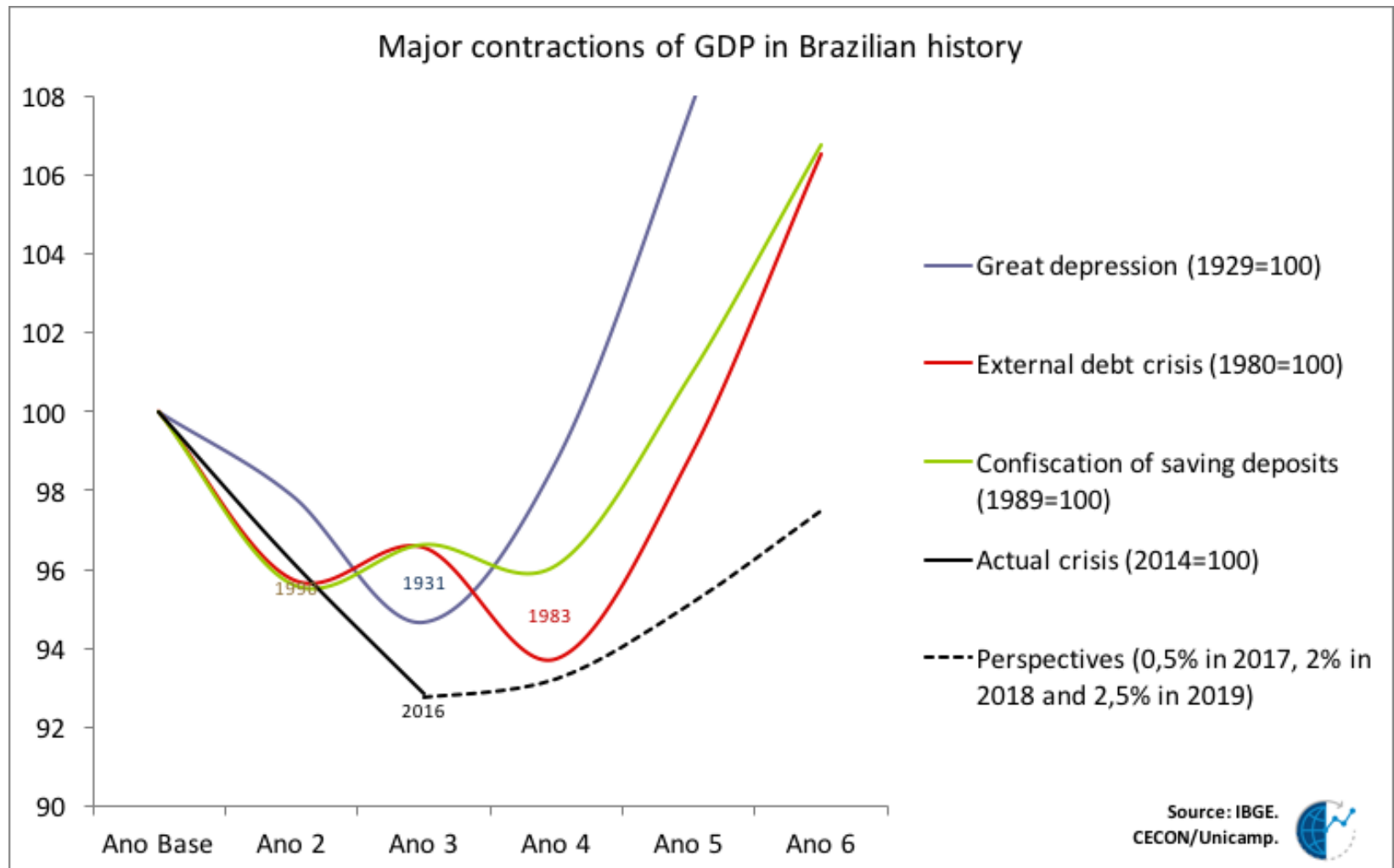
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## 2. Growth model and social developmentalism in Lula's government

- Developmentalism
  - “is the ideology that preaches government intervention, nationalism and industrialization for development”
- Social Developmentalism in Lula's government
  - In addition to rescuing the developmentalist ideology and some industrial policies, the growth model promoted the creation of a mass consumption market with deliberated policies:
    - Minimum wage increases (over 70% real gain between 2003 and 2014)
    - Income transfer policies (bolsa familia, social security)
    - Credit incentives for households (payrolls credit, housing loans)
    - Increase in the volume of public spending in the social area (which increased from 21.9% in 2005 to 25.2% of GDP in 2010)



## 2. Growth model and social developmentalism in Lula's government

### ***Limits and contradictions***

- There has been an important transformation of the demand structure in Brazil and significant improvements in the labour market. However, the productive structure did not follow, nor did it create jobs in high productivity sectors.
- Factors that contributed positively to the constitution of the domestic market also negatively impacted the productive structure, among them; the improvement in the terms of exchange and the appreciation of the exchange rate.



### 3. Dilma: from supply side policies to austerity

#### ***First presidential term (2011-2014)***

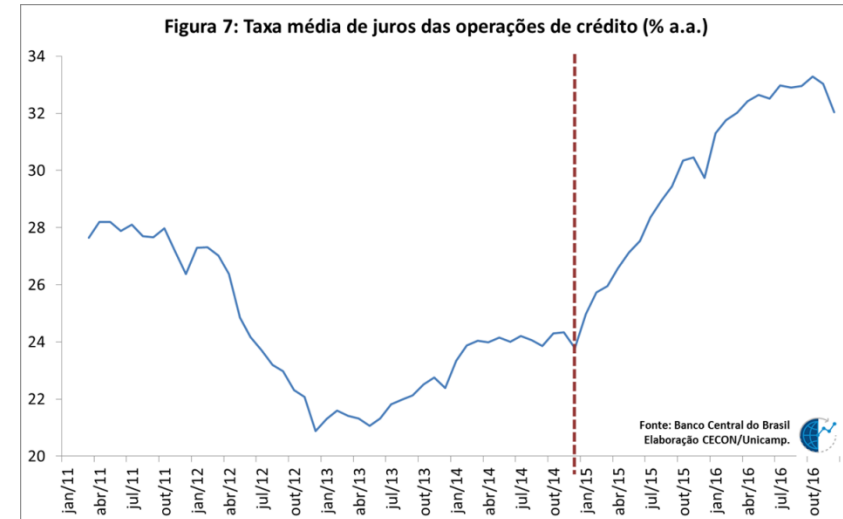
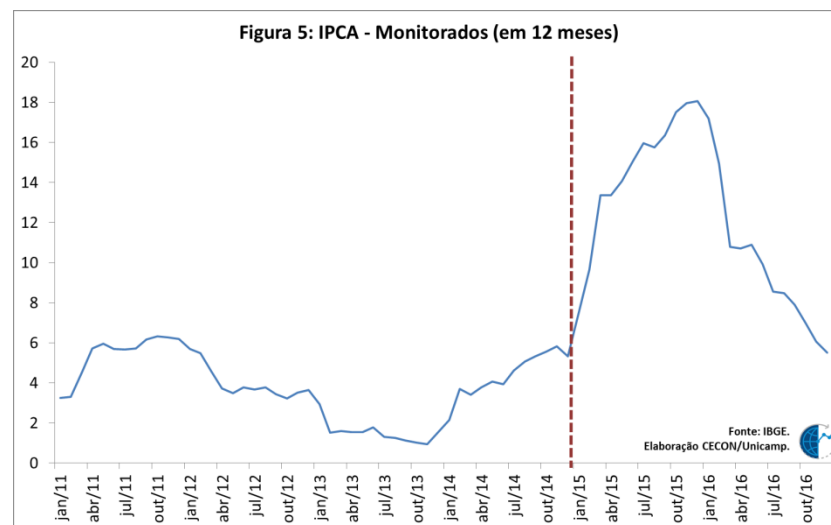
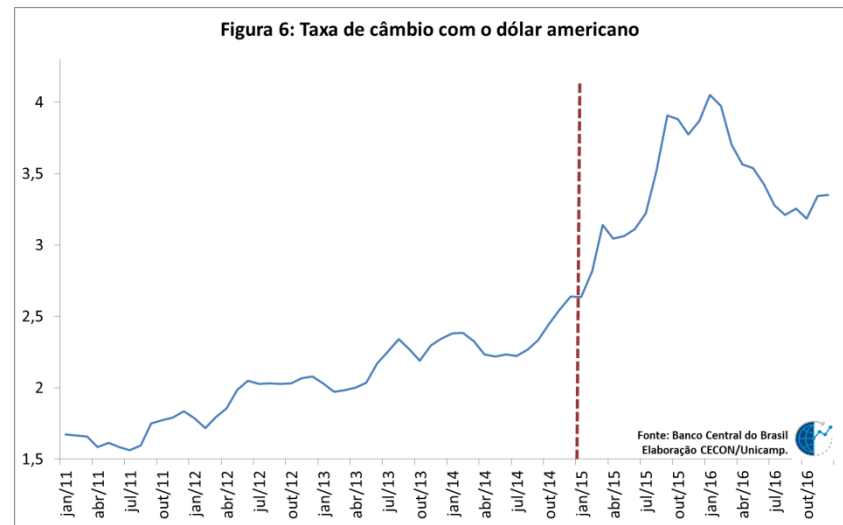
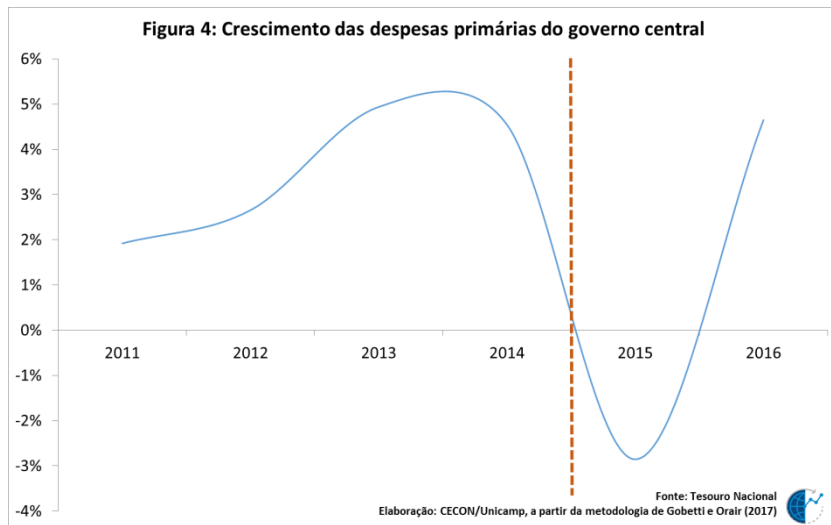
- Attempt to adjust macroeconomic prices: interest rates and exchange rates
- Tax reduction, subsidies and public credit for a wide range of productive sectors
- Public concessions plans

#### ***Second presidential term (2015-2016)***

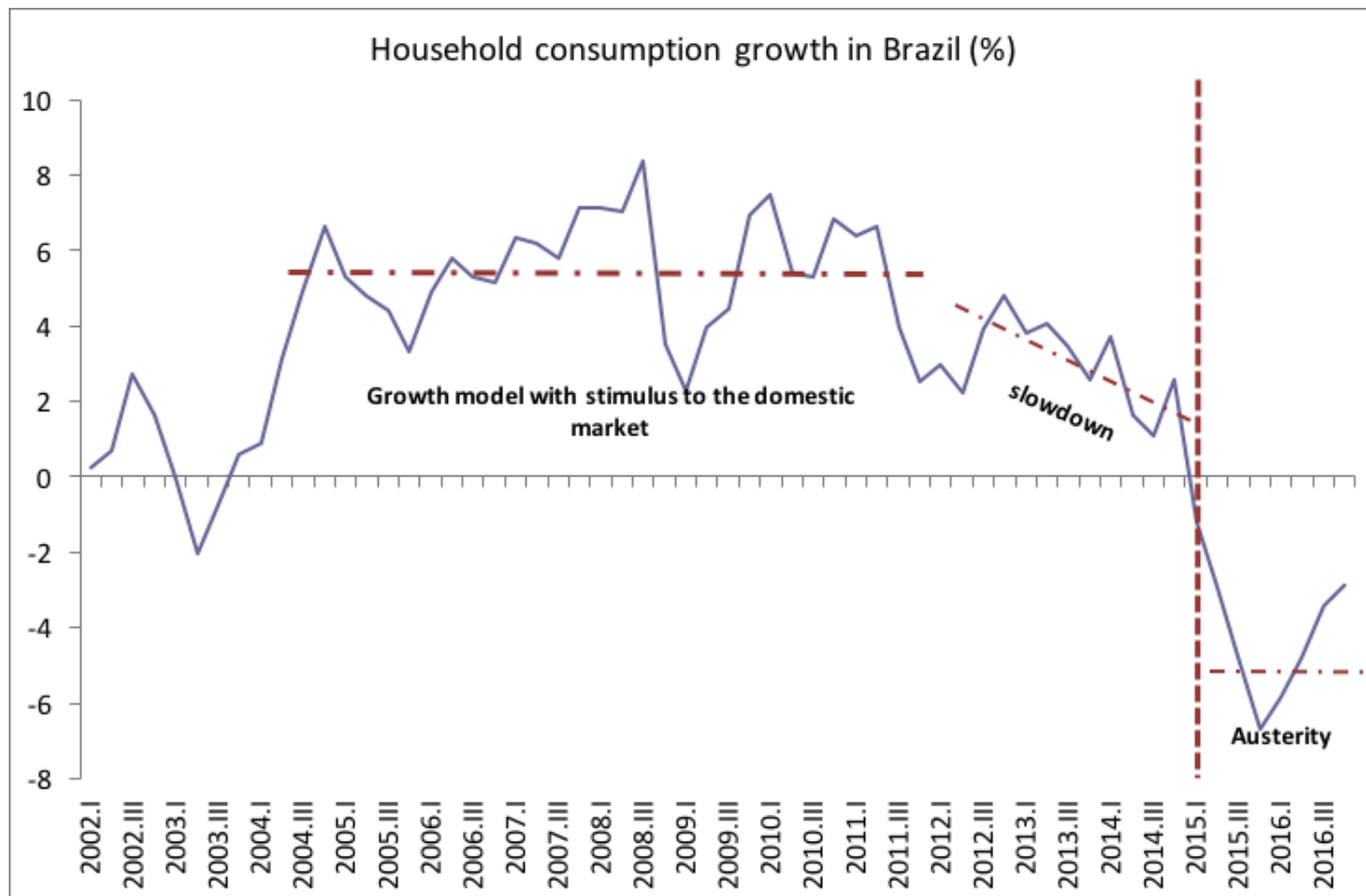
- Fiscal austerity
- Shock in managed prices
- Exchange rate devaluation
- Monetary contraction



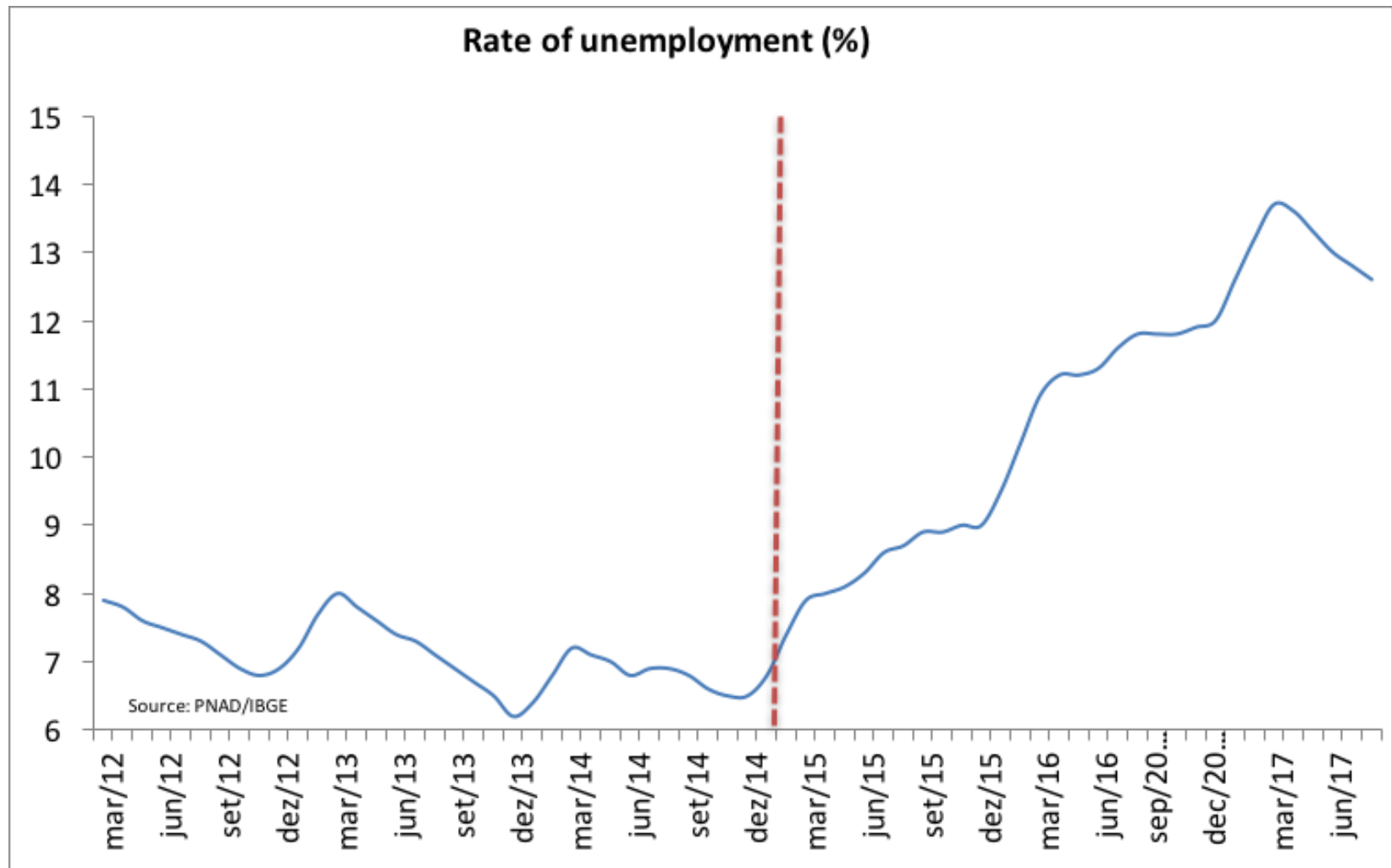
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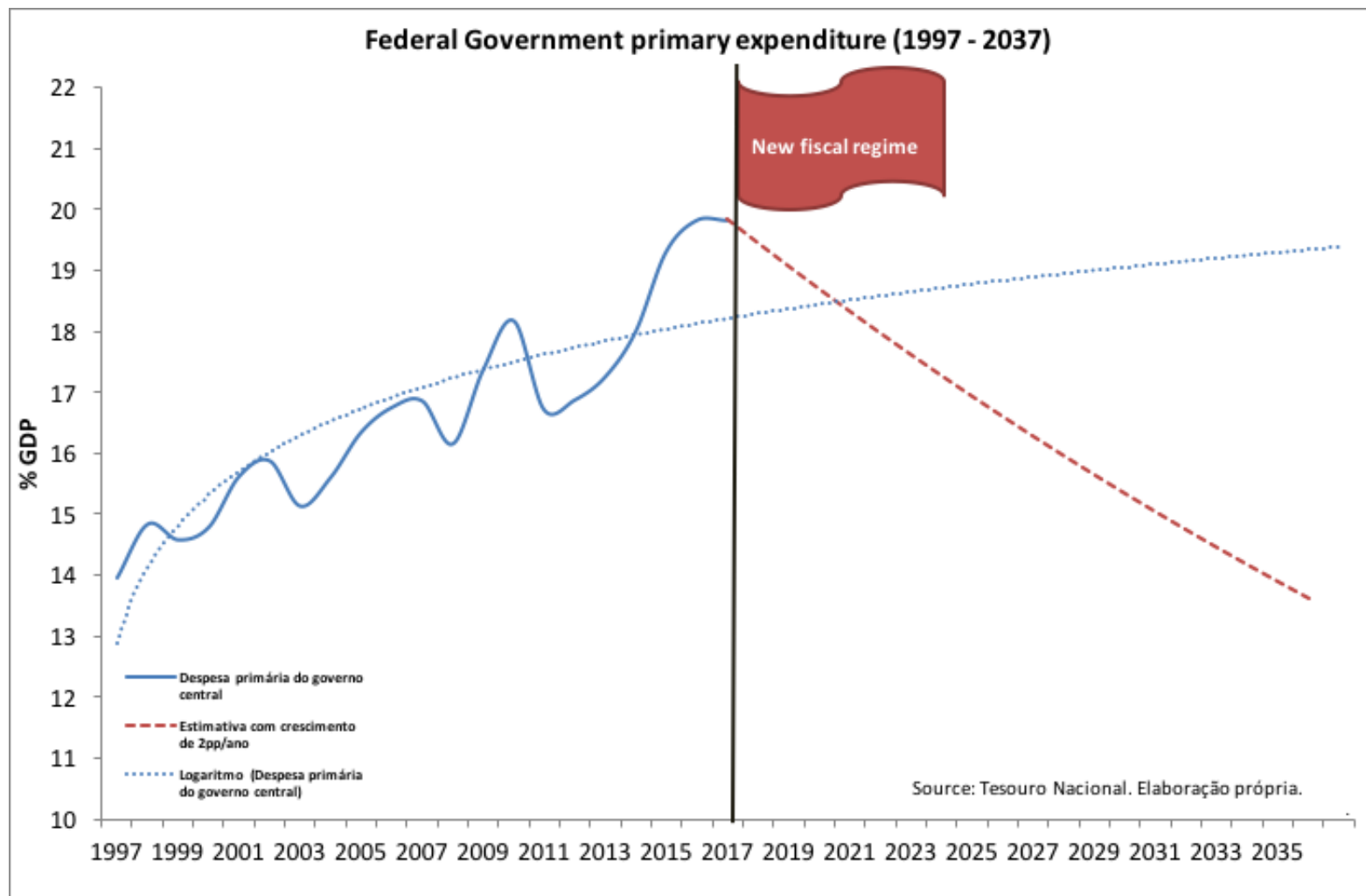
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## 4. Coup d'état and dismantling of the social policies

- Why it is a coup?
  - The political party defeated in 2014 did not accept the result of the elections
  - The vice president Temer conspired openly against the president-elect
  - There was no crime of responsibility to justify a impeachment process.
  - The new government is composed of the coalition defeated in the elections of 2014
  - The new government implemented deep transformations in the Brazilian state, leading reforms that would never be approved in general elections
- Economic reforms
  - Labour reform
  - Social security reform
  - Privatizations
  - New fiscal regime
    - Spending ceiling for federal government for 20 years (zero real growth)

## 4. Coup d'état and dismantling of the social policies

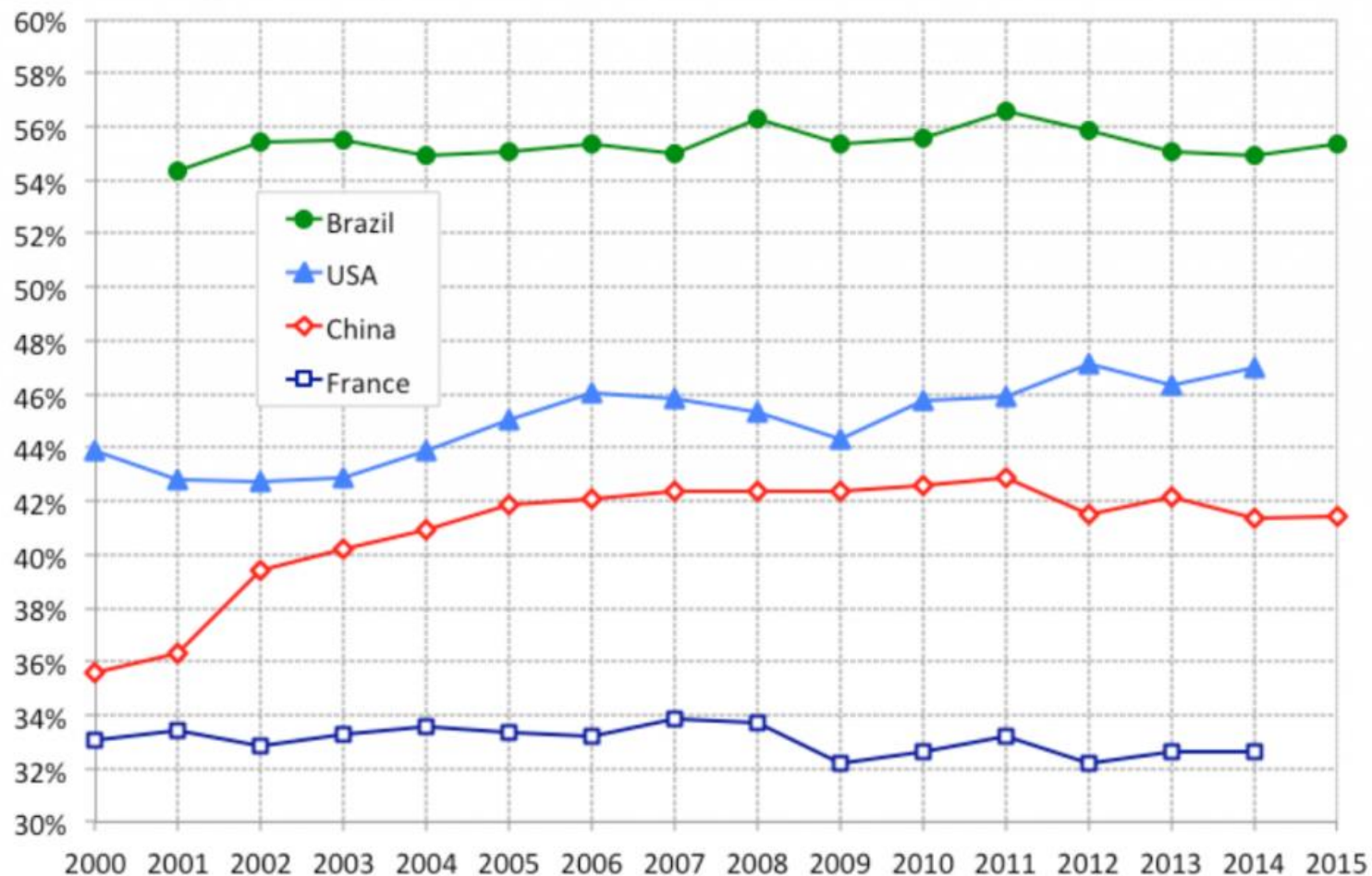


Thank you!

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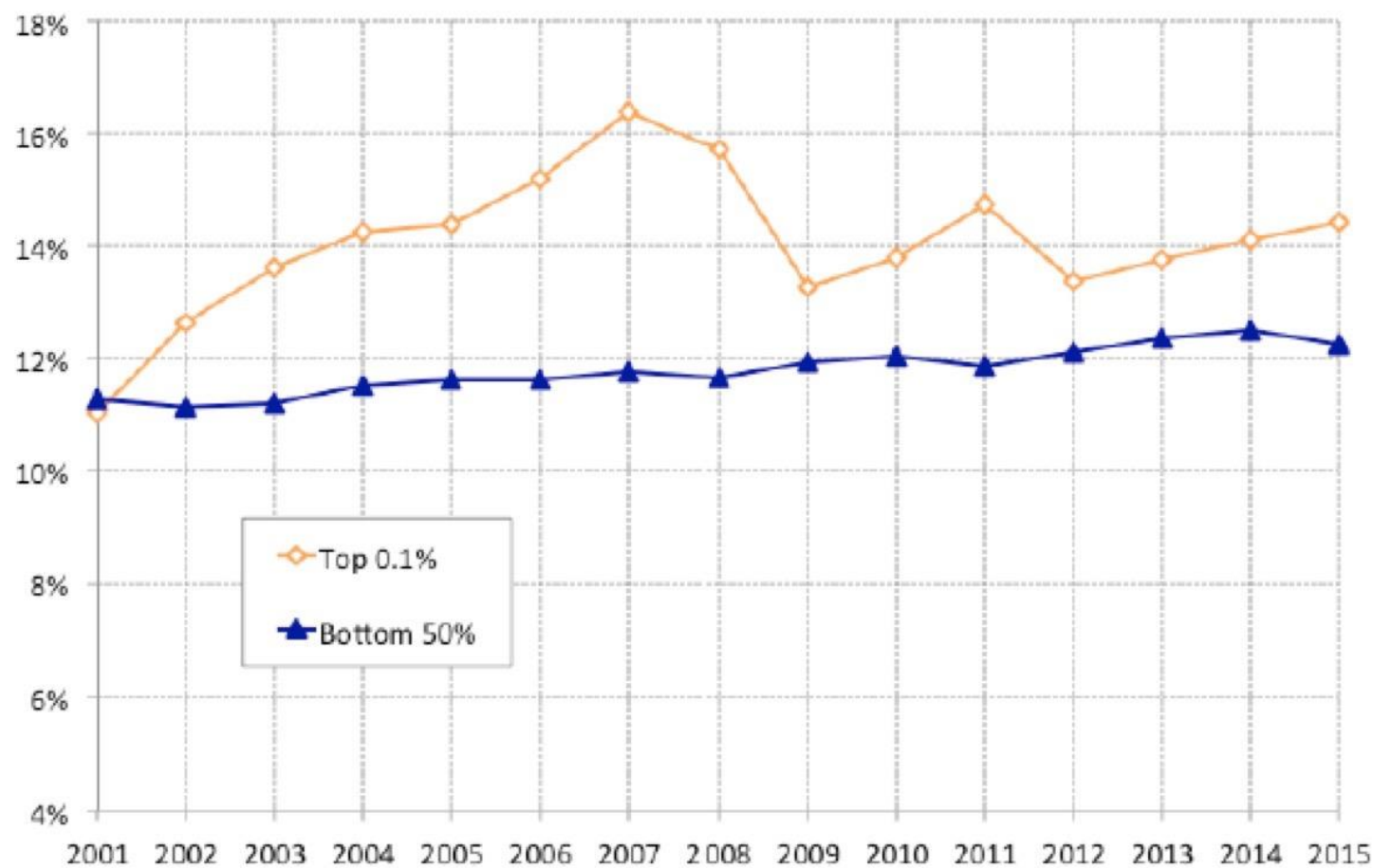


**Figure 12. Top 10% income share: Brazil vs China, France and USA**



Notes: Distribution of pretax national income (before taxes and transfers, except pensions and unemployment insurance) among adults. Corrected estimates (combining national accounts, surveys and fiscal data). Equal-split-adults series (income of married couples divided by two). Estimates for USA, France and China are from <http://wid.world/>.

**Figure 4. Top 0.1% vs Bottom 50% in Brazil: 2001-2015**



Notes: Distribution of pretax national income (before taxes and transfers, except pensions and unemployment insurance) among adults. Corrected estimates (combining survey, fiscal and national accounts data). Equal-split-adults series (income of married couples divided by two).