Paulo Henrique de Almeida Rodrigues e Isabela Soares Santos
Organizers

SOCIAL RISKS AND POLICIES IN BRAZIL AND EUROPE:

convergences and divergences

Since the beginning of the 21st century the critical vision to surpass neoliberal prescription in the European Union social agenda has been gaining strength. However, the ideological prevalence of that world view continues to influence the response to the recession resulting from the European 2008-9 financial crisis and the conduction of social policies in countries that adopted the social democratic welfare state regime, as is also the case of Brazil.

Women-led monoparental families constitute the poverty hardcore [illegible] require social policies that invest on [illegible] conditions for these women and their chi[illegible]me their poverty condition. It is a complex phenomenon demanding coordinated solutions, ranging from the insertion of these women in the labor [illegible]-time and public universal kindergarten [illegible] the development of children's cogniti[illegible]us enabling further educational development.

There is a need [illegible] policies regarding the [illegible] on social rights as con[illegible] Constitution and the [illegible] face the new social risks, which are present in our reality as well. This per[illegible]tive is opposed to the social policy of the curren[illegible]zilian government, which is characterized by an [illegible]raliberal, antisocial and non-democratic option.

These programs have [illegible]al character limited to poverty reli[illegible] coordinated with other social univer[illegible]able of reverting poverty determinants [illegible] the Lisbon Agenda proposals, which explicitly rejected the liberal model of social p[illegible] and opted for a set of measures that coordina[illegible]s of gender, maternity, early childhood and [illegible] in a universalist base, aiming at poverty er[illegible].

Social investment p[illegible] to improve the universal policies [illegible] Brazilian 1988 Constitution and o[illegible]ies of focal policies developed [illegible] Recent history confirms that there [illegible] between social spending increase and the State's fiscal capacity, insofar as [illegible]ate fiscal re[illegible] that spending, thus reducing not only misery but also poverty.

Since 2014, especially as from August 2016, neoliberal pressures have been intensified to force a greater reduction of social spending in Brazil, under the false argument that the country would not have the financial capacity to sustain it. The same has occurred in some European countries since the [illegible] agric so[illegible]ro motin[illegible]ter diffic[illegible] and

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This publication is the second edition, revised and extended, of the outcome of the International Seminary on Recent Welfare State Tendencies, held in Rio de Janeiro, Brazil, in 2015. The aim of the seminary was to discuss the European strategy of social and universal policies and the Brazilian strategy of social policies. It was carried out in a partnership between the Brazilian Center for Health Studies (Cebes), Oswaldo Cruz Foundation (Fiocruz) and Medico International (MI), which also made possible the release of this book.

Our purpose is to interfere in the debate presently held in Brazil on social policies, their nature and models, seeking to highlight the importance of the universal approach of social policies for the overcoming of the new social risks – increasing ageing population, poverty, poor families headed by women – and discuss the challenges concerning the sustainability of social policies and current tendencies of welfare state in Brazil and worldwide.

Considering that the academic debate has strong influence on the design of public policies, our aim is to contribute to the enhancement of scholarly outputs on the theme.

In Brazil, since the 1988 Federal Constitution there has been the implementation of universal social welfare policies, which employs millions of professionals whose education faces enormous deficiency of specialized literature.

The mainstream literature on social welfare state has been increasingly disseminated in the academic environment that qualifies millions of workers and thousands of militants of social policies in Brazil. In education and research institutions there are thousands of teachers dealing with the theme and they constitute a significant public of this literature. Therefore, this publication is available in printed version in Portuguese and in digital edition (e-book) in Portuguese and English.

This book comprises chapters written by international authors Anton Hemerijck (Vrije Universiteit Amsterdam and the London School of Economics and Political Science), on the theme of social investment, and Pedro Hespanha (University of Coimbra) about social security in Northern and Southern Europe in the context of the 2008 economic crisis. Furthermore, there are chapters written by Brazilian authors on social security in Brazil due to neoliberalism prescription, Europe and Latin America: Cornelis Johannes van Stralen (UFMG), Lena Lavinas (UFRJ), Marcio Pochmann (Unicamp), Lenaura Lobato (UFF), Carlos Octávio Ocké-Reis (Ipea), Mário Theodoro (UnB and Federal Senate); Celia Lessa Kerstenetzky (UFRJ); Pedro Paulo Zahluth Bastos (Unicamp); and the organizers Paulo Henrique de Almeida Rodrigues (Uerj) and Isabela Soares Santos (Fiocruz).

Have a good reading!
The organizers

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convergences and divergences

EDITORA HUCITEC

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The published titles of the collection Saúde em Debate are at the end of the book.

Organizers
Paulo Henrique de Almeida Rodrigues
Isabela Soares Santos

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2nd edition revised, enlarged, and translated

Translated from the Portuguese by Annabella Blyth

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Summary

Preface

To celebrate 40 years of struggles, debates, and propositions, the Brazilian Center for Health Studies (Centro Brasileiro de Estudos de Saúde – Cebes) has organized and now promotes the publication of this collection of texts to broaden the production of reflections and discussions. This book aims to dialogue with the contemporary European health system reforms and the redefinition of social policies in the context of the 2008 crisis of capitalism, while carefully observing the Brazilian situation particularities.

Neoliberal economic adjustments imposed by international agencies, pressures of financial markets, and governments that adopt austerity have impacts on health systems and peoples' lives, especially the poor and more vulnerable social segments, as the elderly. The recipe for countries as Ireland, Greece, Spain, and Portugal was directed to similar objectives and emphasized the control of public expenditures, efficiency, and cost-effectiveness. Expenses and staff reduction in services did not consider the possible impacts on citizens' health and on the quality of care.

The strategy to demoralize public health services seems more efficacious than the attack on the Social Welfare State and privatization campaigns. When the public system presents increasingly long queues and co-payment in order to reduce the demand, part of the population is driven to making the option for private health plans. Academic efforts to justify the conception of social investment and operationalize it in the formulation and assessment of public policies, beyond the cost-effectiveness analysis, are seemingly insufficient to protect the population from the pernicious effects of the neoliberal re-orientation of social protection systems.

In Brazil, even though there was a 'week reformism' and a brief 'developmentist attempt' (SINGER; LOUREIRO, 2016) in the period between 2003 and 2014, class struggles became more visible and fierce, despite a context in which all social segments experienced an increase in their income. Nevertheless, the forces of capital engendered a parliamentary coup in 2016 to impose on the majority of workers the onus of adjustment policies with a

new fiscal regime, as well as labor and retirement reforms. The attacks on the 1988 Federal Constitution and on social rights, along with the dismantling of the Brazilian Unified Health System (Sistema Único de Saúde – SUS) are carried out by the interim government and operationalized by the National Congress, with the support of the large media and the judiciary. The public policies that enabled a reduction of inequities in that period – though not radically tackling the social issue in Brazil and particularly racism – are being threatened, with the projection of a tendency to retrocede to the 20th and 19th centuries.

This book provides elements for two major reflections. The first indicates that the struggles in defense of SUS must go beyond the sectoral sphere and concentrate on the defense and radicalization of democracy, the counter-hegemonic construction of a new project of nation, and the articulation of distinct generations of rights. The second reflection stresses that the international economic crisis has been engendering a regressive agenda in several countries, requiring the construction of a unity of democratic, popular and socialist forces, with the reinvention of the left-wing movements (SANTOS, 2016) in order to reverse the increase of social inequities, prejudices, xenophobia, conservatism, intolerance, resentments and hate that provide a fertile soil for social fascism, in a potential direction to political fascism.

Salvador, December 2016.

Jairnilson Silva Paim

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Introduction

Welfare state: past, present, and future*

Cornelis Johannes van Stralen

This book is the result of an International Seminar organized by the Brazilian Center for Health Studies (Centro Brasileiro de Estudos de Saúde – Cebes) in partnership with the Center of Strategic Studies (Centro de Estudos Estratégicos – CEE) of Oswaldo Cruz Foundation (Fiocruz) held in October 2015 in Rio de Janeiro, Brazil. The theme of the seminar was 'Recent Tendencies of Welfare State', and this book comprises most of the papers presented by experts from Europe and Brazil.

The notion of welfare state usually refers to a set of policies related to the areas of health, education, housing, social security, income transfer, and social assistance. Some of these policies are, to a greater or lesser extent, universal – education, health, social security –, whereas others focus on specific social groups – social assistance, income transfer. In this perspective, it regards not only well-being but also social rights, social provision, and social regulation of economic activities. The roots of welfare state date back to the 19th century; in 1883, Chancellor Otto von Bismarck introduced the Social Insurance Legislation and implemented the Sickness Insurance. Subsequently, Bismarck created the Accident Insurance (1884) and the Old Age and Disability Insurance (1889).

The State's intervening in social assistance is prior to social insurance; this can be verified, for example, in the Poor Law of 1601 in England. It did not cease to exist, but Social Insurance was different because it was specifically meant for workers. Due to its success, Bismarck's social insurance was adopted in other countries, inside and outside Europe. Its creation was incentivized by the International Labor Organization (ILO), created soon after the 1919 Versailles Treaty. It also found support in the social doctrine of the Catholic Church through the *Rerum Novarum* Encyclical of Pope Leo XIII, 1891, and the *Divinis Redemptoris* of Pope Pius XI, 1937.

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* In this 2nd edition were added two chapters: 'Is the future of social democracy in women's hands?' by Celia Lessa Kerstenetzky and 'What left-wing project is there for Brazil? Contribution to a national project with social spending and state activism to boost development' by Pedro Paulo Zahluth Bastos.

The institution of social insurance and other forms of social protection was particularly impelled in periods of crises: the turbulent years at the end of the 19th century, the First World War, the Great Depression of 1929, and the Second World War. At those moments, the deficiencies of the existing social protection schemes became evident when seeking alternatives and innovations. In this perspective, the welfare state was consolidated in the aftermath of the crisis and the Great Depression of 1929 and during WWII. The most significant landmark of this consolidation was the 'Beveridge Report to the Parliament on Social Insurance and Allied Services' published in 1942 (BEVERIDGE, 1942).

The 'Beveridge Report' (1942) proposed the creation of a Plan for Social Security based on three guiding principles:

> The first principle is that any proposals for the future, while they should use to the full the experience gathered in the past, should not be restricted by consideration of sectional interests established in the obtaining of the experience. Now, when the war is abolishing landmarks of every kind, is the opportunity for using experience in a clear field. A revolutionary moment in the world's history is a time for revolutions, not for patching.
>
> The second principle is that organization of social insurance should be treated as one part only of a comprehensive policy of social progress. Social insurance fully developed may provide income security; it is an attack upon Want. But Want is one only of five giants on the road of reconstruction and in some ways the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness.
>
> The third principle is that social security must be achieved by co-operation between the State and the individual. The State should offer security for service and contribution. The State in organising security should not stifle incentive, opportunity, responsibility; in establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family. (BEVERIDGE, 1942, p. 41).

The Report continues:

> The Plan for Social Security set out in this Report is built upon these principles. It uses experience but is not tied by experience. It is put forward as a limited contribution to a wider social policy, though as something that could be achieved now without waiting for the whole of that policy. It is, first and foremost, a plan of insurance – of giving in return

> for contributions benefits up to subsistence level, as of right and without means test, so that individuals may build freely upon it. (BEVERIDGE, 1942, p. 42).

The Report has influenced, among others, the Universal Declaration of Human Rights (ONU, 1948) and later the seminal essay by T. H. Marshall 'Citizenship and the Social Class' (1950), which marked the beginning of the golden age of welfare state, from 1945 to the mid-1970s. It was a period marked by the construction and expansion of welfare state in a context of unprecedented economic growth, security, social solidarity, and public social protection ensured by employing democratic policies.

In economy, the primary reference was Keynesianism, which emerged in the wake of the Great Depression and dominated macroeconomics policies until the end of the 1970s. The understanding of the Keynesian economic theory was that slow growth and unemployment were related to insufficient demand and the cyclic tendency of capitalism. In this perspective, Keynesianism was based on counter-cyclical economic instruments, among others, on social policies to promote and sustain the demand, particularly through income transfer programs in the form of social insurance as to maintain the workers' income in times of recession (MOREL; PALIER; PALME, 2012).

Politically, the welfare state was sustained by a pact between capital and labor. Workers' unions agreed on restrict wage raises in exchange for full employment and social benefits expansion. In the 1950s and 1960s, the management of wage negotiation gained a new and strategic importance to keep the economic stability pattern, and all governments sustained the active role of unions in the definition of wages and income policies, effectively anchored on bi- or tripartite institutions of social partnership, often including employers.

This reality implied the fundamental reformulation of social order, foreseeing a historical compromise between class ideologies in dispute. Both the organized capital and labor supported the welfare state and the Keynesian mixed economic order, which promised a positive spiral of full employment, high salaries, increasing purchasing power, productivity growth, and a higher standards of living, including social protection. In this context, not only unions but also social democratic parties gained more power and political influence (HEMERIJCK, 2013).

In the late 1960s, the unprecedented post-WWII growth and the continuing social progress already signalized changes. At the same time, the new mobilization of workers and the explosion of wages put the pact between capital and labor in question. Efforts to maintain the purchasing power of minimum wage and social insurance beneficiaries by means of automatic indexation mechanisms produced an auto-reinforced inflation dynamics, which was accelerated by the oil prices shock in 1973 and 1979. Unemployment

reached unprecedented levels, with the consequent increase of social spending. In this context, the crisis was seen above all as a fiscal crisis, thus opening the doors for monetarism in detriment of Keynesianism.

A neoclassical economy became then allied to a neoliberal economy, favoring the State's retraction and the hierarchical shift in the objectives of social and economic policies. The goal of full employment was exchanged for balanced budgets, low inflation, stable exchange rate, privatization, regulation by the market, and welfare retrenchment (HEMERIJCK, 2013).

The economic recovery at the end of the 1980s attenuated the welfare state crisis as the fiscal crisis seemed to diminish. However, the 1990s saw the second wave of criticism to the welfare state. Impelled by the 'Jobs Study' published by the Organization for Economic Cooperation and Development's (OECD) in 1994, critics of the welfare state directed their arms to the high unemployment rates in most European countries – in particular Germany, France, and Italy, where unemployment rates reached twice as much as the rates in the USA. According to the study, low rates of participation in the labor market were in the center of the welfare state crisis.

Overprotection of jobs, high minimum wages, generous unemployment insurance, and high emphasis on collective wage negotiation and social dialogue not only increased the cost of labor but also seemed to stimulate passivity and dependence on social insurance, rather than the labor participation and economic independence. The sustainability of the contemporary welfare state was put in question and besides the issues of how to deal with the increased life expectancy, demographic shift and changes in the labor market structure, there was also the issue of how to make work compensative without excessively raising the cost of labor and social spending (MOREL; PALIER; PALME, 2012).

The debate on the sustainability of the welfare state led to a new paradigm: social investment. The emergence of this paradigm led some authors to distinguish three phases in the evolution of welfare state in the post-WWII: 1) the era of expansion and class commitment starting at the end of WWII; 2) the period of welfare state retrenchment in the wake of the oil shocks in the second half of the 1970s; and 3) the recent era, since the mid-1990s, when social investment prescription became popular (HEMERIJCK, 2013).

Never in the welfare state history criticism or resistance was absent. Ultimately, this condition expresses the contradiction between capitalism and welfare: taxing capital to finance social benefits constrains investments and, on the other hand, social rights increase

workers' power and weakens their will to increase working hours and intensify the rhythm. According to Claus Offe, "capitalism cannot coexist with, nor can it exist without welfare state" (OFFE, 1984, p. 149).

This may explain the dynamics of the welfare state with its alternation between moments of crisis, when the welfare state seems unsustainable as suggested by titles cited[1] by Kersbergen and Vis (2014), and moments of reforms. The result is that in the long term the welfare state shows a surprising stability as far as the benefits are concerned (PIERSON, 2011).

In contrast to the first two large waves of criticism, in which criticism to the generosity of welfare state prevails, the third wave, according to the classification by Hemerijck (2013), does not present criticism against it, but points out failures. Welfare states have prioritized traditional external risks like unemployment, illness, deficiency, and old age, at the expensive of 'new social risks', in opposition to the risks named by Anthony Giddens (1998) as 'fabricated', such as learning in the course of life and balance between professional and private life, considered as the 'new risks' intrinsic to the Knowledge Society. The underlying idea to this criticism is that one should not see labor participation or welfare state dependence at a specific moment, but from a life perspective that considers its consecutive phases (DE BEER, 2005).

Though several large waves may be distinguished in the evolution of the welfare state, in each country and region it has been achieved according to economic, social, and political conditions. Heterogeneity among homogeneity has been instigating studies on the intrinsic character of the welfare state. In the absence of both in-depth theories and broader empirical studies, the first step has been the elaboration of welfare state typologies, models or regimes.

A first distinction was made by Titmuss (1959), between residual and institutional welfare states, based on the impact of the industrialization process and the structure of services provision: selective versus universal or comprehensive provision. But the typology proposed by Esping-Andersen (1990) in his seminal book 'The Three Worlds of Welfare Capitalism' became the main reference for the classification of welfare states.

The core idea of the welfare state for Esping-Andersen is that of social citizenship, as Marshall (1950) already had referred to. Social citizenship should involve the guarantee of social rights. If social rights have the same legal and practical status as property rights, if they are inviolable, and if they are guaranteed first and foremost at the base of social citi-

[1] 'Contradictions of the Welfare State' (OFFE, 1984), 'Growth to limits' (FLORA, 1986), 'Beyond the Welfare State' (PIERSON, 1991), 'Dismantling the Welfare State' (PIERSON, 1994), 'The End of the Welfare State' (KUHNLE, 2000).

zenship rather than achievement, they will imply 'de-commodification' of the individual's status regarding the market. Social citizenship also involves social stratification, because the citizen's status competes or substitutes social class position. However, the welfare state cannot be understood regarding social rights only. It should also be considered how the state activities interact with the market's and the family's role in social provision (ESPING-ANDERSEN, 1990).

Based on those three general criteria, Esping-Andersen (1990) carried out a comparative study of 18 OECD countries and distinguished three groups of welfare-state regimes. The first is the liberal regime, which is a welfare state for the poor. Non-contributive social assistance programs for families or individuals classified as poor; income transfers, occasionally universal but very low; and modest social insurance plans for low-income persons are predominating. By guaranteeing only the minimum to the poor, the State indirectly, and sometimes also directly, encourages private insurance as well as private educational and health services for other social segments. Thus, the State promotes a class dualism and a sharp social hierarchization. In reality, this type of welfare state is advocated by those who are against the welfare state. Archetypal examples of this kind are found outside Europe: United States, Canada, and Australia.

The second type of welfare state regime is the conservative and corporatist regime. Countries with this regime are not characterized by market obsession and do not resist social rights, but they are attached to class and status differentials. The State apparatus perfectly substitutes the market as welfare provider. Thus, there is little space for private insurance plans, whereas the emphasis in maintaining status produces small distributive impact. Classic examples of this type of regime were Austria, France, Germany, and Italy.

The Roman Catholic Church doctrine based on the principle of subsidiarity shaped the corporatist regime. It is committed to the traditional family: the man as provider and the woman typically as housewife. In general, there are specific family benefits aimed at stimulating maternity. At the same time, however, there is little investment in crèches and other services aimed at women. The State will only intervene when the family's capacity to fulfill its members' needs is exhausted.

The third type of regime comprises countries in which the principles of universalism and 'de-commodification' have been extended to the new middle-classes too. Esping-Andersen (1990) calls it the social democratic regime, as social democracy has been the dominant force in the reform leading to this type of welfare state regime. Instead of tolerating dualism between State and market and between the working class and the middle class, social democracy seeks a type of welfare state that promotes equality from the top

towards the bottom, i.e., of the highest standards, rather than equity of minimal needs. Services and benefits should be updated to levels compatible with the new middle classes preferences and equality is achieved by guaranteeing workers' full participation in the quality of life enjoyed by the better-off (ESPING-ANDERSEN, 1990).

Esping-Andersen (1990) presents a typology that enables a better understanding of convergences and divergences between welfare state types, even though no country linearly fits the typology and many changes are going on. At the same time, his typology has suffered criticisms, which Arts and Gelissen (2002) summarize in three aspects: the mistaken specification of Mediterranean welfare states; the interpretation that the welfare state is an antipode to the liberal regime; and the absence of the gender dimension. In reply, various alternative classifications have arisen, which in general aggregate one or more types of welfare states to the existing ones. Nevertheless, most of them do not include countries outside the OECD.

Even though the typologies contribute to the understanding of the real welfare states as well as to their development, the debate about the future of the welfare state has shifted its attention to the paradigm of social investment. This paradigm, which is currently considered dominant for the analysis of the political logic of contemporary welfare state as well as for the proposal of reforms, was the reference of the seminar 'Recent Tendencies of Welfare State'. It was Anton Hemerijck's (2013) subject at the seminar and the first two chapters in this book are from his hand: 'The quiet paradigm revolution of social investment in the European Union' and 'Navigating in the social investment policy analysis'.

The social investment paradigm, or strategy, is relatively new. It emerged in the second half of the 1990s in opposition to the Keynesian welfare state, but also to the neoliberalism of the 1980s. It incorporates elements from both Keynesianism and neoliberalism. Rather than approaching problems such as unemployment by stimulating demand, it proposes 'investment' with return, not only in the present but also in the future, notably through investment in human capital. Social investment focuses on the individual's life-course, the quality of the 'stock' of capabilities, and on the 'future' rather than the results in the present. Thus, 'reparation' is substituted by 'preparation', 'passivity' by 'activity', and compensation' by 'promotion'.

The pioneers of the social investment paradigm formulation were Anthony Giddens (1998) and Gosta Esping-Andersen (1999). They rejected the institutional and ideological fundaments of the man as family breadwinner and object of social insurance, and also of neoliberalism with its emphasis on market de-regulation and welfare state retrenchment. Social provisions such as crèches, leave of absence, continuing education, and active

policies to stimulate the labor market should qualify individuals and families to seek new job opportunities.

The development of repertoires of more active social investment policies requires a suitable mix of social policy instruments that combine the guarantee to a minimum income with preventive and active integration measures to foster not only citizens' financial self-sufficiency but also their autonomy concerning human growth. However, at the moment we are still in the process of shifting from social compensation to the social investment perspective, with human capital investment provided or regulated by the State and improvement of the quality of social services during the life-course (HEMERIJCK, 2013).

In the first chapter of this book, 'The quiet paradigm revolution of social investment in the European Union', Anton Hemerijck surveys the emergence, diffusion, merits, and critics of social investment as a distinctive welfare policy paradigm.

After revisiting its intellectual roots, the paper develops a multi-dimensional life-course taxonomy of three complementary social investment functions: (i) easing the 'flow' of contemporary labor-market and life-course transitions; (2) raising the quality of the 'stock' of human capital and capabilities; and (3) maintaining solid networks of minimum-income universal safety as social protection and economic stabilization 'buffers'. The paper then seeks to explain how the social investment paradigm developed in the last two decades in a remarkably fragmented, but cumulatively robust way, despite the skepticism largely present in the political sciences literature. In his conclusion, Hemerijck raises the question whether the social investment paradigm can withstand the fiscal austerity backlash that emerged from the sovereign debt crisis in 2010.

In the second chapter, 'Navigating in social investment policy analysis', Anton de Hemerijck and Simon Vydra return to the discussion on the social investment paradigm. They remark that it emerged in the second half of the 1990s as a counterreaction to neoliberalism, which opposes economic development to social protection and advocates State's de-regulation and retraction. The social investment paradigm revisits social protection, but considering social policy as a productive factor. The social investment policy may be defined as the welfare provision whose goal is not simply to make 'reparation' for harms in economic crisis periods, but rather to 'prepare' individuals and families to respond to new risks.

This chapter explains concepts already employed in the first chapter: 'stock', 'flow', and 'protection buffers', and seeks to analyze how policies benefit citizens. In its conclusion, it highlights how in short time the social investment paradigm as a metaphor became a productive factor with a more sophisticated concept, focusing on gender and better operationalization of the interdependence between the functions of stock, flows, and buffer

during entire life-cycle. For the authors, this re-conceptualization raises optimism as to future analyses on the welfare state.

The third chapter, 'Health systems reforms in Southern Europe: crises and alternatives', written by Pedro Hespanha, analyses the impact of the financial crisis in the last fifteen years. The starting point of his analysis is the threat posed to social protection systems by the convergence between neoliberal ideas and the increasing financial and political restraints resulting from the State's financial crisis. Though most European countries have only made adjustments, the author draws the attention to the risk that these adjustments could accumulate to the point of creating, in fact, a neoliberal social welfare picture. The origin of the crisis in peripheral countries lies on the single currency because those economies are left without the traditional instrument of exchange rate devaluation to combat the crisis and without the control of the foreign indebtedness increase.

Subjected to structural adjustment programs by the Troika – consortium of creditors constituted by the European Commission (EC), European Central Bank (ECB) and International Monetary Fund (IMF) – the governments of Greece, Ireland, Portugal, and Spain have committed to implement an austerity policy as the counterpart to financing. Focusing his analysis on health services in Portugal, the author remarks that the immediatism of cuts through personnel reduction, among other actions, downgraded the services, whereas in crisis situations the objectives of minimizing inequalities and protecting the more vulnerable persons impose the need to improve welfare to all. In this perspective, the author concludes that it is necessary to overcome the obstacles to improve public services.

In the fourth chapter, 'The new social risks are not only European: they have also reached Brazil and demand social policies responses', the authors Paulo Henrique de Almeida Rodrigues and Isabela Soares Santos argue that there are similarities between problems of the welfare state experienced in European countries and in Brazil: the impact of international competition intensification; the decrease of interest rates, fiscal revenue and re-distributive capacity, de-industrialization, and structural unemployment; the increase of life expentancy and the raise of social protection network costs, especially social security and health; and changes in family relations as aggravators of women's vulnerability in monoparental families. The authors indicate the need for social policies that respond to the precarious situation of women and children living in poverty condition, using as reference the new social investment paradigm.

In contrast, in Brazil, the fiscal crisis led conservatives to defend cuts in the financing of social policies in the perspective of neoliberalism. However, the recent evolution of social welfare suggests that austerity policies in times of crisis produce severe effects on the

population's health conditions, whereas the increase of social spending improves the quality of life and also generates a multiplier cycle of social investment. The authors show the inflexion of the social policy promoted by the 1988 Constitution in the opposite direction of the neoliberal discourse. However, the inflexion, promoted by the Constitution, has encountered limitations caused by external constraints and the lack of a broader social base. This reality has generated conditions for the implementation of focal policies by post-Constitution governments in detriment of universal policies. The authors conclude that there is a need to assume a perspective of social investment in the direction designed by the 1988 Constitution.

The fifth chapter, 'Social security and welfare state in Brazil', by Lenaura de Vasconcelos Costa Lobato, discusses the fragilities of the social security model proposed in the 1988 Constitution drawing on the welfare state literature, and defends the need to return to the debate on the Brazilian pattern of welfare state considering international experiences. The author highlights that the welfare state entered a crisis in the mid-1970s and that with the advance of neoliberal initiatives there was a retrenchment of the welfare states.

However, the author observes that the restraining policies did not result in alterations in the backbone of traditional social security systems, tough there has been sharp reduction in some Latin American countries. The Brazilian case presents distinctions and similarities regarding European and Latin American countries. The author stresses that in Brazil there was an intention to create a welfare state apparatus similar to those existing in Europe, but belatedly at the time that there was already a decline of the welfare state. On the other hand, Brazil did not integrally follow the reforms in Latin America.

The author appoints a lot of elements that are determinant in the configuration of social policies in Brazil: the dependence on economic development projects; the pattern of regulated citizenship; the traditional mechanisms of interest intermediation such as clientelism; the recognition of social rights in the Constitution but without solid bases for their implementation; the conflictive implementation due to the opposition between what was established in the Constitution and governmental projects; the predominance of focal policies defined by income level; the under-financing of public services and the purchase of private services.

To understand the current pattern of social policies in Brazil, the author uses the welfare state typologies or regimes that guided the European literature, and analytical categories based on institutional and economic theories. She highlights the degree of commodification is, as well as the compromise between capital and labor, the relations between market and public sector, State bureaucracy, the role of the middle classes, and the absence of a pact between classes and of the support of a political parties' coalition. In conclusion,

the author states that the positive relationship between the expansion of social policies and the democracy in Brazil, expressed in the transition process to democracy, the 1988 Constitution and the design of new social policies, seems to have exhausted. In this perspective, the chapter finalizes with questions about the relationship between democracy and social policies.

The sixth chapter, by Marcio Pochmann, entitled 'Second capitalist globalization and impasse in social welfare policies', analyses how the evolution of social policies is marked by the political, economic and social context. It starts by arguing that from the mid-19th century until the WWI the advance of the first capitalist globalization wave was followed by deep transformations that enabled Brazil to improve its position in the old International Division of Labor, but a similar process is not verified with the emergence of the second capitalist globalization wave.

Drawing on this argument, the author presents elements that help to understand the current challenges to the development of the Brazilian social welfare. He highlights how 'political majorities' represented by new elites fuelled functional reforms in the last quarter of the 19th century and in the period between the 1930s and the 1970s, enabling the transition from the old mercantile economy to a capitalism economy, and the shift of the Brazilian position as a mere commodities exporter to the eighth industrial economy worldwide, sustained by the developmentalism pact.

However, Brazil's consolidation as an urban industrial society at the end of the 1970s faced a series of adversities, such as the emergence of neoliberalism, the foreign debt crisis in the beginning of the 1980s, the strangling of the old developmentalist political majority, and the macroeconomic tripod that captures the State's finances and attracts the speculative financial capital. New perspectives have emerged especially when the neoliberal policy in the first decade of the twenty-first century was abandoned, allowing re-allocation of portions of the national income flow for public investments, social policies and income guarantees for the segments at the base of the social pyramid.

However, the author points out that the structural inequality of Brazil's society, the force of conservatism in the National Congress, the blockage to meritocratic competition, and the restricted access to higher education still keep away the possibility of achieving civilizational reforms despite the significant economic expansion trajectory. He concludes that the struggle against inequality does not have the support of all and that the challenge of the left is the construction of a 'political majority'.

In the seventh chapter, Lena Lavinas discusses 'How financialization challenges social protection systems', and stresses the complementarity between social policy and economic pol-

icy. First, the author systematizes the evolution of paradigms that were a reference in the debate on social protection systems since WWII, and then points out the predominant characteristics of the social protection systems in Latin America. Finally, the author analyses the case of Brazil and emphasizes the pressures imposed on the systems still in process of structuring and currently submitted to the impacts of the neoliberal financialization.

The author remarks that in the 2000s a new articulation between social policy and economic policy emerged through a 'model' that transforms formal jobs and social benefits into the key for credit: the so-called payroll loan. From 2003 onwards, public servants and formalized employees have access to credit lines with lower interest rates and with compulsory discounts directly from their paycheck. In 2004, the system was extended to pensioners. In 2003, the microcredit was created, directed to consumption too, but in 2013 it was determined that 80% of the requirements should be directed to productive microcredit. Furthermore, there were made attempts for the financial inclusion of beneficiaries of the income transfer program Bolsa Família through the Bank Inclusion Project (Projeto de Inclusão Bancária – PIB). All of these measures contributed to the indebtedness of families and the permanence of income asymmetries, despite having apparently reduced inequities as the poorest managed too to purchase domestic appliances through these forms of financing.

One of the author's conclusions is that in Brazil the social policy is used as collateral to provide access to the financial system and that by means of wages and social security benefits the private schemes of protection are made feasible in detriment of the protection system established in the 1988 Constitution.

In chapter eight, 'Social policy, development and citizenship: history moves backwards', Carlos Octávio Ocké-Reis focusses the debate on social policy on a "decisive moment for constructing the unity of popular, democratic and socialist forces in the face of the offensive of conservative forces" (OCKÉ-REIS, 2017). His opinion is that the Workers' Party (Partido dos Trabalhadores – PT) prevented the adoption of a broad reformist program by blocking the dialogue about the opportunity to construct a certain state capitalism, and did not mobilize the working and middle classes in favor of profound changes in the social structure.

In the face of attacks on social rights, the author calls the sanitarist block to fight for the improvement of the financing and management of the Unified Health System (Sistema Único de Saúde – SUS) and for the amplification of social participation, but, simultaneously, to propose new institutional structures and regulatory mechanisms capable of attracting the clientele of private medicine to SUS and reducing health expenses of

workers, families, and elderly with health plans, medical and hospital services, and medicines. It is a critical fight, as the austerity policies, currently implemented are worse than the scenario foreseen by the author.

The chapter, 'Public policies in an extremely unequal social environment', presents a discussion by Mário Theodoro on the effects of racism on the formation of the Brazilian society, especially as to the maintenance of the extreme inequality that marks the society and is expressed not only in daily interactions but also obviously in public policies. The author draws attention to the persistence of social inequality and to the fallacy of traditional approaches that postulate that overcoming it would occur through market development and modernization of social relations.

In contraposition, Theodoro argues that the Brazilian society is structured on inequality and marked by the social pattern of racial domination reproduced since the time of slavery. Making a distinction between discrimination and racial prejudice, the author points out how racism is present in the Brazilian social dynamics, stressing the case of health and its specificities. He concludes that in order to promote efficient policies it is necessary to face the issue of racism and social inequality by means of affirmative actions.

The book enables one to visualize that in capitalist society the question of whether it is possible to achieve a balance between economic growth and universalization of social protection schemes, accompanies the whole evolution of the welfare state. And, that, as much we can clarify the logic of the welfare state, this question will not remains silent, as it concerns a contradiction that is inherent to the capitalist society and underlines successive welfare state reforms.

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Chapter 1

The quiet paradigm revolution of social investment in the European Union*

Anton Hemerijck

1. SOCIAL INVESTMENT AND ITS CRITICS

Over the past decade, the idea of social investment gained considerable purchase in scholarly debates and policy-making environments, emanating from the Scandinavian heartland of social investment to other European countries, including German, the Netherlands, Austria and the United Kingdom, but also to the far less developed welfare regions of Latin America (Brazil and Chile) and East Asia (Japan and Korea) (MOREL; PALIER; PALME, 2012; HUBER; STEPHENS, 2012; PENG, 2011). Strongly supported by the Organisation for Economic Co-operation and Development (OECD), throughout the 2000s, a fairly coherent 'epistemic community' gained considerable sway in international organizations and policy think tanks (JENSON, 2010; HUBER; STEPHENS, 2012; PENG, 2011). A very recent endorsement of the idea social investment can be read into Barack Obama's 2015 State of the Union address, promising better access to high-quality early care and education as a 'must-have' for middle-class American families, forcefully explicating that: *"It's times we stop treating childcare as a side issue, or a women's issue, and treat it like the national economic priority for all of us".*

The focus of this contribution is largely on Europe, where social investment as a policy perspective was officially sanctioned by the European Commission with the launch of the Social Investment Package for Growth and Social Cohesion (EUROPEAN COMMISSION, 2013) on the 20th of February 2013. In the documentation of the Social Investment Package, the Commission argued that novel welfare policies are needed to 'prepare' individuals, families and societies to respond to the new risks of a competitive knowledge economy, by investing in human capital and capabilities from early childhood through old age, rather than in policies that simply 'repair' damages after moments of economic or personal crisis.

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The idea of social investment is not new (MOREL; PALIER; PALME, 2012). Building on the pioneering work of the Dutch Presidency of the EU in 1997, calling attention to 'social policy as a productive factor', social investment ideas became part and parcel of the Lisbon Agenda, launched in 2000, with the ambition to turn Europe into the "most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth and more and better jobs and greater social cohesion" (EUROPEAN COUNCIL, 2000). In the academic debate, social policy reform has in recent years increasingly been couched in reference to the rise of a new social investment policy paradigm, transcending the earlier conceptualization the post-war Keynesian welfare state and its market-liberal successor, which subscribed to rather minimal welfare provision so as not to distort optimal (labour) market allocation (JENSON, 2012). In their stock-taking landmark study 'Towards a Social Investment Welfare State', Morel, Palier and Palme (2012) refer to social investment as an 'emerging' policy paradigm, one that is not yet fully established in actual social policy practice, but that – in ideational terms – signals a significant departure from the dominant neoliberal market-oriented social policy paradigm of the 1980s and 1990s.

As the social investment perspective moved from the periphery to the centre of the (European) social policy debate, in recent years an impressive stream of critical studies on social investment have appeared, bringing a number of limitations of the perspective to the scholarly debate. Nolan's intelligent and nuanced review-article 'What Use is Social Investment?' is critical of the widespread conflation of the 'social investment policy analysis' and 'social investment political advocacy', and more specifically of the claim of the superiority of 'active' over 'passive' social policy interventions by academic social investment advocates (NOLAN, 2013). Crouch and Keune (2012) take issue with the narrow focus on 'new social risks' as the lynchpin underlying the new paradigm. In their view, the return of the 'old' social risk of mass unemployment since the onset of the financial crisis has impaired the social investment paradigm's limited focus on 'new social risks'. Moreover, a fair number of activation reforms, enacted since the 1990s, have reinforced the 'new social risk' of insufficient social security coverage by making eligibility and entitlement subject to far stricter conditionality requirements (CLASEN; CLEGG, 2011).

Feminist scholars have lamented the gullible instrumentalization of gender equality policies under the banner of social investment, motivated by the potential of higher female labour participation (JENSON, 2009). Probably the fiercest critique is from Cantillon (2011), who argues that the social investment paradigm is plagued by perverse 'Matthew Effects', with the middle class disproportionally benefiting from social investments at the expense of the worse off. Finally, in a dark re-interpretation of Pierson's seminal writing (2001) on the 'new politics of the welfare state' as the politics of the status quo, Mertens

and Streeck (2011) advance the thesis that discretionary social investments will most likely be outflanked and left defeated by austerity reform in the years to come.

The critics have raised justified warnings against some of the exaggerated expectations of earlier social investment manifestos and research, warranting a considerate rejoinder, particularly in the light of the social aftershocks of the global financial crisis of mass unemployment and rising inequality. But what is most remarkable for my purpose is that the critics of social investment, more so than its advocates, debate social investment policies (and their adverse effects) as if a social investment approach is a fully operational policy paradigm (and no longer an emerging one). The overriding objective of this short paper is to survey the emergence, diffusion and merits of social investment as a distinctive welfare policy paradigm in four steps. The remainder of this paper is structured around three sections. First, Section 2 returns to the intellectual roots of social investment perspective by revisiting the landmark publication 'Why We Need a New Welfare State' (ESPING-ANDERSEN *et al.*, 2002). Next, Section 3 ties social investment policy analysis into a multi-dimensional life-course framework of three complementary social investment policy functions: (1) easing the 'flow' of contemporary labor-market and life-course transitions; (2) raising the quality of the 'stock' of human capital and capabilities; and (3) maintaining strong minimum-income universal safety nets as social protection and economic stabilization 'buffers'. In Section 4, the paper tries to relate social investment policy progress in terms of 'stocks', 'flows' and 'buffers' to aggregate welfare performance. For Section 5, the available empirical evidence is employed to weigh some of the criticisms that have leveled against the social investment perspective. Section 6 shifts focus from social investment 'policy analysis' and empirical assessment to the 'political analysis' of the social investment turn. However politically charged welfare reform generally is, strikingly, the establishment of the social investment paradigm has unfolded in a rather quiet but nonetheless robust manner over the past two decades across Europe. An open question, in conclusion, remains whether, in the European context, the social investment paradigm can withstand the E(M)U fiscal austerity backlash that emerged from the Eurozone sovereign debt crisis in 2010.

2. WHY WE NEED A NEW WELFARE STATE REVISITED

Although I agree with Nolan (2013) about the need to distinguish between the 'policy analysis of social investment' and 'social investment political advocacy' as distinct endeavours, a fully-fledged policy paradigm is best characterized as an overarching set of ideas that brings 'cognitive understanding' of causal relations between policy efforts and outcomes and the 'political mobilization' behind social and economic priorities together (HALL, 1989, 1993). As such, a policy paradigm specifies how problems facing (policymak-

ers) are to be perceived, what objectives are to be set out and what sort of techniques are to be put to use to reach politically cherished goals in unison.

The intellectual dimension of a policy paradigm, the policy theory, made up of programmatic statements of cause and effect concerning the nature and magnitude of policy problems together with the identification of potentially effective solutions to policy problems, does have an independent status. Once a policy paradigm is taken for granted, intellectual inertia prevails. Even when prevailing policies go off track, accepted cognitive doctrines and mental maps enjoy a considerable comparative advantage over untried policy proposals based on alternative ideas.

The rise of an alternative policy theory, even when it receives considerable empirical backing and support in academic circles, is never sufficient as a primary force for policy change. Superior policy ideas become relevant when they also provide solutions to prevailing political problems (HALL, 1989). In this respect, the Keynesian revolution in economic theory not merely provided a technique for managing the post-war mixed market economy but, by revealing how full employment could be achieved through demand management, after a decade of war and depression, Keynesian economics changed the very interest perceptions of political elites after 1945 by altering the basic categories through which observed economic realities and policy problems. In turn, novel interest perceptions allowed for the establishment of a class compromise between organized capital and labour to undergird the expansion of the modern welfare state after World War II. Fundamental was that pre-war poor relief was replaced by a vast range of provisions as social citizenship rights.

Comprehensive social insurance, for which the famous Beveridge report gave the necessary ideational ammunition, came to operate as an effective economic demand stabilizer, protecting families from cyclical unemployment and economic hardship. Part and parcel of the Keynesian-Beveridgean welfare compromise was that male breadwinner full employment at the household level was supported by mothers as unpaid housewives doing all the domestic work while caring for children and the frail elderly.

From the 1970s on, the Keynesian welfare state proved less effective in managing the predicament of stagflation. In the face of high unemployment, a macroeconomic policy shift toward hard currencies and sound budgets took place after the 1970s oil shocks, ushering a market-oriented recasting of welfare state, based on a diagnosis of mass unemployment as a microeconomic problem of labor market distortion through overgenerous welfare provision, hampering growth and competitiveness. The supply-side diagnoses and related prescription to deregulate labor markets and contain public welfare commitments was swiftly endorsed by international organizations, such as the International Monetary Fund (IMF), the World Bank, the OECD and the EU.

Not independent from this momentous policy reorientation, unleashing a marked shift from public to individual responsibility, but also as a result of deindustrialization, families as erstwhile welfare providers underwent significant change. With the massive rise in female employment, in part required to compensate reductions in male-breadwinner wages and benefits, it became harder to balance work and family obligations. Under the heading of 'new social risks', including long-term and youth unemployment, insufficient social security coverage, precarious employment and in-work poverty, skill-erosion, family instability and unsatisfactory work-care reconciliation, a leading group of social policy scholars began to question the validity of the gender-blind market-oriented social policy theory of the market-oriented neoliberal social policy paradigm (see for an overview BONOLI, 2013). The notion of social investment subsequently emerged as an alternative and more positive policy perspective better able to address new social risks anomalies in the knowledge-based economy (FERRERA; HEMERIJCK; RHODES, 2000).

The philosophy underpinning the social investment approach was given explicit impetus with the publication of a collective book by Esping-Andersen, Gallie, Hemerijck and Myles, 'Why We Need a New Welfare State' (2002), commissioned by the Belgian Presidency of the EU in 2001. The central argument of 'Why We Need a New Welfare State' was that the staying power of male-breadwinner employment-based social insurance increasingly fostered suboptimal life chances for large parts of the population. Esping-Andersen et al. contended that Europe's welfare states faced a genuine – paradigmatic – 'Gordian knot' of how to sustain a deep normative commitment to social justice while aspiring to create robust and competitive knowledge-based social market economy. In terms of policy theory, 'Why We Need a New Welfare State' took issue with both male-breadwinner social insurance compensation dysfunctions, on the one hand, and neoliberal myths that generous welfare provision implies a loss of economic efficiency and thus needed curtailment, harking back to the formulation of a 'big trade-off' between equality and efficiency (OKUN, 1975), on the other hand.

2.1 Carrying capacity

While mainstream academic welfare state research primarily focused on the redistributive function of social policy for different classes and the sharing the costs associated with supporting those in need at set points in time, 'Why We Need a New Welfare State' shifted gears from analyzing the cross-sectional distributive impact of social policy interventions here and now to an assessment of the welfare state's 'carrying capacity' by future

generations of economically active adults. In his chapter on pensions and the intergenerational contract, Myles (2002) introduced a simple cost-benefit equation for any sustainable pension system, a formula that can easily generalized for the welfare state at large.

$$\text{Costs of welfare support} = \frac{\text{Number of welfare recipients}}{\text{Number of paid workers}} \times \frac{\text{Average consumption of welfare recipients}}{\text{Average productivity of workers}}$$

John Myles advocated policy re-orientation from the 'numerator' to the 'denominator' of the welfare equation, by explicitly posing the question of how social policy interventions can contribute to higher employment and future improvements in overall productivity and economic growth and prosperity in times of ageing populations. By shifting the focus from the 'numerator' to the 'denominator', Myles brings to the forefront how fiscal resources for the welfare state are being generated and more important how social policies can take on a pro-active and 'productivist' function. Under Keynesian and neoliberal policy prescriptions, social policy remained subservient to private economic production as the engine of prosperity. For Keynes, retro-active state intervention through fiscal reflation was imperative in times of demand-deficient unemployment for reasons of economic stabilization. For neoliberal pundits, flexibilization through employment deregulation and social service privatization was required to achieve undistorted supply-side allocation. In the social investment perspective, by contrast, welfare policy is made compatible with economic progress and enhanced wellbeing, depending on particular design characteristics with the state playing a critical role in mobilizing and capacitating productive social and human capital with Pareto-optimal return, far beyond subsidiary demand compensation through comprehensive Beveridgean social insurance (see also MIDGLEY, 2015). As the modern welfare state is largely funded by workers paying taxes and contributions, essentially because corporate and indirect taxation do add up to much in terms of fiscal support, Scharpf (1991) aptly coined the term 'socialism within one class' to capture the reality of social security as borne by 'paid workers'. Because of a tremendous increase of non-standard employment, the category of 'paid workers' today reflects enormous heterogeneity, ranging from part-time work, temp-agency work, fixed terms contract, (temporary) short time work, and self-employment. Moreover, not all 'paid workers' contribute to the welfare state's carrying capacity: the new phenomena of German minijobs, British tax credits and wage subsidies and in-work benefits for the working poor, represent new categories of paid workers in part supported by the welfare state at particular points in time (SCHMID, 2011). Employment heterogeneity, however, does not invalidate the truism of Myles's 'denominator' imperative of raising productive labor market inputs in ageing European societies.

2.2 Life course insurance

The second intellectual innovation behind 'Why We Need a New Welfare State' was to diagnose the changing nature of social risks and public policy dilemmas by explicitly focusing on life course dynamics, as it offered an integrated, multidimensional perspective on social policy, extending well beyond the traditional boundaries of (re-)distributive social policy narrowly understood as social protection. From a life course perspective, it should be emphasized that the distinction between welfare recipients and productive workers of the cost-benefit equation of Myles (2002) breaks down, or rather turns into a life course risk-pooling arrangement, instead of a redistributive bargain, ensuring the heightened volatility of life course transitions. Throughout their lives all citizens – at various stages – rely on welfare provision for education, pensions, health care, family support, and episodes of inactivity for various reasons. Although much of the political debate has increasingly been couched in terms of a schism of 'them' and 'us', between those who benefit from the welfare state and 'hard working' citizens who pay for it, 21st century social reality is entirely different. School-age youngsters become workers, ill citizens will return to the labor market after recovery, and majority of unemployment benefit recipients, under normal economic conditions, return to work, thereby resuming to contribute to the welfare state's 'carrying capacity' and contribution to the economic pie (HILLS, 2014).

2.3 Gender and family role change

Intimately related to the emphasis on the welfare state's carrying capacity and the life course perspective, the third dimension of the social investment perspective touches on the changed role of women in the economy and labor market over the past quarter century. As female participation is critical to sustainable welfare states in ageing societies and parenting crucial to child development, policymakers have good reasons to want to support robust families by helping parents find a better balance between work and family life. 'Why We Need a New Welfare State' strongly underlined the need for much greater gender equality in labor markets and households. The staying power of male breadwinner welfare provision thwarted fertility aspirations, intensified the fiscal crisis of pension systems, and deepened new inequalities. A particularly worrying trend is rise of marital homogamy in the new era of high female employment with highly-educated and dual-earning couples doing well and low-skill and low-work intensity households falling into poverty. To effectively respond to the coming of post-industrial knowledge-based economy, Esping-Andersen *et al.* (2002) advocated a 'social investment' renewal of the welfare state aimed at securing improved social resilience over the family life course, with the eradication of child poverty taking pride of place.

Feminist scholars have remained particularly critical of the instrumental employment-centered orientation of the social investment perspective (SARACENO, forthcoming), fearing that by prioritizing a 'work first' approach, social investment policies reform push women into highly feminized jobs, reinforcing, rather than reducing existing gender gaps. From a developmental perspective, I would argue that social investment comes with major gender improvements, in comparison with the gender-biased Keynesian welfare state and the gender-blind social policy prescriptions of neoliberalism. It is nonetheless true that these provisions have yet to improve the gender balance in caring and parenting. An important reason behind these gender-friendly policies remains indeed instrumental: to bolster the carrying capacity of the welfare state and reduce benefit dependency, by a much improved 'exploitation' of women's increasing human capital, consistent with upholding fertility rates for future workforce reproduction.

3. 'STOCKS', 'FLOWS' AND 'BUFFERS' IN INSTITUTIONAL COMPLEMENTARITY

Because of intensified economic internationalization, related fiscal pressures, together with the progressive de-standardization of the life course and employment relations, both 'old' and 'new' social risks have become less predictable and, hence, in the words of Sabel, 'less insurable in a strict actuarial sense' by social insurance provision based on stable employment patterns (SABEL, 2012). As a consequence of critical life-course transitions, ranging from the move from education to the first job, childbearing while establishing a stable career, the incidence of reduced working hours, due to caring responsibilities or other forms of inactivity, welfare states in advanced OECD democracies are forced to provide for 'capacitating social services', aimed at equipping and assisting individuals and families to mitigate the unforeseeable hazards they face, alongside 'compensatory' social insurance provision. In his nuanced critique of social investment, Nolan (2013) condemns the superiority claim of 'active' over 'passive' policies by social investment advocates, but this is a misreading of the expanding literature. Only the Third Way version of social investment was naively based on the belief that funds reserved for 'old' social risks could be easily reallocated towards 'new' life cycle risks without heavy public costs, a simplification that was already strongly reproved by 'Why We Need a New Welfare State'. Subsequent publications all emphasize social investment is not substitute for protection, and that adequate minimum income protection is a critical precondition for an effective social investment strategy (VANDENBROUCKE; VANHERCKE, 2014; MOREL; PALIER; PALME, 2012; DEKEN, 2014; HEMERIJCK, 2013).

The return of the 'old' risk of mass unemployment after financial crisis does not weakened the social investment argument. High unemployment implies the need to develop a more 'consolidated' social risk analysis, as Crouch and Keune (2012) put it, cover-

ing a wide range of life course risks. Inspired by Schmid's analysis of 'transitional labour markets (SCHMID, 2008, 2015), I have recently tried to develop a consolidated framework based on three interdependent and complementary welfare functions of social investment policy: (1) easing the 'flow' of contemporary labour-market and life-course transitions; (2) raising the quality of the 'stock' of human capital and capabilities; and (3) maintaining strong minimum-income universal safety nets as social protection and economic stabilization 'buffers' in ageing societies (HEMERIJCK, 2014). Schmid prefers to speak of 'life course risks', rather than 'old' and 'new' social risks, underlining the increased volatility of critical life-course transitions, between school and work, between finding a career and establishing a family, between full-time and part-time work and vice versa, between different occupation, including time required to update skills in response to technological change, working time fluctuations resulting from economic recessions or (partial) disability. Of all these life course risks, unemployment, according to Schmid, is the extreme case of the complete loss of paid work. Augmented life course risks thus require smart transition management implicating a broader set of securities than traditional unemployment insurance or unprotected neoliberal flexibilization. If people can trust in policy provisions that help them to raise human capital stock, ease labour market flow, while guaranteeing minimum income protection buffers, they are more willing to takes risk, invest energy in skills upgrading, change jobs with unknown career opportunities, take leave from paid employment to care for frail relatives, etc. (SCHMID, 2015).

The 'buffer' function in triple taxonomy of stocks, flows and buffers, aims both at securing income protection and distribution, and at the same time securing economic stabilization. Adequate minimum income protection is a critical precondition for an effective social investment strategy, as a 'buffer' helping to mitigate social inequity while at the same time stabilizing the business cycle. This kind of 'Keynesianism through the back door' is still practiced today, as we have seen from the early days of the 2007-2010 financial crisis. The 'flow' function is directed at making the most efficient use and allocation of labor resources over the life course in support of high levels of labor market participation, the reintegration of school-levers, unemployed, parents and especially working mothers with important unpaid care and parenting responsibilities, older worker and the disabled, during precarious transitions. The road to high employment levels is not paved with maximum labor market flexibility or the neoliberal mantra of 'making work pay'. Instead, the policy imperative is to 'make transitions pay' over the life cycle through the provision of 'active securities' or 'social bridges' across volatile transitions between jobs, from inactivity to employment, taking leave for parenting and caring, through activation and active labor market policies, parental leave and 'flexicure' employment relations, life-long learning and

active ageing, thereby ensuring sustainable and longer working careers and, in turn, adequate pensions after retirement. The 'stock' function is linked to future productivity, and is directed towards enhancing and maintaining human capital or labor inputs over the life course in ageing societies, from early childhood education and care to general education, post-secondary vocational and university training and life-long learning. There is strong evidence that high levels of education attainment correspond with higher levels of employment and good quality job creation (BUSEMEYER, 2015).

It is not easy to place specific social policies under the three headings of 'stocks', 'flows', and 'buffers'. In actual policy practice, there is significant functional overlap (DEKEN, 2014). Early childhood education serves the multiple purpose of enabling parents to combine paid work with parenthood (as 'flow'), thereby also securing household income – as 'buffers', while (in terms of 'stock') stimulating cognitive and social capacities of children as future labor market participants. Adequate minimum income protection 'buffers' provide economic security for those in-between jobs, allowing them to move to more prosperous economic sectors, thus smoothing 'flow' in terms of enhanced mobility in sync with maintaining human capital 'stock'. None of the three social investment policy functions of the taxonomy can operate effectively without the others joining in as fundamental support structures to reap positive externalities.

Social investment policy analysis, as I see it, holds the relationship between social policy and economic performance to be critically dependent on identifying institutional conditions, at the micro-, meso-, and macro-levels, through which it is possible to identify, design and select productive social policy repertoires as complementary and mutually reinforcing packages of 'stock', 'flow', and 'buffer' policies. A good example of mutual reinforcement is minimum income protection for work-poor families coupled with high quality educational services for their offspring, improving the effectiveness of both, with income support easing household stress, thereby improving the portent of educational investments in breaking the intergenerational transmission of poverty.

This conceptual taxonomy allows for treating different policy contexts with alternative triads of 'buffers', 'flows' and 'stocks' to solving common problems of demographic ageing and skill-biased economic change. Mutual reinforcement across the triad of 'stocks', 'flows' and 'buffers' harbours two implications for policy design. In a life cycle perspective, in the first place, starting strong is the precondition for better learning capabilities in later life, which in turn is the requisite for productive and rewarding jobs, thereby allowing also for a more effective use of active labour market policies. This could be called the social investment life course multiplier. *Ex negativo*, high quality early childhood education and care, which is not leveraged in follow-up education, because of early selection or class-biased school seg-

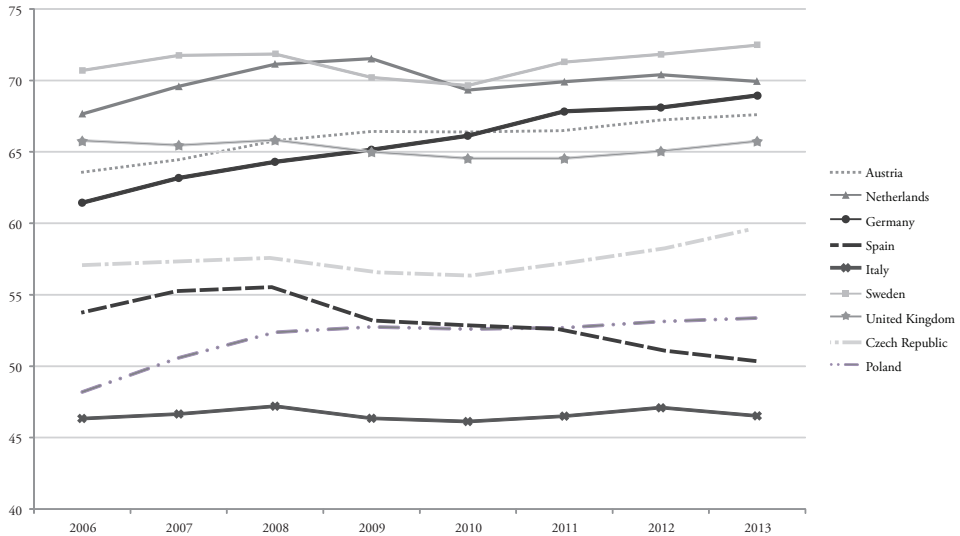
mentation, undermined long-term social investment returns. Second, there is the important dimension of inter-sectoral policy coherence here and now with positive synergy effects. We know that generous unemployment benefit 'buffers' of short duration provide most adequate motivation and income support during job search 'flow', best underpinned by strong incentive-reinforcing activation measures and 'stock' upgrading training services (NELSON; STEPHENS, 2012). In the case of parental leave, short periods of particularly well-paid leave have been shown to be beneficial to female employment, while longer leave periods seem to undermine post-leave career prospects (DEL BOCA; WETZELS, 2008).

The life course synergies and horizontal interaction effects between various policy interventions still have to be recognized in policy evaluation. Mainstream social policy cost benefit analysis generally focuses on isolated single-sector interventions, modeled after clinical trials, and their cross-sectional effects. By placing temporal synergies and cross-sectorial trade-offs and interaction effects at the center of social investment assessment, novel methodological tools are warranted to better understand the current and future returns on social investment and their institutional prerequisites. This methodological point carries important political weight: where social policy budget allocation is solely informed by isolated trials, longer and interrelated solutions will remain under-examined in policy analysis, and as a consequence, under-developed in policy practice (SAMSON *et al.,* 2015).

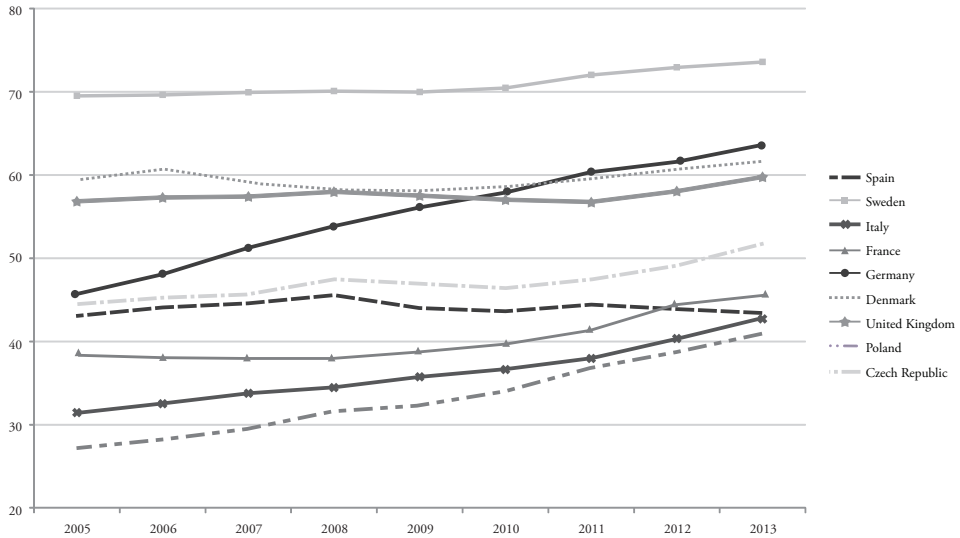
4. SOCIAL INVESTMENT AND WELFARE PERFORMANCE

Although correlation is surely not causation, the evidential record, before and also after the crisis, seems to suggest, based on the positive synergies between 'stock', 'flow' and 'buffer' policies, that comprehensive social investment welfare states 'crowd in', rather than 'crowd out' employment-centered growth. In effect, the evidence base of social investment has become ever stronger since the 2002 publication of 'Why We Need a New Welfare State'. Over the Lisbon Agenda era from 2000 to 2010 covered by the Lisbon Strategy, employment rates in Europe rose by an impressive 8 per cent, including a massive hike in female employment and a significant increase in the employment rate of older workers. It is noteworthy that these trends continued over the past decade *(graph 1) (graph 2)*, apart from the Southern European countries since the crisis. Countries that invest most in early childhood and positively facilitating labor market 'flow' through the expansion of gender-equitable leave arrangements, reach the highest levels of male and female employment participation, without compromising on fiscal consolidation. Poverty reduction, however, has not kept up with employment growth over the Lisbon era. Admittedly, the link between social investment policies and poverty and inequality is far from straightforward (MYLES; ESPING-ANDERSON, 2011).

Graph 1. Female employment growth

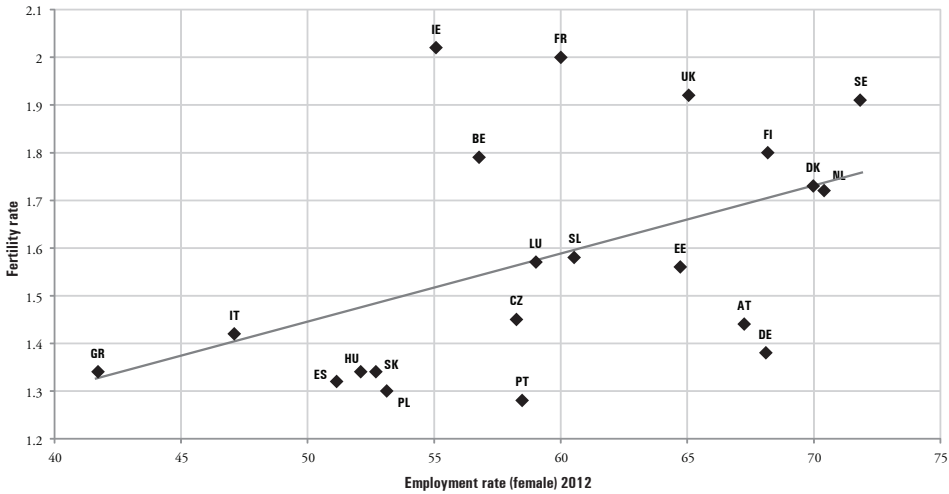


Graph 2. Older worker employment growth



In the new millennium, before the onslaught of the Great Recession, the more activating, universal, and service-oriented welfare states outperformed passive Bismarckian and liberal welfare regimes. The Nordic countries, in particular, have produced the strongest evidence for a Pareto-optimal solution to the knowledge-based economy, with high levels of male and female employment at high aggregate levels of productivity and low relative poverty, under macroeconomic conditions of low inflation and even budget surpluses. The causality between social investment policy effort and socioeconomic outcomes is highly complex and drawing conclusions is hazardous. Notwithstanding important methodological queries, what stands out is the positive relationship between fertility and higher female employment *(graph 3)*, the strong correlation between lifelong learning and a higher exit age *(graph 4)*, and a positive association Active Labour Market Policy (ALMP) effort and aggregate employment levels *(graph 5)*, thereby contributing in important ways to the long-term fiscal carrying capacity of the welfare state.

Graph 3. Fertility and female employment



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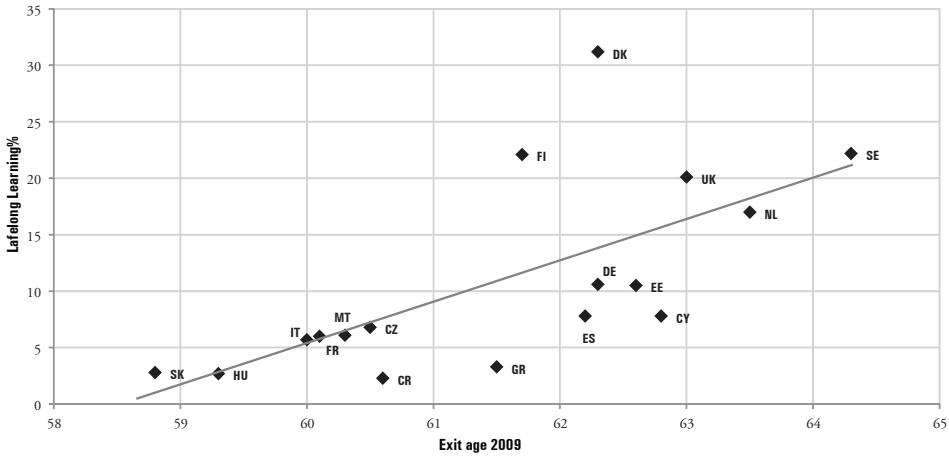
Graph 4. Lifelong learning and the exit age



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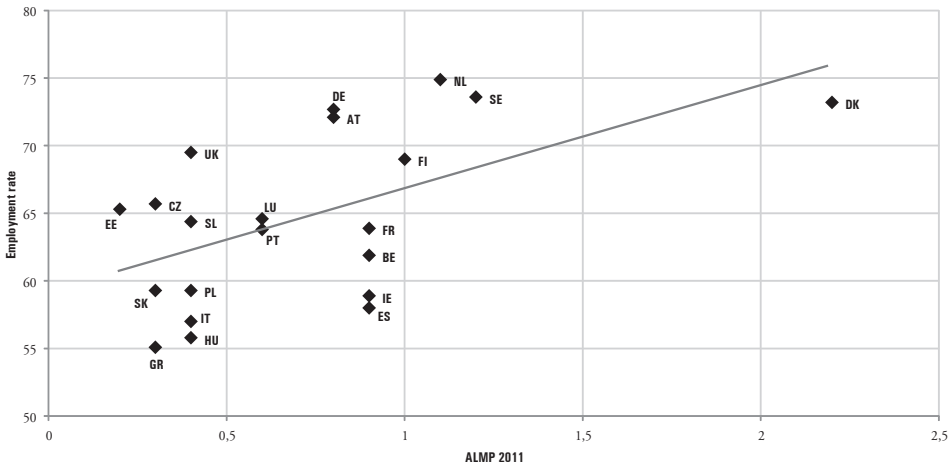
Graph 5. Active Labour Market Policy and aggregate employment



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Welfare states that invested in most early childhood education and care, while pro-actively facilitating labor market transitions through the expansion of gender-equitable leave arrangements, reach the highest levels of male and female employment participation, without compromising on fiscal consolidation. There is a 'double dividend' at work. Today, high female employment participation is correlated with high and stable fertility and low gender gaps, under the proviso of universal access to childcare ('stocks'), formal leave arrangements ('flows'), and family cash transfers ('buffers') (ESPING-ANDERSEN, 2009). Paid parental leave, affordable childcare, extended pension credits for child-rearing and long-term care, provisions for work absence when children are ill, enable women to develop much greater autonomy in work, care and family life.

On the 'stock' function more narrowly understood, a decade of OECD Pisa (Programme for International Student Assessment) studies strongly supports the conjecture that there is no trade-off between educational efficiency and equity: high numeracy and literacy rates can be achieved with educational policies that abide by the principles of equal opportunities and high-quality public provision, with the additional dividend of better employment opportunities for women, strongly corroborating the original intuitions described in 'Why We Need a New Welfare State'. Especially, Early Childhood Education and Care (Ecec), by laying the foundation for cognitive and social skill development, contributes to upward educational mobility. *Ex negativo*, weaker educational performance and high school drop out rates are found in countries with strong school segregation and early selection thresholds (OECD, 2012, 2014).

With respect to more 'flow'-oriented training and activation programs, critical conditions are access to employment services, benefit level and duration. Generous universal benefits of short duration provide most adequate motivation and income support during job search and care and re-training spells, underpinned by strong incentive-reinforcing activation measures and services (NELSON; STEPHENS, 2012). Duncan Gallie has been able to show that re-integration policies, health promotion and active ageing programs, and work place adaptation to different career stages, improve mental and psychological well-being for the working age population (GALLIE; RUSSELL, 2009; GALLIE, 2013). There is increasingly evidence that the erosion of cognitive abilities can be substantially delayed through work place adaptation and lifelong learning (BOERSCH-SUPAN, 2013). Hence, there is ample room for skill development later in the life, also because the health status of people over 50 no longer seems to decline rapidly.

It terms of policy change, qualitative comparative welfare state research has been able to trace significant social investment policy reform, from early-childhood education and care, family services, leave arrangement and active labour market policy, across a wide range of national welfare regimes (HUO, 2009; MOREL; PALIER; PALME, 2012; HEMERIJCK, 2013). An extremely timely and comprehensive synthesis survey, with a strong focus on early-childhood education and care, family services, parental leave, active labor market policy, long-term care and minimum income protection, compiled by European Social Policy Network (BOUGET *et al.*, 2015), commissioned by the European Commission, broadly identifies three stylized country groupings among the 35 countries under review (BOUGET *et al.*, 2015).

The first cluster consists of 13 countries with relative well-established social investment portfolios with strong linkages between different policy areas (through 'one-stop-shop' centers), including Austria, Belgium, Germany, France, the Netherlands, Slovenia, and the Scandinavian countries. With their tradition of high-quality dual-earner care provision and high employment rates for older workers, the Nordic countries display the most robust social investment profile. ESPN experts also observe strong social investment recalibration in Austria (long term care innovation and activation for youngsters), the Netherlands (social activation), Germany (enhanced support for dual-earner families), France (minimum income protection for labor market outsiders). In Slovenia, policy integration focuses on mutually reinforcing interventions in child development and parental employment prospects and income protection.

The second country cluster is characterized by the absence of an integrated social investment approach, but where targeted policy initiatives have been introduced, which could provide the basis for further upgrading and more effective policy linkages across policy areas in order to generate improved synergies across the life course. This 9-country cluster includes the United Kingdom (fighting child poverty), Spain (long-term care), Portugal (leave arrangements), Ireland (education and training) and the East European member states of Hungary (countering child poverty and early intervention), Poland (education), Slovakia (social services).

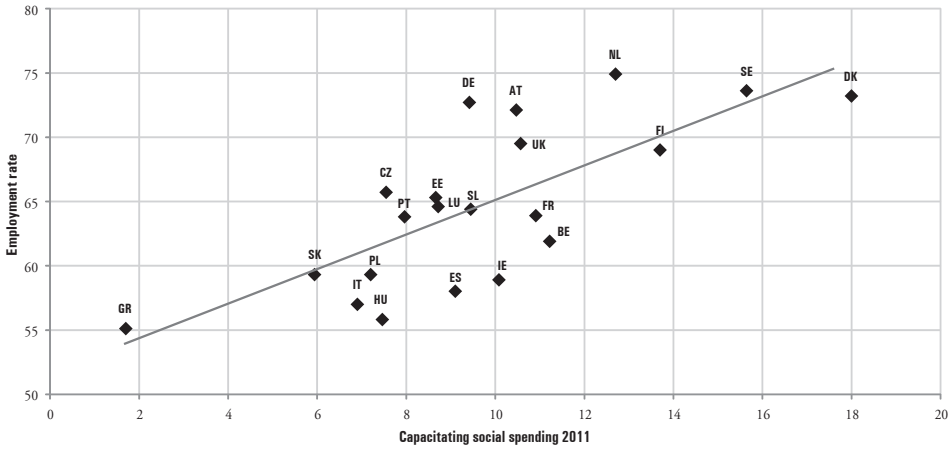
Finally, the ESPN identifies a third stylized grouping of 13 countries, where social investment orientations have not entered the policy-making radar screen, although more isolated initiatives are being pursued. Here we find Greece and Italy, Romania, Bulgaria and the Baltic states. The ESPN report also observes how social investment policy initiatives across the post-communist new Member States of Poland, Slovenia, Hungary, Bulgaria, Croatia and the Czech Republic, together with Greece and Spain, in the areas of active labor market and family policy, have been financially supported by the EU.

5. TAKING SOCIAL INVESTMENT CRITICS SERIOUSLY

Diverse performance records and reform trajectories allow for a more disaggregated empirical analysiss of criticism countered against the social investment perspective. Although Cantillon does not go as far as to blame the social investment turn directly for observed disappointing poverty trends, she is particularly worried about a possible 'crowding effect' of minimum income protection provision by social investment reform, especially in times of post-crisis austerity, causing 'new' Matthew effects, of the poor giving to the rich, after the Gospel of Matthew (CANTILLON, 2011; CANTILLON; VAN LANCKER, 2013; CANTILLON; VANDENBROUCKE, 2014). Dire is also the contention that social investment renewal is bound to be effectively resisted by powerful insider groups wishing to preserve the welfare status quo ex ante by political scientists like Palier, Thelen and Emmeneger (PALIER, 2010; EMMENEGER *et al.*, 2012; THELEN, 2014). It is worth noting how sociological research into new Matthew effects and political science scholarship on dualization drift processes arrive at practically opposite conclusions. New Mattew effects are conjectured to result from 'too much social investment', whereas new insider-outsider cleavages, also leading to growing inequalities, in the dualization literature, are seen as the result of 'too little social investment'. To the extent that such perversities vary across countries, important (comparative) evidence could be reaped on how to redress Matthew effects and correct for dualization processes, by appropriate institutional safeguards and complementary policy interventions.

The new Matthew effect conjecture is based on the suspicion that employment centered social investments 'crowd out' pro-poor income assistance, with higher levels of employment going at the expensive of higher rates of relative poverty. By taking social service intensity of welfare provision, based on available OECD (2008, 2011), as proxy for relative country-specific social investment policy efforts, *graph 6* correlates social service intensity with employment. Spending on education and research (as a share of GDP) plus services provided for the rehabilitation of people affected by disability, elderly care, ALMP, Ecec have been included in the variable now on called capacitating social spending. Next, *graph 7*, squares capacitating social spending with relative poverty outcomes (the poverty rate is the ratio of the number of people (in a given age group) whose income falls below the poverty line; taken as half the median household income of the total population.). The overall conclusion that be drawn from the two graphs is capacitating servicing contributes to higher employment, and that higher employment does not negatively affect poverty per se. It could even be argued that at higher levels of employment, higher revenues would allow better real income protection for those most in need of welfare support.

Graph 6. Capacitating social spending and aggregate employment about here



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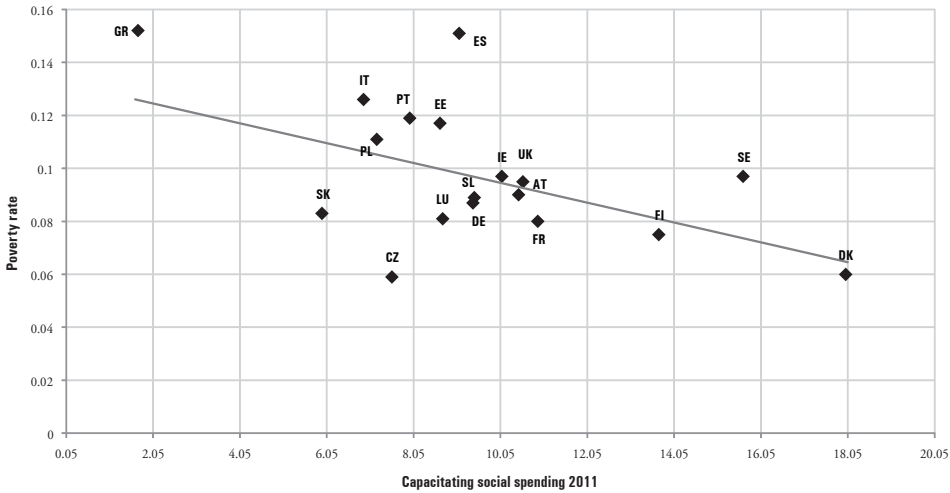
Graph 7. Capacitating social spending and relative poverty about here



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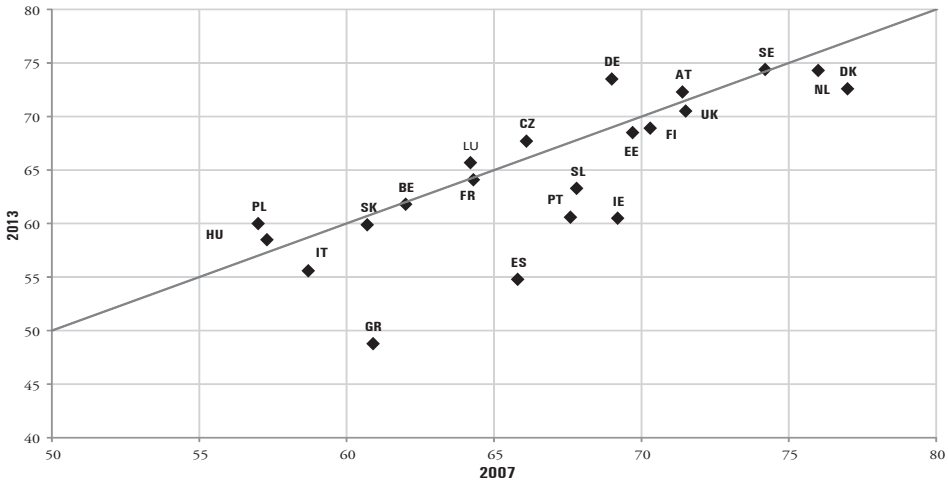
Again we need to be cautious with aggregates, as they gloss over the critical importance of delicate institutional complementarities and negative externalities and institutional disequilibria in country-specific policy environments (DEKEN, 2014; VERBIST; MATSAGANIS, 2014). Childcare provision is a case in point. In a highly telling comparison between Sweden and Belgium, Ghysels and Van Lancker (2011) observe that in Sweden children from different economic strata are equally represented in subsidized childcare services, whereas in Belgium they found a strong bias in childcare use towards middle-class strata. Belgian families with children of lower income quintiles hardly made use of subsidized childcare. These findings, revealing the prevalence of a Matthew effect in Belgium, seems to indicate that differences in 'flow'-policies, including collective bargaining, employment regulation and leave arrangements in the two countries are responsible for the relative prevalence of Matthew effects, suggesting that social service expansion, without accompanying labour market reform, easing the gendered flow of labour market and life course transitions, child-care expansion does in effect privilege middle-class work-rich families (VAN LANCKER, 2013).

Similarly, based on a multi-regression analysis across 18 OECD countries of data collected for 2004, Allison Rovny has been able to establish that active labour market policies, in terms of spending, are more closely associated with a reduction of poverty levels among the low skilled and that family policies have a positive impact for poverty prevention for both the low-skilled young women and men. This evidence suggests that social investment policies are able to reach more disadvantaged strata, thereby effectively countering Matthew effects. Rovny also found that passive social insurance does a good job in mitigating poverty for older male workers, an observation that is more consistent with the dualization drift hypothesis (ROVNY, 2014).

In his important volume 'A Long Goodbey to Bismarck', Bruno Palier (2010) raised the critical question of whether Continental, employment-based and status-preserving social insurance and male-breadwinner oriented, welfare states are perhaps prone to dualization drift, with France and Germany presented as exemplary cases. On Germany, recent research by Martin Seeleib-Kaiser, however, arrives at a more open and nuanced conclusion by showing how the German welfare state, since the Hartz reforms, in the area of labour market regulation and social assistance has become more liberal, leading to indeed higher levels of (in work) poverty, especially among the young (see also Ferragina and Seeleib-Kaiser, 2014). Yet in the area of family policy, the German social policy mix has moved decisively in the direction of the Nordic countries, while it is true, German's social insurance provision continues to privilege core industrial workers. In other words, the picture is more nuanced and complex than a dichotomous insider-outsider divide. Like Matthew Effects, dualization drift political dynamics are critical variables up for correction.

Finally then, has the new crisis of austerity fully cancelled the social investment momentum? Most dramatically, employment fell and (long-term and youth) unemployment rose to truly desperate levels, especially in countries confronted by the sovereign debt crisis *(graph 8)*. A redeeming feature perhaps is that female employment levels have kept up *(graph 9)* in most other EU member states.

Graph 8. Employment change since the crisis



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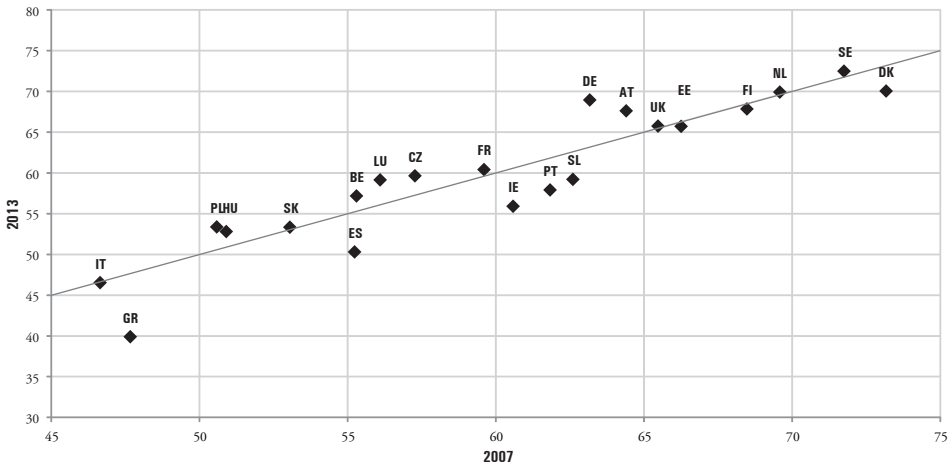
Graph 9. Female employment since the crisis



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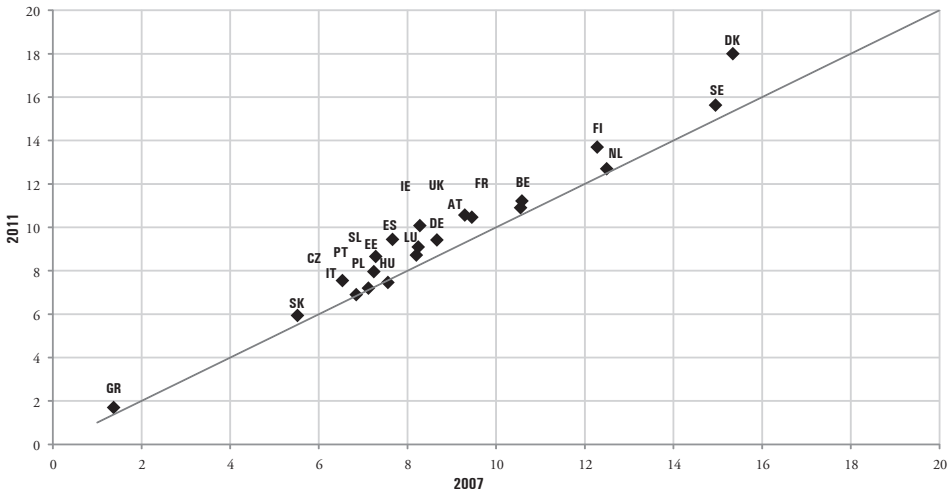
Since 2008, the more generous welfare states of the EU, including Sweden, Denmark, Finland, Austria, the Netherlands, Luxembourg and Germany were able to leave their social investment programs untouched, by allowing automatic income protection buffers to absorb the ensuing downturn in economic demand. When the calls for budget consolidation became more intrusive, however, welfare retrenchment resumed to take pride of place, but not tout court. Active labour market policy proved pretty immune for retrenchment, while family and work-life reconciliation and long-term care policies were cut back in the Netherlands, the first Bismarckian welfare states that embraced the social investment agenda in the late 1990s (VAN KERSBERGEN; HEMERIJCK, 2012; VIS; VAN KERSBERGEN; HEMERIJCK, 2014). While the Nordic countries still rank as the most egalitarian societies in the world, they nonetheless experienced rising inequality and relative poverty at high levels of youth unemployment. The Netherlands and Finland stand out in containing poverty risks. In the UK, the Cameron coalition exempted (pre-)schooling and childcare exempts from cuts, which could be seen as a continuation of New Labour's social investment policies of raising human capital 'stock'. On the income protection 'buffer' side of the equation, however, the coalition of Conservatives and Liberal Democrats

shortened unemployment benefits, reduced family credits and froze child benefits, in a highly in-egalitarian direction (TAYLOR-GOOBY, 2013). If we relate social investment before and after the crisis to each other, again by taking service intensity of welfare provision as a proxy for social investment policy effort, except for the Troika and MoU countries, we find no clear indication of aggregate social dis-investment *(graph 10)*. Even under conditions of weak, the social investment momentum has continued, indicating that over the past decade social investment has become reasonably well embedded.

Graph 10. Social investment policy effort before and after the crisis



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6. THE POLITICAL PARADOX OF SOCIAL INVESTMENT DIFFUSION

The political support structure of social investment remains something of an enigma. At the beginning of this essay, I alluded to Peter Hall who reminded us that new ideas only assume paradigmatic quality if and when they supply answers to salient political problems. What kind of political solutions does social investment policy analysis resolve?

And are we able to identify a pitched crisis or conflict when high politics takes pride of place in anchoring the social investment paradigm?

Because answers to these two questions are by no means straightforward, political scientists have on the whole been quite skeptical about the power of social investment ideas. Perhaps the most profound political obstacle to the diffusion of social investment, well explicated by the path-breaking monograph by Jacobs (2011) concerns its inter-temporal character. Any kind of politics of investment suggesting a willingness on the part of reformers to forego current consumption in order to be able to reallocate resources to programs whose expected returns to be achieved in the future will make everyone better off. In time of austerity, as we know for Paul Pierson (2001), social investments provide very few short-term electoral rewards for politicians facing negatively biased electorates. Moreover, to the extent that existing programs are bound up with vested interest constellations, Palier and Thelen (2012) observe how social investment reforms are thwarted by strong producer groups in Germany and France. By contrast, more underprivileged 'new social risk' groups of destitute children and youngsters, working women, the low-skilled and the frail elderly, do not add up to a coherent cleavage for effective political mobilization (BONOLI, 2013). Beyond loss-averse electorates and status-quo-biased interest group polities, another reason why social investment is not conducive to effective mobilization bears on the causal uncertainty of prospective social investment returns. The timeframe for outlays in early childhood to pay off in terms of higher employment and productivity is nearly two decades. The predicament of causal uncertainty is further complicated by the political risk of policy reversal as the chain between current pain and future gain lengthens. Reforms enacted today by incumbents can be easily overturned after the next election, far before social investment reforms carry benefits. Finally, the overly complex policy analysis behind social investment, from the concern for 'carrying capacity', the focus on gender and the life course, and the critical importance of the complementary functions of 'stocks', 'flows' and 'buffers' in policy design, is not easily translated into an appealing ideological narrative for meta-policy welfare paradigm change.

With these caveats in mind, one would expect social investment reform to face stiff resistance in well-developed welfare states, especially in times of post-financial crisis fiscal austerity. The overall impression that arises from the empirical record, surveyed above, is an unambiguous gradual dynamic of social investment policy diffusion, beginning with isolated initiatives for vulnerable groups, followed by an increasing awareness of important policy interaction and life course synergies, igniting, in turn, an accelerated development of more comprehensive and better integrated approaches, backed by determined social investment agenda-setting by from the European Commission, eventually leading to a

plateau of country-specific social investment institutional equilibria. Given the progressive record of social investment-oriented welfare state change, we are – theoretically – faced with something of a paradox. Although this is not the place to resolve the puzzle why, in hindsight, social investment reform has been far less difficult than generally acknowledged in the political science literature, in conclusion, I would like to ponder four political-institutional factors that may lie behind the piecemeal diffusion of social investment despite difficult budgetary trade-offs between 'old' and 'new' social policies (VANDENBROUCKE; VLEMINCKS, 2011).

A first reason why the social investment turn is not associated with a ruptured economic crisis or pitched political struggle between competing policy scriptures, akin the rise of monetarism and the decline of Keynesian macroeconomics in the United Kingdom in 1979, lies in the institutional makeup of modern social policy. Advanced welfare states are made up of manifold policy areas, ranging from social insurance and public assistance, labor market policy and regulation, gender equality legislation, and childcare provision. The multidimensional and multilayered infrastructure of the welfare state, almost inevitably requires transformative policy change to take effect over a long cycle of sequentially layered and interconnected parametric policy changes, driven by lateral spillover effects, unintended consequence and trial-and-error correction, rather than through an episodic, highly politicized meta-policy paradigm revolution.

The second dimension worth emphasizing is that social investment intellectual advocacy (ESPING-ANDERSEN, 2009; GIDDENS, 1998; VANDENBROUCKE, 2013) has generally been couched in non-partisan Pareto-optimal terms with economic and social progress advancing in tandem. For center-left Social Democratic and center-right Christian and liberal politicians with a primary interest in job creation and economic growth, the social investment approach harbors a wide array policy solutions transcending the equity-efficiency trade-off. For Christian Democracy to support social investment, however, male-breadwinner principles have to give way for dual earner household priorities, as happened in Austria, the Netherlands, and Germany. The non-partisan distributive stance of most social investment advocacy intellectuals is not to say that the social investment tide lifts all boats.

By modifying economic processes and, as a consequence, outcomes, social investment, like any other kind of social and economic policy, creates redistributive winners and losers here and now and over time. As an overlapping consensus, the social investment perspective serves to broaden the repertoire of political choice, by uncovering different combination of growth policies that support employment creation, help lower the gender gap, while mitigating the intergenerational transmission of poverty. The financial crisis has revealed how recent growth dynamics have been illusory and deeply unequal, based as they were on 'winner-take-all' financial sector rent-seeking pressing national governments to

follow a strategy of social disinvestment to balance budgets. In this context, social investment policy analysis brings out the feasibility of normative political choices.

My third hunch about the relatively trouble-free transmission of the social investment paradigm is that, normatively, social investment allows for a redefinition of welfare provision in sync with broadly converging family aspirations founded in decent work for everyone and 'dual earner' capacitating care provision over the life course. In terms of political discourse, Esping-Andersen's image of 'saving pensions by investing in children' constitutes a fitting normative frame for intergenerational fairness. In other words, social investment recalibration thus places manageable demands on political leadership to build broad coalitions of support for inclusive welfare provision, in areas of education and training, access to decent jobs and family-friendly employment relations for the highly gendered areas of child and elder care.

Finally, for politicians wishing to break from failed neoliberal orthodoxy, the social investment paradigm serves to positively re-legitimize the role of the state in the (mixed) economy, driving up quality standards in family policy, education, and employment services, to support economic development and social progress in the aftermath of global financial crisis, thus allowing for, what Bonoli calls, 'affordable credit-claiming' (BONOLI, 2013).

7. SOCIAL INVESTMENT BEYOND FISCAL AUSTERITY

Seven years since the onslaught of the global financial crisis, EU and Eurozone crisis management debate continues to be fraught with contradictory social reform prescriptions. The launch of the 'Social Investment Package for Growth and Social Cohesion' by the European Commission in early 2013 broke grounds for social investment reform as an integral part of the Europe 2020 policy strategy, inspiring national governments to make way for higher employment rates and productivity hikes through human capital 'stock' improvements, from early childhood on, improved 'flow' arrangements for reconciling work and family life, and comprehensive minimum income protection 'buffers' in coping with the changing nature of social risk of the competitive knowledge-based economy in ageing European societies. The Social Investment Package indeed represent a marker moment in the quiet paradigm revolution of social investment by shifting the terms of the policy debate from an exclusive focus on cost containment to one emphasizing the potential productive contribution of social policy to the 'carrying capacity' of Europe's cherished welfare states.

As fully operative policy paradigm rather than an emerging one, it is my contention, that the social invrestment perspective continues to hold a promise of a more inclusive and protective, family and gender friendly, employment-centered growth strategy (see

also FRIENDS OF EUROPE, 2015). History, however, will tell whether the tranquil composure of the social investment paradigm is strong enough to withstand novel economic context of austerity-biased E(M)U fiscal governance. The resilience of the social investment paradigms intimately bound up with the EU's capacity to succeed in developing an economically 'smart', fiscally 'sustainable', and socially 'inclusive' policy framework as laid down in the Europe 2020 Strategy, endorsed by the European Council in March 2010.

Given the magnitude of the aftershocks unleashed by the trials and tribulations that went into saving the euro, it should not come as a surprise that the EU economy is off-track in making progress on the headline employment growth and poverty reduction targets of the Euro 2020 Strategy. The fiscal austerity aftershock of the sovereign crisis has disproportionately affected the most vulnerable in European societies, marked by steep rises in long-term and youth unemployment and poverty, with children having experienced the most dramatic deterioration in their living conditions since the onset of the 'Great Recession'.

In addition to these distressing social consequences of the crisis, we can also observe widening social, economic and employment divergences between EU Member States, creating a core-periphery divide, especially within the Euro-area, which – if uncorrected – may ultimately challenge the economic and political viability of the single currency and the EU integration project at large. In this respect, the Great Recession surely is a welfare state 'game changer' and not merely an unfortunate setback, making social and economic recovery a much longer drawn-out process than otherwise anticipated. Although a social investment reform is premised on the idea of simultaneously improving economic efficiency and social equity, social investments do not come cheap in the short term. The need to consolidate public finance, while accommodating financial markets, in the face of standing 'old risk' social insurance and pension commitments, an ever smaller slice of public revenue will be available for social investments.

The aftermath of global financial crisis has surely put the social investment drive into fiscal jeopardy. The ESPN expert network observes a worrying backlashes in social investment policy innovation, not merely across the so-called program countries of Spain, Portugal, Ireland, and Greece, but also in a number of social investment vanguard countries, including Finland and the Netherlands, enacting pro-cyclical budget savings on childcare and family services, disproportionately affecting vulnerable families, with the likely long-term effects of lower levels of female employment, human capital erosion, and rising child poverty (BOUGET *et al.*, 2015).

As a supply-side strategy, social investment can surely not substitute for effective macro-economic management and financial stabilization in times of depressed demand.

In hindsight it is fair to conclude, as does the IMF (BLANCHARD; LEIGH, 2013), that half a decade of fiscal austerity is bringing the Eurozone economy close to a condition of pro-cyclical deflationary stagnation, endangering the very objective – economic recovery – that the EU set out to achieve in 2010 – at very high political costs. Levels of unemployment not seen since the Great Depression, widening income polarization, growing shares of youths not in employment, education and training, declining childbirths as a consequence of cuts in family services, have significantly improved the political fortunes of radical anti-EU populist parties, both from the xenophobic right and the radical left.

From a social investment perspective, pro-cyclical austerity runs the risks of under-investment in both the quantity and quality of future human capital, a risk not to be taken lightly in the face of adverse demography. What we are confronted with, I think, is a deep crisis of economic reason, laced with inter-governmental distrust at the level of the EU heads of state. This should not surprise us. A generation of policy makers have been singularly trained to believe that there an inevitable trade-off at play between economic efficiency and social equity, that mass unemployment is a problem of supply-side 'hysteresis' of poor motivation and low search intensity resulting from too generous social standards and employment protection, creating negative 'moral hazard' and 'adverse selection' externalities, and that public investments in physical and social infrastructures are vulnerable to rent-seeking political and insider biased manipulation. From this perspective, social investment is wrongly perceived as a luxury, the EU for the moment cannot afford. At the same time, fiscal constraints must not destroy the necessary leeway for improvements in pre-school care for disadvantaged children and critical investments in youths more generally to support the long-term carrying capacity of (ageing) European welfare states.

Will the new Commission, under the helm of Jean-Claude Juncker, together with the member states, be able transcend the austerity reflex and counter the populist tide, by opening a genuine policy space for an ambitious and credible social investment strategy, and thereby rise to the occasion to become reliable guardians of a more 'caring' EU? Creating virtuous circles of participation, productivity, prevention, and social inclusion requires social investments to be mutually consistent. The EU challenge is to make 'long-term' social investments and 'short-term' fiscal consolidation mutually supportive (VANDENBROUCKE; HEMERIJCK; PALIER, 2011). There are no 'quick fixes', given the magnitude of the global financial and EU sovereign debt crises and their asymmetric fallout, especially across the Eurozone. Given also the great disparity in economic, labour market and social conditions across the EU, including the variegated administrative capacities, a flexible and pragmatic approach is called for in supporting social investment reform. Discounting social investments from the calculation of net government deficits

under the EMU's fiscal rules could be a powerful incentive to secure domestic reform ownership. Another option is to establish social investment project bonds, administered on the basis of the experience gained from the management of structural funds. To reverse the trend of rising inequalities, a broad political agreement on curtailing tax competition, extricating tax evasion and harmonized rules on capital taxation is imperative.

Any proactive social investment policy reform platform continues to face steep uphill battles in domestic and EU political arenas. But not delivering on economic and social progress, supported by the right mix of supply and demand policies, the Lisbon Treaty's commitment to a sustainable 'social market economy', combining full employment with high levels of social protection and cohesion, gender equality and intergenerational solidarity, will surely backfire politically!

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Chapter 2

Navigating social investment policy analysis*

Anton Hemerijck
Simon Vydra

INTRODUCTION

In the late 1990s, the notion of social investment emerged as a metaphor to signal the productive economic qualities of selective welfare policies; this in contradistinction from the passive nature of the postwar Keynesian welfare state, but also more importantly, as an alternative to the deregulatory, retrenchment oriented neoliberal critique of the welfare state of the 1980s. As the result of further conceptual clarification and improved empirical operationalization, in recent years a far more mature understanding of social investment policy analysis took root, offering real progress in assessing and account for the positive returns of social investment. With its strong emphasis on life course synergies and institutional complementarities, 21st century social investment policy analysis may lack the parsimony of Keynesian demand management and neoclassical supply-side economic analysis.

On the other hand, by capturing critically important meso-level institutional prerequisites in a dynamic life course perspective, current social investment policy analysis does a better job than macroeconomic modeling in guiding decision-makers in social policy diagnosis and the selection of effective and efficient social policies in terms of interdependent policy packages. The paper proceeds in three sections. First, we review the origins of the notion of social investment. Next we trace the evolution of social investment policy analysis from the conceptualization of rethinking the welfare state in terms of its 'carrying capacity' to the more recent attempts at operationalization in terms of three critical and interdependent policy functions of 'stocks', 'flows' and 'buffers'. Finally, section three taken on the complex challenge of assessing rates of return on social investment.

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FROM METAPHOR TO POLICY ANALYSIS

The notion social investment emerged in political and academic discourse after the mid-1990s. First, and fairly surprising, it was the Organisation for Economic Co-operation and Development (OECD) in 1996, at the time when the Paris-baed think tank was still wedded the neoliberal Washington Consensus, who organized a conference focused on rethinking social policy not exclusively in normative and ethical terms, but also it terms of positive economic output. The European Union (EU) followed suit, and under the Dutch presidency in 1997, the term 'social policy as a productive factor' was coined, exposing the neoliberal misconception that social policy interventions go at the expense of economic competitiveness (MOREL; PALIER; PALME 2012). Next, these ideas were anchored in the EU's Lisbon Agenda of 2000, for social policy guidance in the knowledge-based economy and the creation of better jobs and greater social cohesion. All of these early attempts to underline the positive economic performance of some of the most advanced welfare states in Western Europe employed the notion of social investment in a rather generic way.

The book 'Why We Need a New Welfare State' of Esping-Andersen, Gallie, Hemerijck and Myles, commissioned by the Belgian Presidency of 2001, laid the intellectual groundwork for more concrete social investment policy analysis (ESPING-ANDERSEN *et al.,* 2002). This seminal work echoed the Lisbon Agenda's conjecture that generous social policy does not hamper economic efficiency, but Esping-Andersen et al. were also particularly critical of the staying power of male bread-winner employment-based social insurance, excluding large groups, especially youngsters and women, whose activation was critical to achieve sustained economic growth in sync with high levels of social protection for all (ESPING-ANDERSEN *et al.,* 2002). In terms of policy analysis, the chapter by John Myles proposed a simple equation for the sustainability of pension provisions, one that could easily be extended to the welfare state as a whole. This equation proposes that the cost of welfare provisions equals:

$$\frac{\text{Number of welfare recipients}}{\text{Number of paid workers}} \times \frac{\text{Average consumption of welfare recipients}}{\text{Average productivity of workers}}$$

Whereas the neoliberal policy advocacy for workfare was targeted to limiting the numerator of the above equation, through limiting the number of welfare recipients and lowering benefits, reform opposition from male-breadwinner insider vestiges were primarily concerned with defending existing benefits and social insurance

provisions, John Myles radically shift focus to the denominator side of the welfare equation. By maximizing employment (number of paid workers) and the productivity of those in employment a better 'carrying capacity' of a social investment welfare state would be reached. Capacitating social policy, from early childhood education, parental leave provision, Active Labour Market Policy (ALMP) and active ageing interventions, were considered imperative for the knowledge based economic and ageing European societies (ESPING-ANDERSEN *et al.,* 2002).

Since the mid-2000s, the ideas of Esping-Andersen et al. (2002) gained considerable traction through academic efforts to elaborate and empirically assess social investment oriented policy interventions, but also by an impressive record of OECD on family policy, gender-friendly employment relations, education, and the rising tide of inequality (2006a, 2006b, 2007). In the process, social investment was labeled as an 'emerging policy paradigm' (MOREL; PALIER; PALME, 2011). By 2013, the EU the Social Investment Package (SIP) encouraging member states to pursue social investment oriented welfare reforms (EC, 2013).

Social investment as an emerging paradigm is not without critics. Nolan (2013) has taken issue with the distinction between 'capacitating' (social investment) and 'compensating' (social insurance) spending, used by prominent social investment scholars and advocates like Anton Hemerijck and Frank Vandenbroucke, which he conjectures as analytically weak. In a similar vein, other academics disapprove with gullible 'economization' of welfare policy embedded in the idea of social investment, whereby social interventions are increasingly assessed in terms of their contribution to economic growth and competitiveness, which obscures the normative objective of distributive fairness of the welfare state (NOLAN, in print; BARBIER, in print; LEON, in print). This argument has been most forcefully made by feminist scholars, lamenting how social investment instrumentalizes female employment as the mean to raise macroeconomic performance (JENSON, 2009; SARACENO, in print). Others take issue with the narrow focus on the so called 'new social risks' of atypical work, the fall in demand of low skill work, and work-life reconciliation at a time when the 'old' social risks of mass unemployment has reappeared with a vengeance in the wake of the global economic crisis (CROUCH; KEUNE, 2012). The most empirically astute critique of social investment policies like early childhood education and active labour market services is that they are plagued by 'Matthew Effects' of middle class disproportionately benefiting from such capacitating services at the expense of more vulnerable groups, thereby severely limiting the potential of social investment to achieve truly inclusive growth (CANTILLON, 2011; BONOLI; CANTILLON; VAN LANCKER, in print).

Social investment policy can be defined as welfare provisions aimed to 'pre-

pare' individuals, families and societies to respond to novel risks, rather than simply 'repair' damages after moments of economic or personal crisis. The paradigmatic quality of social investment policy theory is based on a combination of fundamental objectives and an understanding of causality. The overarching objective is to raise employment and employability through capacitation to sustain inclusive welfare provision. In terms of causality, the argument is that adverse demography and the knowledge economy, require advanced welfare states raise the 'quantity' and 'quality' of enabling or 'capacitating' social services (family services, care provision and rehabilitation) 'alongside' basic and comprehensive social security, so as to equip and assist people to surmount the increasingly uncertain hazards of the labour market and the life course and in the aggregate to achieve better economic output, as compared to the alternatives of neoliberal retrenchment and deregulation and male-breadwinner social insurance inertia.

To improve the welfare state's 'arrying capacity' in today's economy, politically, there is need to move away from the antagonizing discourse of welfare beneficiaries (them) and net economic contributors (us) towards a more encompassing life-course insurance provision against the volatility of modern familyhood and labor markets from which most people will benefit at times of transitions and to which all citizens contribute when they are employed. Most youngsters at schools will become adult workers, ill people return to work after rehabilitation, and the majority unemployment benefit recipients take up new jobs (HILLS, 2014). Conceiving of the welfare state as a political struggle between net contributors and net beneficiaries as separate classes is outdated and ignores the increased volatility of labor markets and the life course. Capacitation assistance through major life course transitions serves employment search (increasing number of paid workers) while mitigating skill depletion (increasing average productivity) and is therefore is for boosting the denominator side of carrying capacity of sustainable welfare state in aging societies.

Beyond the notion of life course insurance, a second and closely related refocusing of welfare provision through social investment concerns dual-earner, family- and gender-friendly, provision. Beyond the normative dimension of gender equality, reconciling work and family life is of utmost importance. When women as a consequence of the staying power of male breadwinner social insurance and job protection regulation are institutional forced to choose between work and family, this will negatively impact on fertility (less paid workers in the long run) or their own labor market opportunities (less paid workers in the short run). A transition towards dual-earner households will boost the number of workers both in the short and in the long run. But such a move requires capacitating social policy support structures in the form universal and high quality early childhood and care provision and generous parental leave scheme.

STOCKS FLOWS AND BUFFERS

All in all, the emerging social investment paradigm aptly captures the essence of prevailing policy problems in terms of the changing nature of social risks, also with clear normative objectives of dual-earner family-friendly capacitation and inclusive growth. A subsequent requirement for any effective policy paradigm lies in the operationalization of indicators informing policy choices, with statistical validation, easily comparable over time and across countries, in spite of perennial data limitations. Policy makers will find social investment a useful concept if it also provides for evaluative analytical tools and intuitively compelling operationalization. Such operationalization can be achieved through a classification of three complementary policy functions required for any effective social investment welfare state: (1) improving the 'stock' of human capital; (2) easing the 'flow' of labor market and life transitions; and (3) maintaining strong universal safety nets and economic 'buffers' (HEMERIJCK, 2014).

The 'buffer' function is the easiest to explain, as it is basically alludes to 'Keynesianism through the back door'. This policy function aims at securing adequate minimum income protection, more equal distribution of income, and stabilizing the business cycle and buffering economic shocks – essentially what the postwar welfare state was principally designed to do. As Nolan (2013) correctly points out, asserting the superiority of 'activating' policies over their 'passive' counterparts is empirically and normatively questionable. Luckily, the social investment scholarship has moved away from this distinction and recognizes, that for an effective social investment welfare state a good 'buffer' is a necessary precondition (HEMERIJCK, 2015).

The 'stock' function has to do with productivity and is focused on developing and maintaining human capital from early childhood all the way to lifelong learning. Developing human capital refers to education starting with very early care and pre-primary education and allows people to build their human capital. Maintaining this capital is equally as important as developing it, as skill erosion from for example job mismatch is a real threat in modern labor markets. There is strong evidence that high educational attainment fosters more employment and especially employment in (and creation of) good high-productivity jobs.

The 'flow' function has to do with easing transitions and thus achieving a more efficient and optimal allocation of labor. These transitions do not only include periods of unemployment, but also integrating disadvantaged groups into the labor market, transitions to a more prosperous sector, transitions from being a parent to work, and others. Effectively supporting the 'flow' function of policies amounts to

the understanding that even though it is crucial to 'make work pay', sometimes (especially in the long run) it is more important to 'make transitions pay' as well.

Using these three policy functions policy makers can better understand what types of policies are necessary for an effective social investment strategy (debated in next section), but there are some complexities that need addressing. First of all, policies do not fulfill only one function and there is significant functional overlap (DE DEKEN, 2014). Even if policies aim to only fulfill one of the three functions, the functions themselves are interconnected. For example, poverty alleviation is primarily a 'buffering' policy, but its effect of financial security facilitates smoother 'flowing' transitions due to less pressure on immediately job search, which in turn leads to fewer mismatches and reduced skill depletion in human capital 'stock'. Second, different countries with variegated policy legacies preside over different policy mixes and institutional arrangement, with the implication that they may require different policies or combinations of policies to achieve social investment progress.

The need for such institutional contextualization in policy design and practice is not necessarily a shortcoming of the social investment paradigm, as the added value of social investment policy analysis does not lie perfect policy classification and their separate aggregate return, but more so by offering a wider analytical tool, allowing scholars and policy makers to assess in a structured fashion the interdependent nature of the stocks, flows and buffers in terms of their institutional complementarities, their goodness of fit or misfit in the event of institutional in-complementarities. One of the most obvious complementarities has to do with female employment and early childhood learning. Good quality childcare will not foster more female employment if it is prohibitively expensive, if it is not universal, or if there is simply not enough capacity to meet demand. On the other hand, good quality childcare will fail to raise female employment in the absence of appropriate parental leave provisions for both genders (VAN LANCKER, 2013; VERBIST, in print; NIEUWENHUIS; NEED; VAN DER KOLK, 2012). It is important to note that policy interdependencies can easily be counterproductive – the Matthew effect critique of social investment is a prime example: Some capacitating policies can (arguably) disproportionately benefit the middle or upper classes and thus undermine the equality created by conventional welfare provisions. But such institutional misfit should be understood as 'variables' and not as 'givens' to social investment. It is crucial importance to underline that both positive and negative policy complementarities very determines the success or failure of social investment policy and that as such social investment cannot be understood in terms of isolated intervention in family policy, child policy, benefits and labour market policy and regulation.

RETURNS OF SOCIAL INVESTMENT

As with any policy paradigm (or policy mix), the most pertinent question is how do policies really benefit citizens and society at large and social investment is no exception. The last piece of the compass to navigate social investment must therefore contribute to an improved understanding of how the proposed three policy functions of 'stocks', 'flows', and 'buffers' in conjunction translate into interdependent policy portfolios that improve the life chances of many and foster inclusive growth, economic prosperity and social cohesion. To illustrate causality at work in how social investment aims to achieve inclusive growth through better productivity and employment participation, it is worth reviewing the various returns of the 'stock', 'flow' and 'buffer' policy functions over an individual's life course, ceteris paribus assuming effective institutional complementarity or subdued institutional friction *(chart 1)*.

From chart 1 we can observe both synergic nature of the three policy functions over the life course. However, if we focus on the policy functions seperately, we can also identify institutional complementarity along the horizontal (life stage) dimension of the table. The 'temporal' policy complementarity results from the fact that a policy that positively improves life chances of an individual in a particular life stage can have an escalating 'knock on' effect later in life. For example if child poverty and the intergeneration transmission of poverty is adequately addressed, the affected cohort of youngsters is less likely to have to rely poverty buffers in adulthood. Another example comes from the 'stock' function, where investing in good quality pre-school provision improves the cognitive development of children at an early stage, which enables them to learn better and achieve better results in primary, secondary and even tertiary education, with upshot of improved labour market opportunities at higher levels of productivity (CUHNA; HECKMAN, 2007).

Chart 1. Stocks, flows and buffers in a life course perspective

	Toddler	Child	Young Adult	Adult	Older Adult
Stock	Universal and good quality Early Childhood Education and Care (Ecec) promote cognitive development and social integration. Also reduces intergenerational transfer of poverty	Good quality primary and secondary education further promote cognitive development and skill acquisition	Secondary education further promotes skill acquisition and supports high admission rate for tertiary education (that further develops individuals).	Training programs increase and update the stock of individuals. Fitting labor market placement also prevent skills deterioration	Training programs and lifelong learning contribute to an up-to-date set of skills that can be used for longer (higher labor market exit age)
Flow	Good quality Ecec fosters cooperation between parents and teachers for a more continuous learning experience	Inclusive education allows for the necessary preparatory classes and interventions to smooth early transitions (eg. Pre-school to school)	Apprenticeships ease the transition from education to work. Good secondary and tertiary education eases the education-labor market transition	ALMP and re-training promotes fast return to labor market and unemployment benefits reduce job and skill mismatch. Family policy allows to reconcile having children with full-time employment	Further training and development allows for better employment prospects, higher exit age and consequently a better pension.

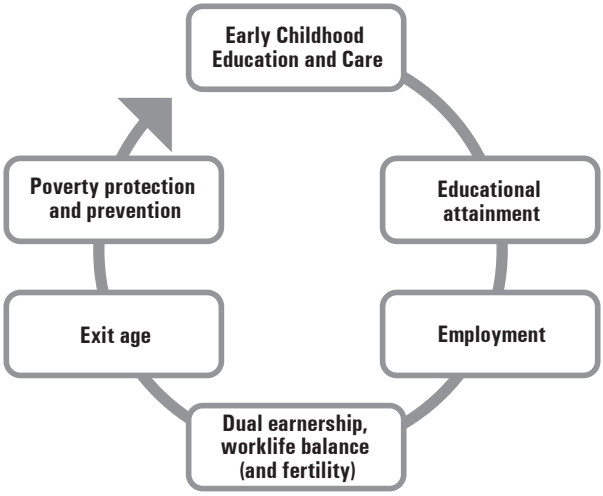
Chart 1. (cont.)

	Toddler	Child	Young Adult	Adult	Older Adult
Buffers	Living in a stable household with a low risk of poverty allows for proper nutrition and emotional development	Living in a stable household with a low risk of poverty fosters smaller school drop-out rates	Solid minimum wage enables one to be a working student sustainably. Transition from a family household to separate household is eased by eg. housing benefits	Minimum wage and unemployment benefits form a robust safety net. Family benefits can positively affect fertility rate	Either minimum wage and unemployment buffers, or a sustainable pension

Based on the expanding literature of social investment, it is possible to make a detailed policy-centric overview, specifying different policy areas and mapping out the returns of social investment policies in those areas for short, medium and long term. Unfortunately, selecting and defending the selection of such policy categories is an effort too lengthy for the scope of this paper. But, for illustration purposes, this paper includes a preliminary review of such nature (see *appendix, chart1*) based on the policy categories employed by Nelson and Stephens (2011), be it for a different purpose.

An even bolder claim with regards to the returns of social investment can be made: Given the temporal (throughout life course) complementarity, a comprehensive social investment policy can be conjectured to generate a life course multiplier effect. This multiplier effect illustrated below is based on an extensive review of the aggregate evidence, suggesting effectively early childhood intervention to be associated with higher levels of educational attainment; higher educational attainment is correlated with greater employment and higher productivity, if supported by dual-earner friendly parental provision, a higher participation rate of women can be achieved without a negative effect on fertility; to the extent that more productive workers participate in life long learning, this will ultimately also result in higher exit age from the labour market. To extent that relevant stock, flow, and buffer policies are financed through taxes and social contribution, enlarged fiscal revenue can be allocated to improved capacitation and better poverty prevention and mitigation policies for the most vulnerable groups in society. The social investment multiplier cycle is illustrated in *figure 1*.

Figure 1. Social investment life course multiplier



CONCLUSION

This paper has served to help readers navigate the emergence of the concept social investment and subsequent conceptual maturation and operation clarification. As has become clear in the three sections of this contribution, social investment policy analysis cannot provide for a 'thin' and reductive conceptualization for policy classification and the analysis of return, because the interdependent nature of social investment interventions in terms of temporal life course synergies and transversal institutional complementarities in the policy functions of 'stocks', 'flows' and 'buffers'. Social investment policy analysis in effect propose a broad re-conceptualization of prevailing welfare provision that allows for an analysis of existing policy portfolios in their complementarity in a life course perspective that effectively provide a crucial lever to social policy analysis in explain policy success and failure that alternative methods of cost-benefit policy analysis are unable assess. In a span of a mere decade, the notion social investment matures from the intuitively appealing metaphor of 'social policy as productive factor' to a far more sophisticated conceptualization of the contribution gender-friendly social policy to the 'carrying capacity' of advanced welfare states, and better operationalization of the interdependent nature of stock, flow, buffer policy in a life course perspective. This gradual intellectual transformation of the concept is a cause for optimism about welfare state futures.

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APPENDIX

Chart 1. Summary of theorized social investment returns

	Short term	Medium term	Long term
Education policies	Increased test scores, reduced drop out rates and stabilization of school environment (SABEL, in print)	Better numeracy results in higher wages (HANUSECK *et al.*, 2015) Education promotes higher female labor force participation (Prospective Urban Rural Epidemiology – Pure study) Lifelong learning reduces poverty and positively effects employment (GOOBY, 2014) Pre-primary level education is a crucial determinant of tertiary education outcomes (CUHNA; HECKMAN, 2007) and the ability to learn and acquire new skills in general (CUNHA *et al.* 2006)	High-quality Ecec promotes good nutrition and overall health (HECKMAN *et al.,* 2006) High educational attainment correlates with better health (MIDDENDORF, 2008; CAMPBELL *et al.*, 2014) High educational attainment correlates with less crime (MIDDENDORF, 2008) High-quality Ecec promotes better educational attainment (HECKMAN, 2006) Lifelong learning is tied to better employment in older age and a higher labor market exit age (HEMERIJCK *et al.,* in print)
Labor market policies	Monitoring job search effort increases the chances of becoming employed (COCKX *et al.*, 2011) ALMP increases monthly reemployment probability (MARTINS *et al.* 2014) Income protection allows for transition to more prosperous sectors by providing stability in transition (Asis report) Income protection in unemployment allows one to find a more fitting job (HUGHES; PEOPLES; PERLMAN, 1996) Short periods of generous unemployment are beneficial to (especially female) employment (DEL BOCA; WETZELS 2008)	ALMP positively impacts employment in certain contexts (CALIENDO; SCHMIDL, 2016) ALMP programs can positively impact the skills of older less skilled workers and increase their employment (KNUTH, 2014) ALMP is negatively correlated with poverty (BURGOON, in print) Since skills cannot be 'stored' and can deteriorate (GANGL, 2016) appropriate and fast re-employment prevents skills deterioration Longer working careers (SCHMIDT, 2015; HOBSON, 2014)	Better pensions once retired (SCHMIDT, 2015; HOBSON, 2014) Increases employment in the good jobs (high productivity sector) (SCHMIDT, 2015; HOBSON, 2014) Unemployment benefits allow workers to maintain their living standard (consumption) and thus act as a stabilization mechanism for the economy (DRABIN; NELSON, in print) ALMP decreases poverty levels among the low skilled (ROVNY 2014) In the American context ALMP programs have modest returns and tend to have bad results on cost-benefit analyses (HECKMAN, *et al.,* 1999) The American TAA program is not successful in terms of cost-benefit analysis (DOLFIN; SCHOCHET, 2012)

Chart 1. (cont.)

	Short term	Medium term	Long term
Poverty alleviation policies	Old age care and appropriate services allow to mitigate the effect of (mainly women) leaving the labor market to care for old relatives (OECD, 2011) Lack of poverty promotes innovative risk taking in the labor market (DRABIN; NELSON, in print)	Basic level of financial security allows one to maintain sufficient health to participate in education and labor market (DRABIN; NELSON, in print) Lack of poverty allows for appropriate job placement (DRABIN; NELSON, in print)	Socioeconomic background is one of the determinants of Programme for International Student Assessment (Pisa) scores (ESPING-ANDERSEN, 2015) Non-cash assistance policies (services) reinforce the effect of traditional redistributive policies (SMEEDING, *et al.,* 1993) Early poverty alleviation policies reduce the need for it later (DRABIN; NELSON, in print). Positive impact on growth (OECD, 2015)
Family Policies	More affordable childcare increases female labor market participation (CARTA; RIZZICA, 2015; VERBIST, in print). Better availability of childcare increases female labor market participation (VERBIST, in print). Parental leave and public childcare facilitate increase (mainly) maternal employment (NIEUWENHUI; NEED; VAN DER KOLK; 2012)	Attendance of childcare has a positive effect on performance on Pisa (EUROPEAN COMMISSION, 2014) Ecec can increase fertility rates (LEON, in print) Possible matthew effect in universal childcare (DELEECK; HUYBRECHS; CANTILLON, 1983) Creates jobs for in the care sector (DE DEKEN, in print) Jobs created in the care sector are good for women who could struggle to find employment otherwise (MORGAN, 2012) Parental leave is associated with lower poverty risk for (especially one parent) families. (MALDONADO; NIEUWENHUIS, 2014)	Universal Ecec helps reducing the intergenerational transfer of poverty (LEON, in print) Full time and higher quality jobs for mothers (HEMERIJCK *et al.,* in print)

Chapter 3

Health systems reforms in Southern Europe: crises and alternatives

Pedro Hespanha

WELFARE STATE, CRISIS AND REFORMS IN SOUTHERN EUROPE

In the last fifteen years, social protection systems have been undermined in many countries due to the convergence of neoliberal ideas and the increasing financial and political restrictions resulting from the State's financial crisis originated in the second half of the 1970s, deepened during the 1990s, and turned acute as from 2008 – initially only financial and soon after economic, social and political crises. Neoliberalization, which implies public provision remarketing, reversion of policies' universalism, and shared governance of social protection, has been putting at risk the fundaments of both welfare state and welfare society.

Neoliberal trend reforms did not follow the same path all over the world (JESSOP, 2013). Most European countries did not experience regime changes, but only adjustments in their policies to safeguard central achievements of the social state. Nevertheless, there is the risk that these adjustments accumulate until the point of creating a definitely neoliberal institutional framework of social welfare.

The emerging hypothesis regarding the nature of neoliberalization of the more radical structural adjustment processes, such as those occurring in Southern European countries like Portugal, Spain and Greece, is that one may be observing not only a mere neoliberal adjustment, but rather a change of regime in the social protection system, as has already happened in other parts of the world that are subjected to structural adjustment programs imposed by the International Monetary Fund (IMF) and the World Bank.

The historical alliance between 'market economy', 'welfare state', and 'democracy', which founded the modern nation-state project, appears to be breaking up at the present age of global capitalism. Nevertheless, the social state still has strong public support and one cannot affirm that a totally 'privatist' and 'individualistic' ideology has penetrated the

values and expectations of Europeans. Actually, the State continues to be an arena of tension between the ideas of social services privatization and the ideas that defend the public welfare provision for all citizens (BOURDIEU, 1998, 2014; WACQUANT, 2009).

If these characteristics are verifiable in all developed social states, they are even more so in the Southern European social states that emerged in the context of the international crisis of the second half of the 1970s and where the social pacts enabled the achievement of reforms in policies of social protection, employment, and income until the emergence of the 2008 economic and financial crisis. This crisis increasingly reduced the margin of flexibility of governments that were strongly subjected to the supervision of international institutions, thus forced to limit social dialogue regarding their main characteristics: decision-making autonomy of players and valorization of contributions from each part to the negotiation (GONZÁLEZ BEGEGA; LUQUE BALBONA, 2015), and, later, the impositions of adjustment programs following the sovereign debt rescue.

Despite the obvious differences between the Southern-European and Brazilian contexts, we believe that it may somehow be valuable to let Brazil know about the effects of the austerity policies carried out in those countries on the health sector.

ECONOMIC ADJUSTMENT PROGRAMS FOR THE HEALTH SECTOR IN GREECE, PORTUGAL AND SPAIN

Sovereign debt crisis and its origins

Having started in 2008 in the USA due to the Lehman Brothers' bankruptcy, the financial system crisis turned into a public debt crisis in many countries, which had to become indebted in order to save from bankruptcy private financial institutions affected by the breakdown of their financial system. At first, large countries such as the United States (with one third of the total worldwide) and Japan, and then also many European Union (EU) Member States and particularly those in the European periphery.

But there were other causes for the public debt crisis. In some countries, like Ireland and Spain, it was the real estate speculation that boosted a wave of bankruptcy in the private sector, which obliged the intervention of the State. Governments assumed entirely the principle that bankruptcy of firms or economic sectors that are economically important and benefit from citizens' confidence had to be avoided at any cost. Thus, resulting from the banking system rescues or as public measures for deceleration of economies due to the burst of real estate bubbles, high amounts of private debt were transferred to the

public debt. But there are other situations in which the State and the private sector, including firms and families, had accumulated increasingly high levels of indebtedness, but continued to benefit from relatively low interest rates. This is the case of Portugal and Greece, where public and private investments, as well as families' consumption, had been encouraged to grow by means of low interest rates. As creditor institutions gradually lost confidence in the capacity of debt solvency of countries and private sector, sovereign debts were devalorized in the rankings of international financial agencies; at the same time, there were growing concerns regarding the solvency of those European banking systems that had considerable amounts of public sovereign debt. Financial markets hit turbulence and interest rates of sovereign debts were enormously raised for the more indebted countries.

Currently, it seems increasingly clear that the origin of the crisis is in the single currency system and in the commitment made in the 1993 Maastricht Treaty by which the Eurozone[1] countries would limit their levels of deficits with spending and indebtedness.

It had been already known that the European model of monetary integration comprised risks; the main ones were those related to the tendency to reduce social rights, the difficulty to deal with shocks that unequally affect Member States, and the occurrence of financial crisis (MAMEDE, 2015).

The 'reduction of social rights' results from the fact that the harmonization of laboral, fiscal, and environmental norms tends to be made at the bottom as a result of competition pressures (MAMEDE, 2015); and, at the same time, from the fact that the liberalization of commercial and financial transactions implies a break on the volume of collected taxes and, therefore, more difficulty to finance the social functions of the State (MAMEDE, 2015).

Due to inequalities between Eurozone economies, crises may affect only some of them and spare the others, with the Economic and Monetary Union (EMU) having no validity. On the contrary, EMU contributes, partly, to the reinforcement of inequalities when promoting the specialization of economies in productions in which they have higher relative efficiency, and partly to remove from Member States the possibility to use significant instruments of economic and monetary policies, such as the reduction of interest rates, currency devaluation, or public expenditure increase[2].

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[1] The Eurozone currently comprises 19 EU Member Sates: Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxemburg, Malta, The Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

[2] The discipline imposed to Member States by the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, in force since 2013, includes the maximum limit of 3% of Gross Domestic Product (GDP) for each country's budget deficit and the reduction of debt levels to the limit of 60% of GDP.

The 'financial crises occurrence' makes Eurozone peripheral economies very much vulnerable because they can no longer use the traditional instrument of exchange rate devaluation and are not able to control foreign indebtedness increase.

> In 2010, when international investors began to suspect that countries like Portugal and Greece might no longer be able to pay the debts, they ceased to finance the respective economies and sought to rapidly rid themselves of assets owned therein. [...] Having no access to liquidity and facing very high financing costs and considerable debts, States and banks started to have difficulties to pay their debts. [...] Increasing hardship meant less investment and consumption (by firms and families) and less credit granting (by banks), thus creating a true recession spiral in the Eurozone periphery. (MAMEDE, 2015, p. 198).

Those risks were widely confirmed from the moment when it became impossible for the economically weaker Eurozone countries to follow the necessary budgetary discipline in order to halt the deficit and they started to feel the effects of the financial markets punitive reactions. Obliged to be subjected to structural adjustment programs by the Troika institutions – consortium of creditors constituted by the European Commission (EC), European Central Bank (ECB) and International Monetary Fund (IMF) – the governments of Greece, Ireland, Portugal and Spain undertook to implement the creditors' preferred recipe – the austerity rule – as the counterpart to granted financing.

This austerity rule has contours that are not well defined and may have quite different interpretations. To simplify, I would say that it refers to a set of economic and social policies options by which governments aim to halt or reduce public expenditure, and I would also highlight the fact that these options allow "altering the State's redistributive policy and the expenditure related to the functioning of the economy and social reproduction" (FERREIRA, 2014, p. 117).

The idea of austerity is associated to a strong ideological component, which under the cover that austerity is an inevitable response to the crisis, made of expenditure restraint, deficit reduction, or adjustment between what is produced and what is spent (NÓVOA, 2014), it hides

> a project of State political reform of neoliberal character, aiming to promote political institutions that are weak, inefficient and unqualified, citizens who are dependent, poor and destituted of citizenship, and rights' exceptions that are unrespectful of the most basic principles of rule of law and democracy. (FERREIRA, 2014, p. 438).

Damages caused by austerity to the economy and society of countries that had to request for financial assistance and restructure their debts manifested in many forms. From the beginning, deep recession occurred *(table 1)* with serious implications for the future, not only due to investment halt and sovereign debt increase *(table 2)* but mainly through social consequences: employment destruction and unemployment increase *(table 3)*; precariousness, especially, of the younger segments of the economically active population; large emigration flow of qualified workers; and worsening of poverty, social exclusion *(table 4)* and income inequalities *(table 5)* (REIS, 2014, p. 119). A Caritas report on the impact of the crisis and austerity on people demonstrates that the anticrisis policies prioritarily based on austerity cause vulnerability on the weaker members of society and therefore it cannot be successful (CARITAS EUROPA, 2013, p. 51).

Table 1. GDP growth rate (in %): Greece, Portugal, Spain, Ireland and Eurozone (2008-2014)

	2008	2009	2010	2011	2012	2013	2014
Greece	-0.4	-4.4	-5.4	-8.9	-6.6	-3.9	0.8
Portugal	0.2	-3.0	1.9	-1.8	-4.0	-1.6	0.9
Spain	1.1	-3.6	0.0	-0.6	-2.1	-1.2	1.4
Ireland	-2.6	-6.4	-0.3	2.8	-0.3	0.2	4.8
Eurozone	0.5	-4.5	2.0	1.6	-0.9	-0.4	0.8

Source: Eurostat (2015).

Table 2. Sovereign debt (in % of GDP): Greece, Portugal, Spain, Ireland and Eurozone (2008-2013)

	2008	2009	2010	2011	2012	2013
Greece	106.3	122.0	137.9	159.9	139.3	156.0
Portugal	64.8	76.9	86.1	93.8	103.7	108.2
Spain	25.2	36.5	46.4	56.6	71.0	79.9
Ireland	22.9	37.2	67.5	80.8	88.0	92.2
Eurozone	58.7	67.5	71.7	74.1	75.7	77.9

Source: Eurostat (2015).

Table 3. Unemployment rate (in %): Greece, Portugal, Spain, Ireland and Eurozone (2008-2014)

		2008	2009	2010	2011	2012	2013	2014
Greece	Total	7.7	9.5	12.6	17.7	24.5	27.5	26.5
	Length ≥1year	3.6	3.9	5.7	8.8	14.4	18.5	19.5
Portugal	Total	7.6	9.5	10.8	12.9	15.7	16.4	14.1
	Length ≥1year	3.8	4.4	5.9	6.8	8.5	9.3	8.4
Spain	Total	11.3	18.0	20.1	21.7	25.0	26.1	24.5
	Length ≥1year	2.0	4.3	7.3	9.0	11.1	13.0	12.9
Ireland	Total	6.4	12.0	13.9	14.7	14.7	13.1	11.3
	Length ≥1year	1.7	3.5	6.8	8.7	9.1	7.9	6.7
Eurozone	Total	7.6	9.6	10.2	10.2	11.4	12.0	11.6
	Length ≥1year	3.0	3.4	4.3	4.6	5.3	6.0	6.1

Source: Eurostat (2014).

Table 4. At-risk-of-poverty or social exclusion* rate (in %): Greece, Portugal, Spain, Ireland and Eurozone (2008-2013)

	2008	2009	2010	2011	2012	2013
Greece	28.1	27.6	27.7	31.0	34.6	35.7
Portugal	26.0	24.9	25.3	24.4	25.3	27.4
Spain	24.5	24.5	26.7	27.7	28.2	27.3
Ireland	23.7	25.7	27.3	29.4	30.0	N.d.**
Eurozone	21.7	21.5	21.8	22.9	32.2	23.1

Source: Eurostat (2014).
*People in one of the following conditions: at-risk-of-poverty after social transfers (income poverty); severely materially deprived or living in households with very low work intensity.
**N.a. Non available.

Table 5. Inequality of income distribution ratio (S80/S20*): Greece, Portugal, Spain, Ireland and Eurozone (2008-2013)

	2008	2009	2010	2011	2012	2013
Greece	5.9	5.8	5.6	6.0	6.6	6.6
Portugal	6.1	6.0	5.6	5.7	5.8	6.0
Spain	5.7	5.9	6.2	6.3	6.5	6.3
Ireland	4.4	4.2	4.7	4.6	4.7	4.5
Eurozone	4.9	4.8	4.8	5.0	4.9	5.0

Source: Eurostat (2014).

* S80/S20 – ratio of total income received by the 20 % of the population with the highest income (the top quintile) to that received by the 20 % of the population with the lowest income (the bottom quintile).

The social impact of austerity falls unequally on families and individuals. According to a study recently published by the European Commission (AVRAM *et al.*, 2013), among the nine EU countries with large budgetary deficits after the financial crisis at the end of the first half of the 2000s and the subsequent economic recession (Estonia, Greece, Spain, Italy, Latvia, Lithuania, Portugal, Romania and United Kingdom), Portugal, Lithuania and Estonia are the only countries where austerity measures imposed heavier financial burden on the poor than on the rich. In the period from 2009 to June 2012, Portugal underwent a regressive distribution, resulting mainly from the freezing of means-tested benefits[3], in a country that was already one of the most unequal in the EU.

The comparative analysis of austerity policies effects in four countries severely affected by the crisis (Ireland, Greece, Portugal and Spain) shows that, although the range of available political instruments is limited and not very diversified, the way in which they are combined and implemented is crucial to explain the different effects in each country.

Chart 1 summarizes the measures adopted by these four countries. Without going into details, the differences in the way the austerity rules were implemented are evident, as well as the similarities between the political instruments used.

Chart 1. 2008-2010: Under the austerity rule: the main reforms in policies in Ireland, Greece, Portugal and Spain

Ireland	Greece	Portugal	Spain
Reduction of income tax bands and reduction of fiscal benefits; Introduction of additional tax on income; Cuts in all means-tested and universal cash benefits; Freezing of contributory benefits.	Increase in individual income tax rates, partially compensated by decreasing tax rates for lower bands; Changes in the fiscal benefits and bonuses; Widening of the contributory basis.	Increase in individual income tax rates; Introduction of an additional tax rate for top earners; Reduction of fiscal benefits.	Introduction of an additional income tax rate for top earners.

[3] The estimates of the austerity weight on the distribution mode largely depends on the analytical choices and assumptions: for example, whether or not to include cuts on aid in kind, such as wheel chairs, articulated beds, food; or the effects of increases on Value-Added Tax (VAT) on families. This explains the discrepancies in these estimates (NAVARRO; ERANSUS, 2012). Spain is considered the most regressive among the five countries – Germany, Denmark, Spain, France and United Kingdom.

Chart 1. (cont.)

Ireland	Greece	Portugal	Spain
Increase of social insurance contributions of employees and self-employed.	Cuts in public pensions; Introduction of a one-off additional tax on incomes and a special tax on pensions.	Freezing of nearly all social insurance benefits and pensions.	Freezing of public pensions.
	Increase on VAT taxes.	Increase on VAT taxes.	Increase on VAT taxes.
Cuts in public sector wages.	Cuts in public sector wages.	Cuts in public sector wages.	Cuts in public sector wages.

Source: Adapted from Callan *et al.* (2011).

THE ECONOMIC ADJUSTMENT PROGRAMS FOR THE HEALTH SECTOR

At this point it is important to analyze with more details the impacts of the structural readjustment policies agreed with the Troika's creditor institutions on the health sector.

I will start by mentioning the factors that started the financial crisis and the problems that led three Southern Europe countries (Greece, Portugal and Spain[4]) to be submitted to a readjustment regime.

In the case of Greece, the expansion of the internal demand between 2000 and 2009, when the Gross Domestic Product (GDP) was higher than that of the Eurozone, determined a fast growth of bank credit demand (especially for expenses with durable consumer goods, including housing) favored by low interest rates. As a consequence, foreign commerce registered increasing negative balance and competitiveness levels deteriorated, at the same time that public administration expenditure expanded; this resulted in the aggravation of the annual deficit of public accounts, which reached the peak of 14% of GDP in 2008, and on a sovereign debt of 115% of GDP in 2009 (EUROPEAN COMMISSION, 2010).

This was the earliest case of external intervention, occurred in May 2010; it is also the case with the longest ongoing intervention, with a second rescue program as from June

[4] At this point, the case of Ireland is no longer a subject of this analysis because the adjustment program negotiated with the Troika did not include measures in the health sector. The main problems were centered on the banking system, with accumulated losses resulting from an uncontrolled credit expansion policy, aggravated by the global financial crisis and worldwide generalized recession.

2012 with a partial debt relief, and a third program as from August 2015 (EUROPEAN COMMISSION, 2012b, 2015).

In Portugal there were similar causes: accumulation during recent years of high external debts, by the State as well as by families or firms. The growing demand for external financing for public debt and banking investment started a strong interest rate increase in the financial markets along with a rating degradation of the Portuguese sovereign debt and bank solvency.

The adjustment program started in May 2011 and lasted until mid-2015 (EUROPEAN COMMISSION, 2014). There are two aspects to be highlighted in the Portuguese case for the assessment of the reforms' results: first, since 2009, before the subscription of the program, the government had started a set of measures to combat the crisis – Stability and Growth Programs I, II and III – basically consisting of public expenditure reduction; second, the right-wing coalition government, which had the responsibility to implement the adjustment program agreed with the Troika, used the opportunity to impose its own agenda, clearly of neoliberal character, moving further than the settled goals by means of reinforced austerity measures *(chart 2)*.

Chart 2. The adjustment programs in Greece, Portugal and Spain

Greece	Portugal	Spain
2010 (May 2nd): First economic adjustment program in the amount of €80 billion euros to be released during be period from May 2010 to June 2013. **2012:** Second economic adjustment program in the additional amount of €130 billion euros for the years 2012-14; later postponed until the end of June 2015. **2015 (August 19th):** Third economic adjustment program in the amount of €86 billion euros in financial assistance from 2015 through 2018.	**2011 (May 17th):** The economic adjustment program in the amount of €78 billion euros, during the period of 2011 to mid-2014, to reestablish access to financial markets, enabling the recovery of the economy to sustainable growth and to safeguard financial stability in Portugal, in the Eurozone and in the EU.	**2012 (July 23rd):** The economic adjustment program in the amount of €100 billion euros for recapitalization and re-structuring of the Spanish financial sector.

In the case of Spain, the intervention was not made by means of the sovereign debt rescue, but rather through a financial assistance program for the recapitalization and restructuring of the banking system. Banks decapitalization occurred in the sequence of the burst of a construction industry bubble in 2008, which dragged into the crisis the banking sector that was deeply involved in financing that sector. Reforms undertaken by the Spanish government were insufficient to reduce the pressure of financial markets and the stress level of banks; this obliged the government to request financial assistance in 2012 (EUROPEAN COMMISSION, 2012a).

The Memorandums of Understanding (MoUs) subscribed by the governments of countries of rescue comprise a set of measures specifically directed to the health sector, along with other transversal measures aiming to reduce public expenditure that equally affected this sector. My analysis will focus on these measures.

The main verification that can be made when comparing the general objectives of the MoUs is that Troika's recipes did not differ much and concentrated on a limited amount of objectives, in a certain way hindering the adaptation to the specificities of each country in economic, social and political terms and making it necessary for governments and the Troika to maintain permanent negotiation.

On this issue I will add two ideas: a) Troika's attitude was or has been quite rigid in the sense that it does not easily accept the alternatives offered by governments for the attainment of the same objectives; b) each of the three countries received different treatment regarding the margin of flexibility attributed to them. For example, in the case of Spain, there was no such detailed program concerning the measures to be implemented in order to reach the objectives, in the same way as in Ireland, in its 2010 program (EUROPEAN COMMISSION, 2011).

Therefore, the main axes of the health sector reform that are common to the three countries are the control of public expenditure and the improvement of efficiency and effectiveness of services, including the promotion of a more rational use of resources and services, such as, for example, the reduction of service's fragmentation or dispersion of tutelage *(chart 3)*.

Chart 3. General objectives of the adjustment policies in health in Greece, Portugal and Spain

Greece	Portugal	Spain
General objectives: Control public expenditure and increase efficiency, cost-effectiveness and equity of the system; Stimulate savings by means of a more rational use of resources; Concentrate all institutions and policies related to health under the responsibility of the Ministry of Health.	**General objectives:** Improve efficiency and cost-effectiveness; Stimulate a more rational use of health services; Control public expenditure in health.	**General objectives:** Implement reforms in the public sector to improve the efficiency and the quality of public expenditure in all of governmental levels; Integrate the funds in order to simplify a highly segmented system; Concentrate measures related to health under one ministerial coordination.

Associated to the implementation of these axes, there are more specific objectives in privileged areas of reform that stand out: hospital services, medicaments policies, modernization of the technological information systems with electronic control of expenditure, and reduction of fiscal benefits, such as tax credits, exemption of moderating fees, etc. *(chart 4)*.

Chart 4. Specific objectives of the adjustment policies in health in Greece and Portugal

Greece	Portugal
Reform of hospital services: Improve hospital management, increasing centralized purchase of hospital materials; Intensify the rationalization of the hospital network and reduce operational costs; Adopt an international methodology to estimate hospitals costs.	**Reform of hospital services:** Implement centralized provision of medical products; Reduce operational costs, including the reduction of direction posts, by means of concentration and rationalization in public hospitals and health centers; Implement a system of benchmarking of hospital performance; Improve the interoperability of information technology systems in hospitals; Reorganize the hospital network by specialties and concentration of hospital and urgency services, and joint management of hospitals;

Chart 4. (cont.)

Greece	Portugal
	Transfer some hospital services in ambulatory to Family Health Units; Reduce expenses with overtime; Reduce costs with patient transport; Reinforce primary health care in order to reduce unnecessary specialty and urgency consultations.
Reform of medicaments policy: Stronger regulation of pharmaceutical products prices; Oblige drugstores to substitute trademark medicaments for generics; Introduce claw-back mechanism in contracts with pharmaceutical industry firms.	**Reform of medicaments policy:** Reduce public expenditure with medicaments; Revise the current price reference system based on international prices; Reduce drugstores profit margin; Establish the maximum price of the first generic medicament introduced in the market in 60% of the price of similar trademark medicament.
Modernization of technological information systems and electronic control of expenditure: Develop an electronic reference system for health care to control the results; Introduce mandatory electronic prescription and by active ingredient; Reduce prices of non-patented medicaments in 50% and generics in 32.5%.	**Modernization of technological information systems and electronic control of expenditure:** Introduce mandatory electronic prescription of medicaments and diagnosis means; Put into practice the systematic evaluation of every physician's prescription; Conclude a system of electronic medical register of patients.
Other specific objectives: Establish agreements with health providers from the private sector based on efficiency criteria.	**Other specific objectives:** Revise and raise SNS moderating fees and make automatic indexation of fees to inflation; Reduce in 2/3 fiscal deductions relative to health expenses; Progressively reduce expenses with sub-systems ADSE (civil servants), ADM (military) e SAD (police), so that they become self-financed; Increase competition between private providers and reduce at least 10% of global expenditure.

The most evident aspect is the high homology of measures included in the programs to readjust public economy with health. More than identifying the measures, it is important to analyze the results and the impacts produced on the various actors – citizens, patients, professionals, services and private organizations, etc.

We now look into the main impacts of those measures. I will use only the case of Portugal and focus on some specific aspects of the Portuguese health system.

THE IMPACTS OF PROGRAMS ON SPECIFIC ASPECTS OF THE HEALTH SYSTEM

The impacts of the crisis on the health area and, specifically, the impact of anticrisis programs and measures, have not been under rigorous analysis by governments, despite the importance this has when attempting to assess the results and reformulate the answers in order to make them efficacious or reduce the negatives effects that had often not been expected.

It is important to stress that in this context of crisis the availability of the necessary information to evaluate policies' results has been hindered by mechanisms that reinforce secrecy and reduce the transparency of health institutions (OPSS, 2014).

The strongest hypothesis that emerges from the analysis of the adopted anticrisis measures is that, although most of these measures may be 'useful and necessary', their implementation on a short-term basis and drawing on pretense universal models may produce negative and somehow unforeseen consequences (OPSS, 2013, p. 26).

Drawing on the Portuguese case, I will raise some questions that seem relevant for the debate about the future and health systems reforms, as is the case of this book:

— Has it been a real reform of the health system or only separate measures to reduce health costs?

— What were the effects of the implementation of these separate measures on the economy of health?

— How much margin of flexibility did governments have in the face of the readjustment programs negotiated with the Troika?

— Is it possible to make consistent health reforms in a context of centralized governance?

— What can citizens and civil society organizations do in order to reduce the negative impacts of the austerity policies?

THE BLIND CUTS ON EXPENDITURE AND THE RISK OF SERVICES DOWNGRADING

The first question refers to the immediatism and urgency of the intervention imposed by the rescue programs, very much centered on the control of public expenditure and the efficiency increase of the public health system (UNIÃO EUROPEIA, 2011).

The way in which public expenditure is controlled in a context of urgency is decisive. In a short period of time, a large number of measures must be implemented and these measures are subjected to being monitored by the Troika every three months, which requires from the government a strong, competent and centralized organization (SAKELLARIDES *et al.*, 2014).

In the Portuguese case, the control of public expenditure basically underwent cuts. The objective formulated by the government in an accessible language that all people could accept was 'to cut off on the State's fat'. However, distinguishing between 'fat' and 'clean flesh' turned out to be a difficult and not practical task when immediate results are expected. An illustration of this difficulty was the identification of 'fat' or excesses with current expenses.

Current expenses include activities that are instrumental to the services' mission and therefore necessary for their achievement – such as expenses with transportation and 'other specialized services' (cuts of 25%), purchase of services (cuts of 40%), 'payment of overtime, subsidies for night shifts, communications, legal services and technical assistance' (cuts of 20%) and, very significant due to its high expression, expenses with outsourcing, i.e., staff with no employment relationship with the State, which from the viewpoint of public accounting was financed from the same budget as paper used for copies. The drastic reduction of outsourced staff led to a 'massive dismissal' of workers or, in some services, the paralyzation of work (HESPANHA; FERREIRA; PACHECO, 2014, p. 210).

In the absence of a reform program structured on a hierarchyzation of necessities, prevailed the blind application of cuts on expenses, with no attention to the impact that these cuts would produce in very sensitive areas of intervention[5]. Also the measures for

[5] The impacts on citizens' health were also not taken into account in the various programs that implied reduction on income, jobs, citizens' rights and, as several studies have confirmed, they make evident an exemplary severety (GOULÃO, 2012; CAMPOS, 2013; CARVALHO, 2013; JORNAL PÚBLICO, 2013). It is important to stress that since the Treaty of Maastricht (1992, art. 129) until the Treaty of Lisbon (2007, art. 168) the EU consecrates the principle that all public policies should be analysed regarding their effects on health previously to implementation. 'Health in All Policies' is an approach established by the World Health Organization to public policies across sectors that "systematically takes into account the health implications of decisions, seeks synergies, and avoids harmful health impacts in order to improve population health and health equity" (WHO, 2013, n.p.).

efficiency improvement were implemented without taking into account the capacities of health services administration to achieve them, with the result that many of them did not reach the expected objectives (SAKELLARIDES *et al.,* 2014).

The great criticism to be made about the implementation of the MoU is that it did not actually implement any of the large reforms that were necessary and expected. During the four years of intervention, the government presented only a script with general guidance for the State reform, though this document has never been discussed (PORTUGAL, 2013b). It is understood that the design and object of the reforms were not the Troika's responsibility, but rather the responsibility of the Portuguese State.

The announced reforms of hospital care and primary health care may serve as example of what should have been done and was not done. Representing 60% of the expenses of the National Health Service (Serviço Nacional de Saúde – SNS), public hospitals were considered the reforms' priority target. There should have been a reorganization of the hospital network, which was accused of suffering from significant inefficiencies and benefiting of a savings plan to reduce the excused duplications of delivery or concentrate delivery in certain areas, as urgencies, maternities, oncology and transplant services.

The report of the Troika recognizes that, although a lot has been done, the reform of the hospital network was far from being achieved and identifies a number of causes for this: resistance in the reclassification of hospitals and reallocation or sharing of equipments, low staff mobility and centralization of decisions that should have been made at regional level. Regarding the latter, it is obvious that the strong resistance of services and the unpopularity of the reform is, above all, an effect of the absence of participation of the institutions and their officials and professionals in the reform implementation process.

Also not contributing to a favorable atmosphere is the fact that professionals had an overload of work due to the dismissal of staff with no replacement or being replaced by 'insufficient quantity of young unexperient physicians who, regardless of their specialty, must work 18 hours shifts at the emergency service, instead of the previous 12 hours', as denounced by the Bastonário da Ordem dos Médicos (Physicians organization) (SILVA, 2015).

Besides, the reinforcement of primary health care stipulated in the MoU was not implemented, despite the recognition of its potential in cost-efficiency and reduction of hospital and emergency care. An important component of this type of care is comprised by general and family medicine, which is under the risk of losing impact if new professionals are not recruited to substitute those who have retired, especially because 14% of the citizens have no family doctor.

Despite some positive changes – such as

> the approval of the profile of the family nurse professional, the creation of vacancies for general and family medicine internship, and the creation of some Family Health Units (Unidades de Saúde Familiar – USF) –, there are hindrances in the daily work of professionals of Primary Health Care, which greatly hamper their tasks – from a deficient information system to the lack of human resources or the fragility of some operational unities. (OPSS, 2014, p. 109).

The Ordem dos Médicos also reports some difficulties in staff recruitment. First, the freezing of public examinations for entry of family doctors led to the emigration of many unemployed physicians and to hiring physicians in retirement situation as an alternative and cheaper option. Second, the incentives to keep doctors in the interior of the country turned out to be unacceptable due to the small amount of the incentive (additional remuneration of €125 per month) and to the imposed mobility restrictions (five years mandatory period). Together with other causes, this explains the maintenance of one million Portuguese inhabitants (one and a half in every ten) without a family doctor, despite the availability of resources in the market and the increase in the number of patients per family doctor, making it impossible to manage the lists of patients (SILVA, 2015).

STAFF REDUCTION PRIORITY IN HEALTH SERVICES

Staff reduction in public services became a government obsession, despite the knowledge that "the blind reduction of the number of employees may have serious social consequences in the present crisis context" (MARTINS, 2010, p. 22).

Table 6 illustrates the expenditure reduction with staff in the Central Administration of the Ministry of Health, especially between 2010 and 2012 (circa 27%). This reduction was achieved, in large measure, at the expense of worsening working conditions.

Table 6. Ministry of Health 2010-2014: expenditures executed and budgeted by heading (in million euros)

	CGE* 2010	CGE 2011	CGE 2012	Var CGE 2010/12 (%)	OGE** 2013	OGE 2014
Current expenses	9,389.1	8,731.1	9,740.6	3.7	8,275.0	8,142.7
Personnel expenses	1,253.7	1,121.1	913.6	-27.1	1,032.9	964.1
Pers, exp, / Total exp, (%)	**13.2**	**12.7**	**9.3**		**12.4**	**11.8**
Purchase of goods and services	8,036.6	7,533.1	8,767.0	9.1	7,177.5	7,126.6
Current transfers	81.5	70.9	45.7	-43.9	51.6	42.4
Other current expenses	15.2	6.0	14.4	-5.3	11.9	9.3
Capital expenditure	134.2	125.7	97.5	-27.3	69.3	61.2
Purchase of capital goods	94.0	99.9	78.3	-16.7	57.0	52.5
Capital transfers	40.2	25.8	19.3	-52.0	12.3	8.7
Total expenditure	**9,523.3**	**8,856.8**	**9,838.1**	**3.3**	**8,344.3**	**8,203.9**

*State General Accounting (Conta Geral do Estado), 2010, 2011 and 2012.

**State General Budget (Orçamento Geral do Estado), 2013 and 2014.

The reduction of health professional wages, loss of holidays and Christmas subsidies (two months bonuses) in 2012, non-payment of overtime, freezing of career promotions, and no offer of public examinations for the recruitment of physicians and nurses led to the emigration of many unemployed professionals[6], the anticipated retirement of professionals with longer careers and a considerable number of professionals moving to the private sector. In the case of physicians, there was severe criticism to the decision of not hiring young professionals, whose education lasted many years and to a large extent was financed by public resources, thus representing a serious waste of resources.

This situation led to a strike of physicians in July 2012, when the Ministry of Health and the unions negotiated an agreement that included revision of wages, working hours table, hiring new professionals, opportunities for career progression, extending us-

[6] "It is estimated that, since 2009, 14,780 nurses have applied for emigration documents" (RITA; SARAMAGO, 2016, n.p.) According to the Bastionário da Ordem dos Médicos, "hundrends of physicians are emigrating every year and if we don't do what is necessary to retain them it will be a great loss, in terms of investment and scientific knowledge. We are exporting brains" (OBSERVATÓRIO DA EMIGRAÇÃO, 2015, n.p.).

ers' lists of family doctors (from 1500 to 1900) and increased mobility of doctors within SNS (SAKELLARIDES *et al.*, 2014).

In spite of this, the effects of the staff reduction policy on the quality of services associated with other austerity policies are a matter of great concern.

There are many examples of services that are going through processes of degradation as a consequence of the austerity cuts and discipline (PAOLETTI; CARVALHO, 2012; EUROFOUND, 2012; OXFAM, 2013; HAUBAN *et al.,* 2013). In some cases, the aim of costs reductions is concealed under the argument of greater rationalization of services or compliance with international standards, as in the cases of closing urgencies and maternities, prescription of medicaments in public hospitals, and 'implicit rationalization' of public health services[7].

Services quality degradation resulting from the reduction or freezing of resources, staff and others, is one of the great threats to the public health system. It undermines citizens' confidence and increases their dissatisfaction. A recent report from the Organization for Economic Co-operation and Development (OECD) reveals critical aspects in the operation of hospital services: "high mortality rates within 30 days from admission for cardiovascular accident (CVA) cases are 10.5 per 100 admissions against the average 8.5 per 100 in OECD member countries". Portugal also presents the worst performance regarding waiting time for surgeries and the rate of infections associated with care in hospitalization (approximately 11% of hospitalized patients in 2012), well above the average of 6% in the EU (OECD, 2015, p. 29).

In the same direction, another report on Portugal concludes that "in comparative terms, the universal healthcare system produces good results, although the expenses cuts have undermined inclusiveness and quality" (SGI, 2015, n.p.). Yet, a study carried out by an independent Swedish organization places the Portuguese National Health System four positions below the one occupied in 2009, mainly due to excessively long waiting time, reduction on co-participation of medicaments, difficulty in the access to innovative pharmaceutical products, and a huge 'stagnation' of the system (BJÖRNBERG, 2016).

It is worthy to recall the remark made by Ramesh Mishra, a long time ago, regarding the process of costs reduction in some public services in England during the administration of M. Thatcher: a strategy of attrition leading to services quality loss may be more effective than the direct attack to the welfare state through privatization campaigns (MISHRA, 1995). Or, as stated by Santos in 2002,

[7] A broad description of the signs of health services downgrading and progressive inaccessibility to patients is available in the 2012 'Report of Spring' ('Relatório da primavera') (OPSS, 2012).

> many of these services that are currently 'public services' have almost endless commercial potentialities. In order to make this happen without much social disturbance it is necessary that the idea of public service is gradually demoralized. The most efficient strategy consists in starting from false generalizations, taking blind measures, and justifying them with populist arguments (against the 'misspending of taxpayers' money'). (SANTOS, 2002).

GOVERNMENTS' LIMITED MARGIN OF FLEXIBILITY

One of the effects of the anticrisis governance in Portugal was the retrocedence of the public health system decentralization process. This centralist return, not being an expressed option, was manifested by means of a set of mechanisms that limited the participation of organizations and public health services in policies decision-making and concentrated them at the top of the Ministry of Health and the Ministry of Finances (OPSS, 2014, p. 23).

One of these mechanisms is the "law of commitments", in force since the beginning of 2012 to "reduce the deficit of Public Administration" and restrain "expenditure growth". It institutes that

> officials, managers and those responsible for the accountancy may not assume commitments that exceed the available funds in the short term [...] The assumption of multiannual commitments, including new investment projects or their reprogramming, hiring contracts, among others, became subjected to previous authorization of the tutelage. (PORTUGAL, 2012, n.p.).

The Observatory of Health Systems (Observatório dos Sistemas de Saúde), considers that this law had very negative effects, in particular, on the motivation and responsibilization of health organizations officials, already disturbed by the excessive and unnecessary bureaucratization of the process of personnel hiring and purchase of goods and services.

> The short term, bureaucratic barriers and the environment of uncertainty regarding the availability of resources hinder strategic planning, pluriannual contractualization, and, ultimately, organizations' sustainability […]. Transforming regional and local structures in mere driving belts for decisions made centrally removes the efficacy, critical mass, experience, and innovation capacity to find solutions, for only the proximity with and knowledge of the problems enables their resolution. (OPSS, 2014, p. 32).

Other mechanisms equally efficient in terms of retrocedence in decentralization were the limitations to the celebration or renewal of job contracts or services delivery of health professionals by state-owned enterprises; the creation of the Commission of Recruitment and Selection for Public Administration (Comissão de Recrutamento e Selecção para a Administração Pública – Cresap) to make decisions on the process of selection and designation of officials; the process of fusion of the Health Centers Grouping (Agrupamentos de Centros de Saúde – ACeS); the centralization of information dissemination in the Directorate-General for Health (Direção Geral de Saúde – DGS); and the whole set of limitations and constraints concerning decision-making within organizations, both in the administrative public sector and the state-owned enterprises (OPSS, 2014).

In an inverse movement to that of centralizing decision-making, the government entrusts more and more the private sector, for-profit or non-profit, with the responsibility of managing health units under the argument of public expenses reduction, with no clear evidence of its truth. For the Bastonário da Ordem dos Médicos, there was a high increase of the contractualization of service delivery with the private sector and the non-profit sector. At the same time, the Ministry of Health promoted the move of physicians and other health professionals to the private sector. According to the Bastonário, the government has been promoting the destruction of the small private medicine of proximity in order to favor the large health oligopolies, by imposing on them small rules that even the State does not comply with (SILVA, 2015).

A particularly serious situation results from the fact that apparently positive measures meant to reduce expenditure and improve the well-being of users of the national health system are producing unexpected effects that have worsened the previous situation. It is the case of the policy of medicaments price reduction recommended by the Troika and thoroughly followed by the Portuguese government.

This policy has several addressees: starting with the pharmaceutical industry and the drugstore sector.

With the pharmaceutical industry the government established several agreements to lower the prices of medicaments and, in this way, reduce public expenditure, besides negotiating a new tax on the sales of pharmaceutical products in the modality of withholding tax. Price reduction was well-succeeded but generated an unexpected phenomenon: the rise in medicament exports by wholesalers because these products became internationally competitive. According to the Executive Director of Health Cluster Portugal "these results have been produced by the ability of firms that, due to the prices being internally pressed down, had to search for new markets" (ALVES, 2012, n.p.).

Regarding drugstores, it was verified that the reduction of the market margin of medicaments also reduced their capacity to maintain stocks of the usual medicaments, resulting in supply shortage and, therefore, a decrease in patients' access to medicaments (OPSS, 2015; VOGLER *et al.*, 2011). According to OPSS,

> 1,756 drugstores had suspended the supply in 2014, in at least one wholesaler (i.e., over 60% of the totality of drugstores in Portugal and with a growing tendency). In the same period, the global amount of the drugstores' litigious debt with wholesalers reached 303 million euros, to which is added the amount of 27 million euros for delayed payment, in pre-litigious phase. (OPSS, 2015, p. 74).

A study carried out in 2012 concluded that

> approximately 88% of the drugstores reduced the minimum stock of most medicaments, 86.5% reduced the average amount of purchased packages, and 92% reported 'almost daily' difficulties to obtain medicaments from wholesalers. (OPSS, 2013, p. 63).

The direct effect of the reduction of margins[8] in combination with the indirect effect of successive reductions of prices of medicaments[9], the main remuneration source of drugstores (MARTINS; QUEIRÓS, 2015), resulted in a negative impact, especially to drugstores and wholesalers particularly affected by the double reduction in their remuneration. Between 2011 and 2014, the market margin of medicaments was reduced in approximately 322.8 million euros, far above the 50 million euros established by Troika's MoU. In this period, many drugstores were closed (PORTUGAL, 2015) and the sector registered an increase of 177% in the number of drugstores with insolvency processes and 79.4% in the number of drugstores with pledges.

CITIZENS' RESISTANCE STRATEGIES TO CRISIS AND AUSTERITY

The manner in which insufficiency, downgrading or residualization of services affects citizens differs, as does the way they deal with the situation. A systematic and comprehensive research on citizens' behavior is needed, which is hindered by the policy of public services opacity, on the one hand, and by the very unequal and irregular quality of data collection, on the other hand.

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[8] Decreto-Lei nr 112/2011, from 29/11, altered by Decreto-Lei nr 19/2014, from 05/02.

[9] The reduction of expenses *per capita* with medicaments was of 5.9% in 2010 and 2011 (OECD, 2015).

It is important to stress that the effects of the reforms introduced in various domains of the health system should have been previously evaluated not only regarding their benefits for public management but also the disadvantages that they could bring to users, as has already been mentioned.

For those citizens who saw the reduction of income and social support to which they had access, and also the aggravation of their living expenses, a common attitude is the reduction of health care demand such as consultations, exams, medicaments, etc. Official data confirm the decrease of the number of consultations since 2011 and particularly the high absenteeism to mental health consultations because patients cannot afford to pay for transport costs, which were until then paid by SNS (PORTUGAL, 2013a). Regarding the purchase of prescribed medicaments, there is evidence that many patients do not buy on a regularly basis medicaments associated to certain diseases: chronicle diseases, high blood pressure and hypercholesterolemia, depression, etc. (SAKELLARIDES, 2014).

The reduction of exemptions on moderating fees, the duplication of the amount of these fees[10], and the extension of the moderating fees to other services[11], along with the increase of the delay on the access to care due to the shortage of professional staff, have further aggravated the situation, namely for those patients who cannot afford to use the private sector. However, there is evidence that those who can afford it do shift to the private sector, subscribe to private health insurance (already covering 20% of the population in 2011), or press the public system to respond as expected. Some cases of this pressure were much publicized, as the reaction against the 'rationing' of expensive medicaments. Quite recently (February 2015) a hepatitis C patient protested at Parliament, face to face with the Minister of Health, against the decision to forbid the access to an innovative treatment with a high rate of cure based on the high cost of the treatment. As a result, the government was forced to liberate the access to the medicament and this enabled saving many patients' lives.

But there are other alternatives. Citizens are not always isolated in the resolution of problems aggravated by austerity policies. This crisis also raises the emergence of answers

[10] This revision of the moderating fees regime raised several questions: a) inequity of the duplication of fees amount when a severe economic and social crisis was underway; b) assistentialist logic and stigmatization risk behind the limitation of access to moderating fees exemption only to those who prove not to have the means; c) very high costs to implement a control system for requests of fees exemption; d) reduced impact on health budget from the raise of moderating fees; and e) the fact that the moderating fees fall on the delivery of health services not chosen by users, but rather those prescribed by the doctors (SAKELLARIDES, 2014).

[11] Services of nursing, vaccination not included in the national vaccination plan, radiologic exams, and therapeutics in the sphere of urgency services.

within civil society, as for example mutual aid for the care of dependent persons, informal assistance to children, sharing of private transportation or housing, medicaments bank, etc. The origin of such responses is very diverse: spontaneous emergence in proximity contexts; insertion in a social and solidarity economy logic; philanthropic or social volunteering inspiration (LAVILLE, 2005, 2011; LAVILLE; JANÉ, 2009; HESPANHA; SANTOS, 2012).

Therefore, it is important to identify where they originate from and learn the different aspects that allow us to evaluate their efficacy: the way in which the answers arise; their more or less formal and organized condition; the individualistic, particularist or solidarity philosophy that inspire them; the type of solidarity that feeds them – to make it simple: paternalistic or democratic, vertical or horizontal –; its action sphere more or less enlarged and integrated; the consistency and durability of these answers; their innovative and transforming character; and the institutional recognition of the answers.

IN DEFENSE OF PUBLIC HEALTH SERVICES

The priority given to deficit reduction must be balanced with the need to preserve minimum well-being and social cohesion standards. Social services occupy a very special position because they are, simultaneously, a source of expenditure and an instrument of prevention of and combat against poverty. As far as it is known, there are no clear plans for social services in the future. Neoliberal ideas are elaborated to justify the reduction of social policies, simultaneously with the defense by right-wing parties of a deep reform of the welfare state and even the revision of the Portuguese Political Constitution in order to incorporate those ideas.

A rigorous policy of public expenditure restraint may produce a strong impact on social services whenever the people affected by the cuts (for example, in the health and education areas) are put in a condition of poverty. New and more severe restraint rules to reduce the deficit of public expenditure continue to be announced. Uncertainty makes it difficult to foresee the future of social policies and social services.

The combined analysis of the evolution and impact of the austerity on social policies with the way in which the Portuguese society is suffering the impact of the crisis reveals a huge lack of legitimacy of the measures under implementation, regarding the values and legitimate expectations of social welfare in a modern European society based on the principles of political and social citizenship. At the same time, these measures are contributing to the loss of social capital, generating the risk of destroying the society's fundaments.

Whatever the circumstances are, it is important to sustain that the reform of public social services cannot abandon the essential objectives to minimize inequalities, protect the more vulnerable persons, and improve the well-being of all citizens. There are still many obstacles – possibly even more that in the past – for the improvement of public services, and one of them, very important, is the bureaucratic, authoritarian and clientelist nature of public administration, which the democratic political system intended to transform, but was not capable or did not want to. Lately one observes the reinforcement of these tendencies and the increasing opacity of the criteria of public administration management, thus hampering the access to information on the austerity impacts.

Public social services are essential in a context of crisis and the consequences of their degradation or suppression will be dramatic for the majority of the Portuguese citizens. Therefore, the defense of social welfare and the role of the State in social protection is made, largely, from the requests on public services and the capacity to adjust to the new realities, by means of improvements to make them useful to citizens, their broadening to non-covered domains, making good use of the responses that society has invented – such as proximity services, health in the community –, and closer bonds of services with territories, giving more attention to the needs of the community at each moment.

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Chapter 4

The new social risks are not only European: they have also reached Brazil and demand social policies responses

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INTRODUCTION

We argue here that there are similarities between welfare state problems existing in European countries and in Brazil, despite the huge economic and social differences and the diverse configuration of the European and Brazilian social protection systems that result from the different positions held in the interstate system of capitalism (FIORI, 2014). Such problems are independent from though aggravated by the contemporary crisis that started with the collapse of the mortgage market in the United States of America (US) in 2007/2008. Recent changes in the organization and dynamics of European societies allowed the development of an awareness about the existence of new social risks that did not exist in the beginning of welfare state's history, and solutions in the sphere of the option for universal social democratic policies, adding a new paradigm of social investment. These changes did not occur only in those countries, as we will argue further on; they have been occurring in our society as well.

The Brazilian option in 1988 for the social democratic model of public and universal social policies, in the sense referred to by Gøsta Esping-Andersen (1990), allowed great social advances and the reduction of inequality in the past decades, despite the fact that, since the 1990s, the economic model has relegated the country to a subordinated hierarchic level in the capitalist interstate system, which limits both the economic and the social development of our country. This option created a relative distance between Brazil and the other Latin-American countries, where the bismarckian corporative model prevails; this also contributes to explain our comparison with Europe, where the social democratic model has been gaining strength in the past decades.

However, since the administration of President Fernando Henrique Cardoso, Brazilian focused on public policies, which had a liberal character, were added to those of

universal character; this contributed to the reduction of inequality, but did not take into consideration the development of new risks in our society nor did they present solutions for the new risks, whereby their reach was limited. At the same time, the existence of new social risks has not been followed in Brazil by a greater awareness about these risks nor about the need to find responses in terms of social policies.

In this text, we seek to draw the attention not only to the need to recognize the problem, but also to the urgency of debating and designing policies to face it, not in the sphere of focal policies of a liberal nature, but in that of a social democratic character based on the recognition of rights and directed to the construction of equality. Therefore, our option goes in the direction of deepening the option made in 1988 and it is opposed to the ultraliberal one of the current Brazilian administration that assumed power after the impeachment of President Dilma Roussef in August 30th, 2016.

These new social risks are due to various factors. First, the intensification of international competition caused by a decreasing tendency of profit rates, which presses on the capacity of fiscal revenue and redistribution of the welfare state systems, besides promoting the shift of industries to other countries, thus causing the structural unemployment phenomenon. The second is related to the extended life expectancy resulting from the decrease in birth rates and the improvement of life conditions, thus raising the costs of the social protection systems, especially those concerning health and social security, and requiring increased capacity of public financing of these policies.

The third factor is the transformation of family relationships and of gender, intensifying the vulnerability of women who lead monoparental families and of their children, hindering their way out of the poverty condition. This factor is aggravated by the absence of suitable conditions "for compatibility between family care and work, particularly for women" (HEMERIJCK, 2013, p. 60). The existence of monoparental families led by women constitutes the hard core of poverty worldwide and demands social policies that invest in creating conditions for these women and their children to overcome the poverty situation. This is a complex phenomenon requiring various co-ordinated solutions capable of comprising from the insertion of these women in the labor market to universal and full-time public crèches that promote the development of children's cognitive capacity for suitable learning in a later stage in life.

The new paradigm of social investment initially developed in Denmark in the 1980s, which inspired the social agreement of the EU at Lisbon Summit held in 2000, sought to tackle these new social risks within the framework of the social democratic policies based on social rights, with a clear rejection to the liberal model for the social area (ESPING-ANDERSEN, 2002; HEMERIJCK, 2013). This arose not only from the recognition

of the existence of social risks that were distinct from those in the previous phases of the welfare state history, but also from the existing relation between the increasing ageing of societies and the need to face the hard core of poverty related to monoparental poor families led by women. The Danish experience had shown that the continuation of existing poor sectors within the society hindered the collection of taxes that would be used to finance social policies for the elderly, and that poverty reproduction was mainly related to that group of families, given the children's difficulty to reach a good school achievement due to not having at home the support to fully develop their cognitive capacities. This verification led to the adoption of policies of universal crèches and maternity support, and the creation of conditions for the women's insertion in the labor market. In the chapter 'The Quiet Paradigm Revolution of Social Investment in the European Union' Anton Hemerijck shows that the paradigm of social investment that he and other authors defend is different from the Third Way version of the adoption of minimum income policies. These are the so-called social protection floors advocated since 1990 by agencies such as the World Bank (WORLD BANK, 1990) and more recently by the International Labor Organization (ILO) (OIT, 2011) and that could substitute the broader policies of social protection. According to Hemerijck, contrary to Brian Nolan's argument (2013 *apud* HEMERIJCK, 2017, p. 32), "social investment is not a substitute for [social] protection, and that adequate minimum income is a critical pre-condition for an effective social investment strategy".

The current crisis caused an economic recession that, though initially centered in the developed capitalist countries, has worldwide repercussions nowadays. It was fundamentally caused by the financialization process stimulated by the neoliberal policy that essentially sought to raise profit rates and strengthen the North-American hegemony in the interstate power system. The excessive liberalization of capital movement and the de-regulation of the economy and labor relations exacerbated financial speculation that led to the collapse of financial markets and has been producing stagnation and even recession in several countries. The economic difficulties have created new constraints for the financing of social policies due to the decrease of fiscal revenue, thus contributing to the resurgence of conservative pressure favorable to the reduction of expenditure and social policies, which has been occurring in Europe as well as in Latin-American countries, including Brazil.

In Brazilian's case, the effects of the crisis have been particularly severe as they led to what some authors consider to be the crisis of the economic model imposed on the country since the 1990s, a model that is centered on the production and exportation of commodities (SALLUM, 2008; CARCANHOLO, 2010; GONÇALVES, 2013). Reinaldo Gonçalves and Eduardo Costa Pinto name it peripheral liberal model and point their basic characteristics as liberalization, privatization, de-regulation, de-industrialization, imports increase,

re-primarization of exports, technological dependency, de-nationalization and structural external vulnerability, besides the financial capital domination (PINTO; GONÇALVEZ, 2016). The fall of commodity prices starting at the end of the last decade constitutes the main reason for the current fiscal crisis in Brazil, which has been used by the conservative sectors as an excuse to justify the current cuts in the financing of social policies. In this sense it can be said that the current economic crisis has been more perverse in Brazil than in Europe, providing arguments for those who intend to reduce the financing of social policies.

The next item of this chapter analyses the different development stages of the social policies, seeking to characterize in particular the recent period that comprises: the 1990s, during which the protection policies were under the attack of neoliberalism; and in the first years of the 21st century, when what may be considered as a post-neoliberal agenda for the social area emerged in Europe. The two final items focus on Brazilian's situation: the authors advocate the need to adequate Brazilian's social policies in the sense of deepening the option for universal policies based on the social rights comprised in the 1988 Federal Constitution, as well as their development to be able to face the new social risks that are present in our society too. This perspective is frontally opposed to the direction of social policies intended by the current national administration, characterized by an ultra-liberal, antisocial, and antinational option.

THE RECENT EVOLUTION OF THE WELFARE STATE AND THE EMERGENCE OF NEW SOCIAL RISKS

The development of welfare state as from the post-WWII was affected by two crucial events that marked the rise of neoliberalism to power in the turn of the 1970s to the 1980s. The first one was the sharp rise in the interest rate of US securities at the end of 1979, decided by the Federal Reserve, which engendered the external debt crisis in several countries, including Brazil, along with a process of intense transfer of resources mainly from Latin America and Eastern Europe to the North-American market (TORRES FILHO, 1997; FERGUSON, 2000).

The second event was the arrival to power of Margaret Thatcher in the United Kingdom (1979) and Ronald Reagan in the United States (1981) (HOBSBAWM, 1995). Since then, neoliberal ideas and policies have gain great importance worldwide. This ideology, besides the economic aspects, had among its main axes for the social area: the increase of market solutions, with the reduction of the State; the reduction of public expenditures; and the focalization of policies. In the 1990s, the force of these proposals established great pressure against the welfare state, particularly in countries that had adopted the social

democratic regime, considered by neoliberals as too generous and inhibitor of economic reforms aimed at strengthening the market.

The effect of the neoliberal pressure in terms of reduction of social expenditure and conversion of public and universal systems into the liberal market model was weaker than previously expected, though measures of rationalization and expenditure retrench started to be adopted in various countries, as shown by Paul Pierson (2001) and Giaimo (2001), among others. The main explanation of these authors' thesis, known as the 'new politics of the welfare state', demonstrated that the resistance of social policies resided in the large social groups, whose survival directly depends on them – pensioners, civil servants of the welfare state, and other recipients of continuing benefits. The authors verified that these groups represent a very large number of voters and this made it extremely difficult to approve more radical neoliberal measures, allowing for the survival of the welfare state from the neoliberal wave, with changes that did not alter its essence.

During the 1990s and the early 2000s, neoliberalism was stronger in the economic field than in the social field, favoring what was conventionally named 'globalization', which involved the shift of most of the industrial activity towards East and Southeast Asia; the flexibilization of labor relations; the de-regulation of capital movement; and a huge growth of financial speculation, especially from the 1990s onwards. The so-called globalization engendered the weakening of national States in some parts of the world – mostly in Europe, Africa and Latin America – but it did not revert the presence of the State in most Asian countries, where clear national development policies were adopted with some concessions being made to the market and with the maintenance of a strong State presence in the economy, as shown by several authors like Martin Jacques (JACQUES, 2012), Domenico Losurdo (2009) and Amaury Porto Oliveira (OLIVEIRA, 2012).

At the end of the 20th century, as a consequence of the society's resistance to neoliberalism in the welfare state and the rise of awareness about the development of new social risks, a new agenda started to be constructed, which contents may be named post-neoliberal. The largest of these risks and at the same time the main challenge for the sustainability of social protection systems is the fast ageing of the population worldwide. The increase in the number of elderly people is historically unique and demands huge requirements in terms of financing not only of pensions but also of health services. The welfare state's financial sustainability depends on a solidarity bond between generations; it was initially established by building on a balance between active and inactive workers, with a higher proportion of active workers. The fast increase in the proportion of elderly people, though, has upset the balance and has been threatening the sustainability of social protection policies both in Europe and in Brazil.

The major landmark of the emergence of a social agenda with this character was certainly the EU Summit held in Lisbon on March 2000 to discuss the methodological bases for an 'open coordination' in the social policy area. The Summit aimed at starting negotiations for the future convergence of EU social policies; this convergence would be indispensable in the face of the increasing shifting of workers between Member States. The existing welfare state regimes of each country was discussed; the superiority of the social democratic model was advocated from the point of view of the social protection systems sustainability, and there was particular criticism to the liberal regime (ESPING-ANDERSEN *et al.,* 2002) for being less capable of ensuring it. The main argument was related to the challenge of facing the new social risks, including the increasing expenditure with the financing of policies for the elderly – especially social security and health.

One the most criticized aspects at the EU Summit regarding social policies of liberal character was the fact that persons belonging to the target group are treated as victims of the system and not as rightful citizens. Liberal social policies have a focal character and aim only at groups that are considered as being vulnerable and victimized (ESPING-ANDERSEN *et al.*, 2002). In order to receive the benefits of liberal policies these persons must fulfill certain conditions that feature them as vulnerable persons, and they will continue to receive the benefits on the condition that those conditions persist. Instead of building more egalitarian societies, these policies tend to freeze and reproduce poverty by not offering suitable stimulus for the poorest to overcome it and actually become citizens.

Well-succeeded experiences aiming to face the new social risks that increase social policies expenditure due to ageing population, among other factors, have comprised the definition of policies centered on childhood, maternity support, and reduction of inequalities. There is a large number of poor people and poverty reproduction arising from monoparental families, whose vast majority is led by women with children, and without the presence of adult men; in general, these families count on low income and women having difficulties in find a place in the labor market, while their children present deficient school achievement.

This situation has a close relation with the capacity of societies to sustain the costly policies of support to elders; only highly educated societies, with qualified labor force, are capable of generating sufficient fiscal surplus to finance social policies of elderly support. The EU Summit concluded that the support to maternity and children comprising universal access to crèches, and not only to regular education systems, has been crucial for the reduction of poverty and for the capacity of providing fiscal sustainability to social policies (ESPING-ANDERSEN *et al.*, 2002).

Regular education systems, even those with universal access and quality, have not been capable of reducing inequality due to the unequal achievement between children

from poor families and the other ones. School achievement is closely related to the development of the cognitive capacity at pre-school age; poor children are precisely those who have more difficulties in school life and access to crèches, thus they should be targeted by policies to ensure them this access. Moreover, the difficulties in having access to crèches determine that mothers stay away from work during a period of five to six years, which worsens both the income of poor families and the chances of women in the labor market. During this period, women do not have an income, which is crucial for their families, and also do not generate taxes, which are important for the financing of social policies. Even when they return to the labor market, in general they receive lower wages than women who did not interrupt their careers and this continues to affect families as well as the society's capacity to finance social policies.

The policies of universal access to crèches initiated in Denmark along with policies of maternity support have been decisive both in the reduction of inequality and in the generation of fiscal resources that are necessary for the financing of the increasing costs of social policies for elders. In that country, close attention was given to the support to mothers, including the maintenance of jobs during maternity, and also to families and universal access to crèches, resulting in a reduction of about three to four times in childhood poverty.

These policies centered on childhood, maternity, and families have also contributed to the reduction of criminality and its resulting costs, besides creating societies that are more capable of financing the increasing costs of social protection. Gøsta Esping-Andersen and Bruno Palier show that although these social investment policies may seem costly, reaching approximately 2% of the Domestic Growth Product (GDP) in the countries where they have been adopted, present high return of investment: US$ 5.60 for each dollar invested, according to cautious estimates. This return occurs because women can return faster to the labor market with the support of these policies and in better conditions than without it and generate taxes from their salaries (ESPING-ANDERSEN, 2008).

The EU Summit concluded that there is a positive relation between the existence of public policies of support to childhood, maternity, and families, and policies of support to elders. The better the former are well-succeeded, the more the latter will also be well-succeeded. This relation is closely connected to the capacity to generate sufficient fiscal resources for the financing of the increasing costs of policies aimed at the increasing proportion of elderly persons in societies.

The investment in children and families, particularly in the support to mothers, has been proving to be effective for the improvement of school achievement, families' income, and better position for women in the labor market, thus contributing to create societies

where individuals are more educated and capable of performing functions with higher wages and, consequently, more capable of generating the necessary fiscal resources for the sustainability of the social policy as a whole.

The outcome of the Summit was the Lisbon Agenda, which besides defining economic development objectives also recommended that the Member States should guide their social policies in this direction. The Agenda was later revalidated and renewed for the period 2010-2020 (HEMERIJCK, 2013, p. 76).

The renewal of the Lisbon Agenda occurred amid the economic crisis, whose impact was especially strong in Southern Europe. Recent studies on EU social policies show the importance of their maintenance and even the necessity of social investment. The economic power reaction expressed by the Troika – European Commission, European Central Bank, and International Monetary Fund – was the implementation of neoliberal austerity policies, including pressures for the reduction of social expenditure.

Study's findings conducted by Stuclker and Basu (2014) show how cuts in health budgets in times of economic crisis may produce a real human tragedy. What occurred in Greece represents the severe consequences of the austerity policies. Between 2009 and 2012 cuts in health expenditure resulted in the increase of 40% in child mortality and cuts in the policies of harm reduction resulted in the increase of HIV transmission. Moreover, there were social harms of other types, including a sharp increase in the homeless population, and a chocking suicide rate increase of 60%. In countries that went in the opposite direction, like Island, raising the expenditure with social protection policies and protection support to the poor, there were improvements in the access to health services and the quality of life in general, which reflected on better indicators of happiness recorded in the 'World Happiness Report'.

The study by Reevs *et al.* (2013) on economic policy in 27 EU Member States between 1995 and 2011 produced the 'fiscal multiplier' indicator, which shows the financial return of different public spending and reveals that the best multiplier indexes result from education and health spending, whereas the worse indexes result from defense spending. Those numbers affirm the importance of investments in the social area, which produce favorable results both in terms of the humanitarian values that characterize them and the financial sustainability of social policies (OSTRY, 2016; STUCKLER; BASU, 2014; REEVES, 2013).

In contrast, studies carried out by the International Monetary Fund on Latin American countries (OSTRY; LONGANI; FUNCERI, 2016) verified that neoliberal policies have increased inequality, thus jeopardizing the sustainability of economic growth in these countries. In this sense, we can state that governments should make further investments

on social policies in moments of crisis, rather than reduce their expenditure. In the case of health, for instance, considering that crises trigger more depression and suicide, it is clear that there should be more spending in policies that prevent and combat these problems. The reduction of social spending tends to aggravate problems and produce negative impacts on the fiscal situation of States, thus hampering the conditions for long-term development of the countries' economies.

As a synthesis of the arguments presented until here one may state that since the beginning of the 21st century there has been the strengthening of a possible surpassing of neoliberal solutions for the social area, at least in the case of the EU agenda; however, the ideological prevalence of this point of view continues to influence the policies that respond to the recession resulting from the 2008/2009 financial crisis in Europe, as well as the direction of social policies in countries that adopted the social democratic regime of public and universal character, as is the current situation in Brazil.

BRAZIL: FROM THE COUNTERCURRENT TO THE NEOLIBERAL WAVE TO THE LIMITS OF POST-REDEMOCRATIZATION SOCIAL POLICIES

Neoliberal ideas had a strong penetration in Latin America during the 1980s, with the opening of the economy, privatization and de-nationalization of corporations, de-industrialization and labor flexibilization. Brazil, the largest and most populated country in the region, promoted an inflexion on social policy in the opposite direction, drawing on the 1988 Constitution. This movement had a strong impact in the Latin American scene, for example in the amount of social spending in the region and also as a symbol of the possibility of the adoption of universal policies based on social rights.

Brazilian's influence on the total amount of social spending in the region can be verified in the fact that its economy represents roughly 60% of South America's economy and over 43% of Latin America's economy (WORLD BANK, 2013). The social changes that occurred in Brazil as from 1988 went in the opposite direction of the neoliberal ideology; the 1988 Federal Constitution adopted social policies of social democratic character that gave start to a historical reduction in socioeconomic inequalities. According to recent dada reported by the UN Economic Commission for Latin America and the Caribbean (Eclac) (ONU, 2012), between 2002 and 2010 there has been a significant reduction both of poverty (47%) and indigence (33.6%) in Brazil.

These changes were related to the implementation of universal policies, whose adoption was triggered by the social struggles for re-democratization, that occurred in the

1980s. Thus, the Brazilian State adopted a social democratic tendency in its social policies, by universalizing health and social security – through the mechanism of Continuing Benefits Delivery (Benefício de Prestação Continuada – BPC) for elders who had not contributed for it – and making social assistance and education into social rights (RODRIGUES, 2011; KERTENETZKY, 2012). The reduction of poverty and indigence was made possible due to changes in the direction of social policies; however, despite having halted a long process of income concentration, this reduction did not change the fact that the country continues to be one of the most unequal in the continent and worldwide, as shown by Wendy Hunter and Sugiyama (2009) and Paulo Tafner, Carvalho and Botelho (2009).

The institution of a social democratic course in Brazilian social policies occurred precisely when the neoliberal ideology was stronger and pressed several national States to adopt pro-market and minimal state policies in the social area.

Apparently, there could not have been a less favorable international conjuncture for the Brazilian project of social justice, comprised in the 1988 Federal Constitution under Title VIII, of the 'Social Order', that established the social rights of social assistance, education, health, and social security. The political conjuncture that enabled the country to take this course and to follow it for almost three decades was very special. As from the first half of the 1970s, the Brazilian military dictatorial regime presented political weakness when the population massively voted for the only allowed opposition party, the Brazilian Democratic Movement (Movimento Democrático Brasileiro – MDB) in 1974. Despite the brutal repression against the independent organization of society, popular organizations started to raise in the peripheral neighborhoods; in the rural area the peasant workers' unions were being re-constructed; and the students' movement was re-organizing its representative entities that had been shut down following the 1964 military coup. This resurgence of popular struggles and the clamor for democratic freedoms constituted the initial impulse for changes that were processed into social policies after the transition to democracy.

Among the circumstances of the national conjuncture that was unfavorable to the creation of public and universal social policies, there were: the agreement signed in 1983 with the International Monetary Fund (IMF), seeking to oblige the country to follow the neoliberal pattern to face the economic crisis (BELLUZZO, 1984; SALLUM JÚNIOR, 1994); and the external debt crisis, promoting a sharp fiscal adjustment that restrained the availability of resources for social policies, among others.

From the political aspect, however, the policy of macroeconomic adjustment in the beginning of the 1980s pushed part of the entrepreneurs and middle classes, who until then had been associated to the developmentist policy of the military government,

towards the opposition; this strengthened the struggle for immediate free elections – the movement Diretas Já – that took millions of people to the streets in the main cities of the country to manifest against the dictatorial regime. Those demonstrations, among the largest in Brazilian history, speeded up the end of the military regime and contributed to the creation of a political atmosphere favorable to broad reforms for the correction of the historical social inequality in the country. However, as the political transition was made through a composition of forces that comprised both the opposition and sectors that had supported the military regime but were unsatisfied and brook up with it, the new democratic regime and the 1987-1988 National Constituent Assembly were established in such a way that limited the reach of political and social reforms (SALLUM JÚNIOR, 2003).

It was basically the political atmosphere of the streets that enabled the Party of the Brazilian Democratic Movement (PMDB), which led the final struggles against the dictatorship, to obtain the majority of chairs at the Constituent Assembly. The president of PMDB, Ulysses Guimarães, had been elected with a significant number of votes; therefore he had a decisive role in the elaboration of the constitutional text. His political prestige and his proximity to an important group of intellectuals who were at the time linked to the PMDB influenced the approval by the Constituent of a rather advanced text from the social point of view. This text consecrated the concept of social welfare under the term of Social Security (*Seguridade Social*) – comprising social security (*previdência*), health, and social assistance – with a common financing basis, though there was no social bases for its sustainability (BAPTISTA, 1997).

Five years later, in April 1993, the then minister of Social Security (*Previdência Social*) interrupted the resource transference to health, virtually separating the two areas[1]. The text was broad and vaguely written because of the political difficulties to have it accepted in the negotiations of the Constituent Assembly, and this may have favored its future progressive emptying (FARIA, 1997).

Anyhow, the 1988 Brazilian Federal Constitution established social rights with universal character in the policies of education, social security, health, and social assistance, as well as the correspondent duties of the State in these areas. This produced deep social changes in the country that saw for the first time the gradual reduction of inequalities. However, social rights have a programmatic aspect, as shown by Norberto Bobbio (1992), because their existence requires the definition of specific policies, the organization of ser-

[1] Later, the federal government buried the financing of Social Security by successively creating the Social Emergency Fund (Fundo Social de Emergência – FSE) in 1994; the Fiscal Stability Fund (Fundo de Estabilidade Fiscal – FEF) in 1996; and finally the Desvinculação das Receitas da União (DRU) in 2000 that withdraw resources aimed at the financing of social policies and directed them to the payment of debts and other spending.

vice networks, the hiring and training of public employees, and the provision of financing for the interventions. Thus, when social rights are created they depend on a series of measures to be implemented over time so that may they turn into reality.

At least two conjunctural factors limited the reach of the social policies established by the Federal Constitution. First, the strong presence at the Constituent Assembly of right wing politicians organized in a multiparty block named 'Center' (*'Centrão*), ensuring the continuity of the market in the education and health sectors. This continuity of two strong private markets in social areas with public subsidies for private firms created a situation of permanent dispute for resources between the public and the private sectors of education and health.

The second factor was the external debt crisis during the 1980s and the first half of the 1990s. Because of this crisis, successive governments accepted the structural adjustment policies of neoliberal character that restrained public expenditure in general, substantially jeopardizing the financing of social policies; the crisis reached its peak in 1987, when the country declared a moratorium on payments (ESPING-ANDERSEN *et al.*, 2002; BANDEIRA, 2011). Finally, the permanence of corporative interests inherited from the national-developmentist period (1930-1980) and linked to sectors of the public service – armed forces, Justice and its auxiliary agencies, and Legislative – that were able to maintain privileges in terms of social security, private health plans, and other benefits that consumed and still consume a significant amount of public resources that could be financing universal social policies (HUNTER; SUGYAMA, 2010).

Despite difficulties in the process of implementation of social policies, there was enormous broadening regarding the access to education and health, besides the ensuring of social security in old age even to those who had not contributed to the system, thus universalizing social security in practice. Regarding health, the Unified Health System (Sistema Único de Saúde – SUS) achieved increasing delivery to the population of hospitalization and out-patient care, organized a broad policy of HIV/AIDS prevention and control that is one of the most advanced worldwide, and offers primary care through family health to approximately 60% of the population.

The public education system, one of the most neglected social areas during the military regime, achieved the universalization of access to primary education, significant decrease of illiteracy, and wide access to secondary education. In the same direction, the social assistance policy has innovated with the recognition of children and youth rights, and with setting up a wide protection network for this group of the population, and also for persons with special needs and elders.

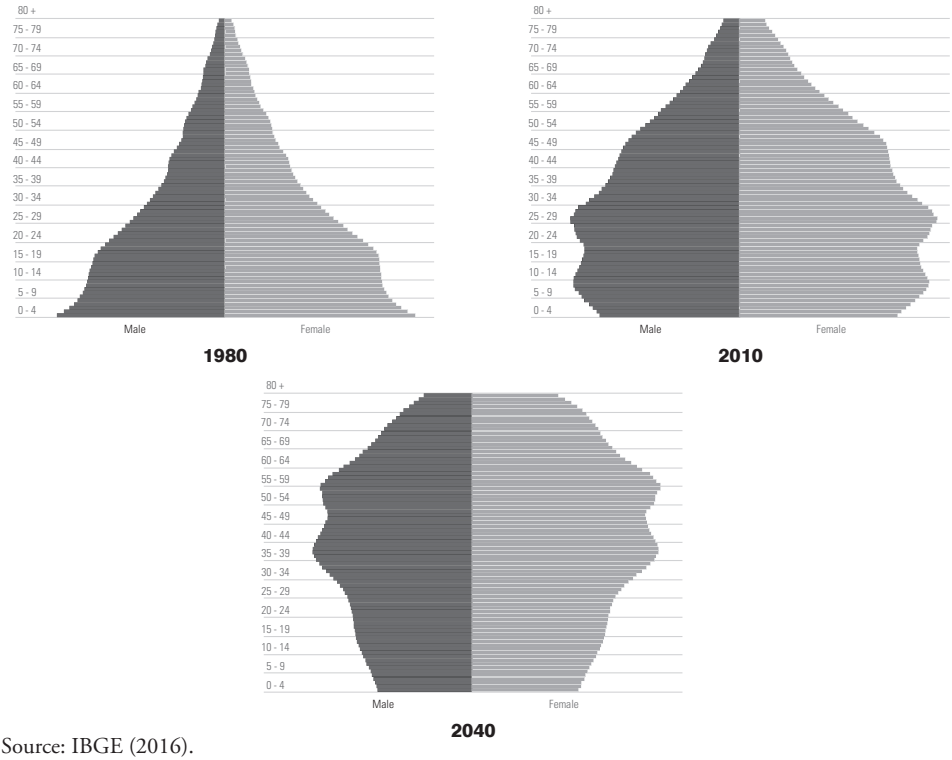
The main result of these policies has been the reversion of the historical process of

increasing income concentration, thus initiating the reduction of poverty and destitution. There has been the reduction of tens of millions in the number of destitute persons; large contingents of the population raised out of poverty during the 2000s, so the country is no longer in the Hunger Map of the Food and Agriculture Organization (FAO) published by the United Nations (FAO, 2015).

Another important improvement is related to health indicators as a consequence of the reduction of child mortality rates and children undernourishment, besides a sharp decrease in infectious, contagious, parasite, and vaccine-preventable diseases, especially in the country's poorest regions (BARRETO, 2013; LUNA; SILVA JÚNIOR, 2013; OLIVEIRA; ONEILL, 2013). There has also been an increase of life expectancy and, therefore, of elderly population.

The recent social conquests, on the one hand, and the economic and social changes, on the other hand, pose new social risks to Brazil in the 21st century. The new risks are due, in the first place, to changes in the age composition of the Brazilian population resulting from the decrease in mortality and birth rate that led to a fast elderly population increase and the consequent proportional reduction of the active population *(figure 1)*. Thus, there is a fast change in the dependency ratio: the ratio between the active and younger population, increasingly less numerous, and the elderly, increasingly more numerous, as shown by José Eustáquio Diniz Alves and others (ALVES; VASCONCELOS; CARVALHO, 2010). This change brings as a consequence the need to raise social expenditure with pensions and health.

Figure 1. Brazil, changes in the population's age group composition, 1980 to 2040



Source: IBGE (2016).

Another important change results from the alteration in the place of women in society, especially the increase of their participation in the labor market and responsibility in families' provision. As it occurs worldwide, with one third of families being led by women (CARLOTO, 2005), in Brazil there is an increasing quantity of monoparental families in which women have the entire responsibility. Monoparental families present high vulnerability because women must coordinate work, children, and household, which often includes one or more elders.

The majority of women who are in this condition are put in a situation in which they are compelled to work in the informal market, with low income and without labor rights. Even when they are in the formal market, they are often impelled to work part-time, also with very low income. Data from the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE), mentioned by Lena Lavinas and Marcelo Nicoll (2006), show that 18% of monoparental families in Brazil are led by

women. Difficulties in getting a job in the labor market have been leading many of these women to depend almost exclusively on income transfer policies, such as the Bolsa Família Program (Programa Bolsa Família – PBF).

Despite the advances achieved in Brazil in terms of social protection drawing on the 1988 Constitution, few changes have been made regarding social policies of maternity protection, particularly concerning monoparental families led by women. Lavinas and Nicoll (2006) show that there is great lack of social investment for the improvement of the conditions of these women and their families, such as full-time schools, crèches and measures that stimulate their placing in the formal market. Another big problem faced by women is that their wages are lower than men's in the labor market. In Brazil

> women receive, in average, 84% of the value of men's income; there is no doubt that the progression in the wage gap reduction is very slow and, if keeping the same rhythm, it will take almost 80 years to bridge the wage gap. (LAVINAS; NICOLL, 2006, p. 69).

Therefore, in order to produce changes and, in addition, that families have the chance to end the poverty cycle, it is necessary to design policies taking into consideration the specificities and complexities of this reality. This is what part of EU Member States has been implementing under the term gender-friendly policies. These policies improve the social protection system as to reduce trade-offs between family life and career and to raise the degree of social inclusion, reducing vulnerabilities that are incompatible with high patterns of social equity and welfare (ESPING-ANDERSEN, 2002). As it has occurred in Europe, also in Brazil the increase of new social risks determines new costs and requires new responses in terms of re-directing social policies. This problem is not solved with cuts on social programs; it is just the opposite, it is necessary to assume the social investment paradigm. This paradigm requires the adequacy of current policies, whose insufficiencies will be approached in the following item.

LIMITS AND DIFFICULTIES OF RECENT SOCIAL POLICIES IN BRAZIL

The first free election for the Presidency of the Republic after the military regime took place in 1989 and the result was the victory of Fernando Collor de Mello with an aggressively neoliberal agenda. His administration implemented measures inspired on this ideology: trade and financial openness; privatization; and rigid monetary and fiscal control, among others. Regarding SUS, one of the main policies with universal character, Collor vetoed several articles of the Health Legislation (Lei Orgânica da Saúde) and promoted a

drastic reduction of the federal financing of health, which in 1993 was equivalent to half of the financing of health until the previous administration of President José Sarney (1985-1990) (LEVCOVTIZ, 1997). Besides the external constraints that favored the direction taken by Collor, this abrupt shift in the country's trajectory initiated only two years after the approval of the new Constitution showed the lack of social bases capable of giving a decisive political support to the new social policy with a social democratic character established in 1988.

The debility of the social bases necessary to support the new social policies may be explained by actions promoted by the military regime, which aimed at weakening the left and the workers, who traditionally worldwide constitute the bases of public universal social policies. In 1967, when the unions were left out of the management of social security and medical care policies, and the various existing institutes were unified under the National Institute of Social Security (Instituto Nacional de Previdência Social – INPS), the workers had to dispute the access to those services with other social groups previously excluded. From then on, an increasing discontentment developed among workers in relation to the public health system, favoring their attraction towards the growing private health market (GERSCHMAN; SANTOS, 2006), financially subsidized by the State (RODRIGUES, 2013).

In the mid-1970s, the dictatorship repressed the main left wing political associations that led the unions, killing tens of their leaders, arresting hundreds of militants, and creating a political void in the guidance of the workers' movement (MIR, 2007; RODRIGUES, 2013). The resurgence of the workers struggles in the second half of the 1970s was made under the leadership of the Workers' Party (Partido dos Trabalhadores – PT) and new unionist leaders, who had no commitment with the tradition of struggles and the body of ideas of the preceding trends. In this sense there was a rupture in the historical trajectory of the leftist parties and the workers' unions. Although PT and its Workers' Unified Central (Central Única dos Trabalhadores – CUT) defended universal policies and SUS, the new unions' leaders linked to PT and CUT incorporated in the agenda of negotiations with employers the hiring of private health insurance for employees, thus consolidating the distance of workers from the public health system.

In this context of fragile bases for political support to universal social policies, as from the 1990s these policies suffered not only the competition of the private sector, but also of focal policies of liberal character not foreseen in the 1988 Constitution. In the education sector, in the administration of President Fernando Henrique Cardoso (1995-2002), there was a deliberate policy of strengthening private higher education enterprises, thus allowing the exploitation of this type of for-profit education (BRASIL, 1997) and then creating a mechanism of public financing for those firms: the Students Financing Fund (Fundo de Financiamento Estudantil – Fies) (FRANCO, 2016).

In the administrations of President Lula (2003-2010) and President Dilma Rousseff (2011-2016) those policies were maintained, and in 2004 a new mechanism was created for the public financing of higher education private institutions, the Program University for All (Programa Universidade para Todos – Prouni). Public health policies, as well as those of the educational area, also assumed a character that was favorable to the private sector, despite the recognition and constitutional commitment to social rights. Besides being permanently underfinanced, SUS had to dispute not only with the growing private insurance market subsidized by fiscal incentives but also with the increasing importance of health services providers and private services managers within SUS that benefited from various public policies (CEBES, 2014).

Social policies with a focal character were adopted by the Brazilian State in the early days of President Fernando Henrique Cardoso's administration, in January 1995, with the creation of the Solidary Community Program (Programa Comunidade Solidária). The objective of this program was to ensure a minimal income to the country's poorer groups aiming at the combat of hunger and social indigence (PELIANO; RESENSE; BEGHIN, 1995).

These social policies with focal character were broadened, starting with the creation in 2000 of the Poverty Combat Fund (Fundo de Combate à Pobreza) (DAIN, 2007) (Constitutional Amendment nr. 31). This was followed by the creation in 2001 of: Programa Bolsa-Alimentação (COUTINHO; SANT'ANNA, 2008), financed by the same Fund; Programa Bolsa-Escola (COUTINHO; SANT'ANNA, 2008); e Auxílio-Gás (TAFNER; CARVALHO; BOTELHO, 2009), all income transfer programs for extremely poor populations based on determinants defined in the proposals of the World Bank and the Inter-American Development Bank in the 1990s.

The idea we defend is that these programs had a clear liberal character, whose reach was limited to misery relief because they were not co-ordinated with other universal social policies capable of reverting poverty determinants as intended by the proposals comprised in the Lisbon Agenda, which explicitly rejected the liberal model of social policies and made an option for a set of measures that co-ordinated gender, maternity, early childhood, and old age in an universalist basis aiming at poverty eradication.

These policies were not only continued but also intensified during the administrations of Lula and Dilma Rouseff (2003-2016), gaining even greater visibility and political importance. In 2003, the government created the Special Ministry of Food Security and Hunger Combat (Ministério Extraordinário de Segurança Alimentar e Combate à Fome – Mesa) and the Zero Hunger Program (Programa Fome Zero), which responded to the theme of hunger combat during the election's campaign that led Lula to power. The Ministry

was extinguished and its functions were transferred to the Ministry of Social Development and Hunger Combat (Ministério de Desenvolvimento Social e Combate à Fome); in the sphere of this Ministry operated the PBF, launched in 2004. The PBF comprised the three income transfer programs and also the Child Labor Eradication Program (Programa de Erradicação do Trabalho Infantil – Peti) created in 1996 by the previous administration (TAFNER; CARVALHO; BOTELHO, 2009), and added to the conditionality's of education new ones related to the health of pregnant women, breastfeeding women, and children, with positive results in the reduction of misery. From our point of view, however, their basic characteristics are liberal, given that the eligibility is dependent on the level of income confirmed by means-tested through Unified Register (Cadastro Único), in the same way as the previous program of Cardoso's administration. If, on the one hand, it was well-succeeded in terms of misery relief, on the other hand it was not capable of ending the poverty cycle due to having little connection with universal policies and not facing poverty determinants deriving from the new social risks.

Another focal policy initiated in the Cardoso administration and deepened in the administrations of Lula and Dilma Rousseff was that of quotas for the minority ethnical groups' access to the higher education system and public service careers. The quotas have been ensuring greater access of parts of the population that were previously excluded from education and public jobs, but the lack of more effective actions in the transformation of pre-school and primary education has maintained the conditions that create inequality.

The option of investing in these focal policies particularly in PBF and other continuing delivery benefits brought significant change in the composition of the federal social expenditure as from 2000, as can be seen in *tables 1* and *2*. In these tables we have decided to separate the spending with debts from the effective expenditure, classifying these into social and non-social to be able to have an idea of the behavior of each component. We have also made the de-composition of the social expenditure into the five classical social functions – social security, health, education, social assistance, and labor – to be able to evaluate the evolution of each one in comparison with the others.

The first point to be highlighted is that the main spending in the period was the public debt, registering the highest rates in the beginning of the period (70.5% of the total in 2000) and the lowest, at the end (56.5% in 2014). This is due to the economic model adopted, that prioritizes the financialization of the productive activity.

The second point to be mentioned is that the social expenditure of the federal government between 2000 and 2014 presented much greater increase (198.5%) than the non-social expenditure (101.4%), as shown on *table 1*. It is important to stress that the federal government was able to raise social expenditure without raising the need to finance the public

sector, i.e., without raising the public debt in most part of the period. This statement can be verified in data from the Central Bank of Brazil (Banco Central do Brasil – BCB) on the behavior of the need to finance the public sector, which decreased until 2014 *(graph 1)*.

The third important point is that the social expenditure presented a significant increase in the period, rising from 21.9% of the total expenditure to 41.2% of the total expenditure in 2014. For this reason the effective non-social expenditure always represented less than 10% of the total in the entire period, being reduced to only 7.3% of the total in 2014 (*tables 1* and *2*).

Data on *table 1* show that despite the significant increase of all social expenditure in the period, this increase was unequal between policies. The last column shows the increase rate of each policy in the period: 179.2% for social security; 142.6% for health; 233.6% for education; 522.3% for social assistance; and 377.3% for labor. The increase was very dissimilar, demanding the analysis of changes in the internal composition of social expenditure (*tables 2* and *3*).

Table 1. Federal expenditure by type of function, highlighting social and non-social functions, and increase rates ratio, between 2000 and 2014, absolute values (updated based on the General Prices Index – Internal Disponibility – IGP-DI of 2014/2016 of 1,06626094315775)

Expenditure by type of function	**2000**	**2002**	**2004**	**2006**	**2008**
Non-social expenditure subtotal	147,018.8	158,278.7	126,755.7	153,418.5	132,503.2
Social expenditure subtotal	423,922.0	443,396.2	443,411.7	532,423.5	552,532.1
Social security	293,354.0	308,902.2	308,894.7	367,880.7	380,694.8
Health	63,659.9	63,763.5	61,538.2	68,794.6	64,619.3
Education	33,341.5	33,148.8	27,123.2	30,013.9	32,469.2
Labor	19,617.3	21,253.4	19,982.3	28,423.2	32,312.0
Social Assistance	13,949.2	16,328.2	25,873.4	37,311.1	42,436.9
Debt expenditure	1,364,858.1	1,090,339.7	1,124,788.8	1,347,840.2	1,085,274.6
Total	1,935,798.9	1,692,014.6	1,694,956.3	2.033.682,2	1,770,309.9

Table 1. (cont.)

Expenditure by type of function	2010	2012	2014	Increase rate 2014/2000 (%)
Non-social expenditure subtotal	164,109.9	146,002.1	149,042.6	101.4
Social expenditure subtotal	672,135.5	736,944.5	841,344.9	198.5
Social security	448,189.2	475,403.8	525,799.7	179.2
Health	75,180.2	83,848.0	90,771.8	142.6
Education	52,766.6	62,424.8	77,900.8	233.6
Labor	42,551.8	49,296.3	74,019.5	377.3
Social Assistance	53,447.8	65,971.6	72,853.1	522.3
Debt expenditure	1,117,718.5	1,159,072.8	1,151,828.6	84.4
Total	1,953,963.9	2,042,019.4	2,039,979.3	105.4

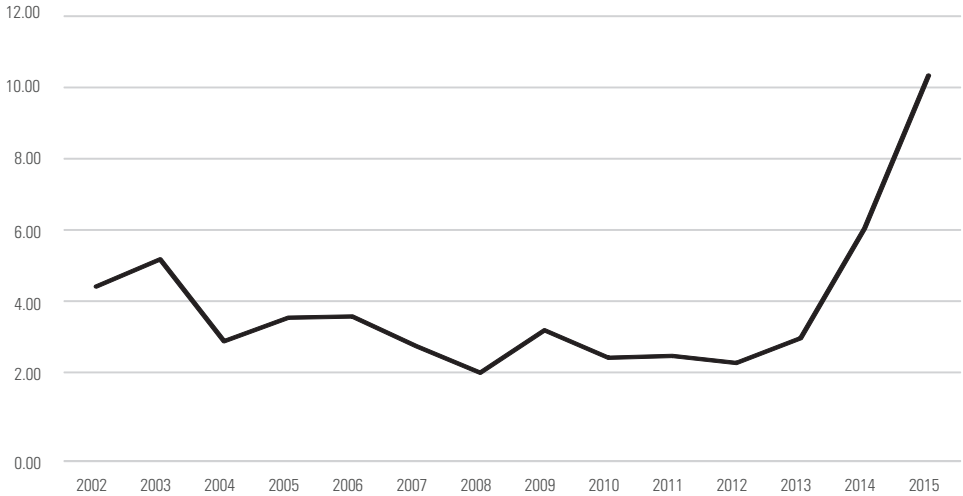
Source: Authors, using data from the Financial Administration Information System (Sistema Integrado de Administração Financeira – Siafi) (BRASIL, 2016).

Table 2. Federal expenditure by governmental function, highlighting social and non-social functions, in relative values (%), 2000 to 2014

Expenditure by governmental function	2000	2002	2004	2006	2008	2010	2012	2014
Non-social expenditure subtotal	7.6	9.4	7.5	7.5	7.5	8.4	7.1	7.3
Social expenditure subtotal	21.9	26.2	26.2	26.2	31.2	34.4	36.1	41.2
Social security	15.2	18.3	18.2	18.1	21.5	22.9	23.3	25.8
Health	3.3	3.8	3.6	3.4	3.7	3.8	4.1	4.4
Education	1.7	2.0	1.6	1.5	1.8	2.7	3.1	3.8
Labor	1.0	1.3	1.2	1.4	1.8	2.2	2.4	3.6
Social Assistance	0.7	1.0	1.5	1.8	2.4	2.7	3.2	3.6
Debt expenditure	70.5	64.4	66.4	66.3	61.3	57.2	56.8	56.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors, using data from the Integrated of Financial Administration Information System (Sistema Integrado de Administração Financeira – Siafi) (BRASIL, 2016).

Graph 1. Brazilian Public Sector Financing Needs (*Necessidade de Financiamento do Setor Público* – NFSP). Accumulated by year (December each year) as % of GDP, 2002 to 2015



Source: Central Bank of Brazil (Banco Central do Brasil – BCB) (BRASIL, 2016).

As the internal composition of social expenditure was considerably altered in the period, we decided to verify its evolution by comparing the social expenditures with one another and the data is presented in *table 3*.

Table 3. Federal social expenditure in relative values (%), 2000 to 2014

Social expenditure	**2000**	**2002**	**2004**	**2006**	**2008**	**2010**	**2012**	**2014**	2014/ 2000 (%)
Social security	69.2	69.7	69.7	69.1	68.9	66.7	64.5	62.5	90.3
Health	15.0	14.4	13.9	12.9	11.7	11.2	11.4	10.8	71.8
Education	7.9	7.5	6.1	5.6	5.9	7.9	8.5	9.3	117.7
Labor	4.6	4.8	4.5	5.3	5.8	6.3	6.7	8.8	190.1
Social Assistance	3.3	3.7	5.8	7.0	7.7	8.0	9.0	8.7	263.2
Subtotal	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Authors, using data from the Financial Administration Information System (Sistema Integrado de Administração Financeira – Siafi) (BRASIL, 2016).

When examining the internal composition of social expenditures, it is evident that expenditures with social security and health reduced their participation within the total. In 2014, the expenditure with social security and health represented, respectively, 90.3% and 71.8% of their relative weighting in 2000. The relative decrease of these two expenditures contrasts with the significant rise of the expenditures with social assistance and labor that raised 263.2% and 190.1%, respectively. The expenditure with education presented a relatively discreet proportional rise of 117.7%. The largest increase occurred in social assistance, which concentrates most of the focal policies – Bolsa Família and BPCs –, whereas the largest reduction was in health, whose actions are of universal character.

If we return to table 1, we can compare the huge increase of expenditure with social assistance in relation to health: the expenditure with social assistance corresponded to only 21.9% of the expenditure with health in 2000 – R$ 13,949,2 million against R$ 63,659,9 million –; and in 2014 they represented 79.4% – R$ 72,853,10 million against R$ 91,771,8 million –, making evident the option for focal policies in detriment of universal policies.

According to Nilson do Rosário Costa (2006), the choice for focal policies occurred as from the beginning of the 2000s in the Fernando Henrique Cardoso's administration and it was maintained in the administration Lula's. This author also states that this option was mainly motivated by the constraints of the macroeconomic adjustments, which would justify the concentration of resources in the social policies of poverty combat and with a worldwide character; the World Bank, for instance, recommended these policies in its 1990 report whose central theme was poverty (BANCO MUNDIAL, 1990).

These proposals were part of the neoliberal prescription of structural adjustment imposed to the periphery of the capitalist system due to the debt crisis in the 1980s and 1990s. The option for the poorer is coherent with the neoliberal regime of social policies, which does not recognize the social rights and offers only residual measures to the sectors of society that have difficulties to resolve their problems through the market. Therefore, the connection made by Costa with the fiscal constraints makes sense, though this does not seem to be the only factor to explain the continuing focal option. There actually was a significant increase in social expenditure as a whole as from 2000, in parallel to the even more significant increase in expenditures with focal policies; this suggests a deliberate political option favoring the latter.

At this point, it is important to return to the discussion on social policy models at the beginning of this chapter, to emphasize the need of universal policies and the adoption of a paradigm close to the social investment adopted by the Lisbon Agenda. As we have seen, this paradigm has shown itself capable not only of promoting actions to overcome poverty, with policies of support to maternity and childhood, but also of generating resources for the adequate financing of social security and health.

We are not proposing the end of policies like the PBF, which have had an important role in the reduction of poverty, but rather their gradual re-orientation in the direction of social investment. To re-adequate the current policies toward universality combined with the social investment paradigm has been the most effective path to overcome poverty because it creates the conditions for the financing of the new social risks. The continuity of the current direction of Brazilian social policies is insufficient for the effective poverty reduction; it ensures, mainly, the relief of misery; it does not generate the resources capable of financing the new risks; and it is a drain on resources of social policies. This direction does not ensure sustainability for the financing of social policies and it is vulnerable to the neoliberal prescription that proposes in a monochord way the reduction of public expenditure.

We live a paradox in contemporary Brazil: the Constitution has a clear commitment with universal social rights, whereas the current social policy assumes a character that is increasingly focal and neoliberal in essence. The political pressures as from 2015 against the administration of Dilma Rousseff and the politics followed by the current government after the impeachment of the latter have not only maintained this direction; they have also limited the increase of primary expenditure to the inflation rate during a twenty-year period (VIEIRA; BENEVIDES, 2016). This stress in the direction of Brazilian social policies is added to the adoption of sharp structural adjustment, similar to the adjustment imposed to the Southern European countries after the 2008 crisis, which has been leading to a new increase of poverty and destitution. The recessive economic policy has been worsening the social conditions at a fast rhythm, putting at risk the social conquests that had been accumulating since the 1988 Federal Constitution.

FINAL CONSIDERATIONS

By exploring the complex implementation process of public and universal social policy in Brazil we sought to show that in an adverse conjuncture dominated by neoliberalism, which promoted total favoring to the market and the shrinking of the State, this nation that is peripheral to the system but has a significant regional weight, due to its condition of being one of the largest economy worldwide, has succeeded in extending rights and social policies to its population universally. However, this process of extending rights and universal social policies was jeopardized both by the fierce dispute with the market particularly in the health area, and by the development of neoliberal focal policies as from the mid-1990s, as we have pointed out.

Since the start of the implementation process of universal policies in Brazil, though, there were deep changes in the national and international conjunctures. The continuation of the neoliberal politics led the world to the 2008 crisis, the largest experienced by capitalism since the Great Depression; this took away some of the vigor of the neoliberal ideology. At the same

time, the reconstruction of Russia, the fast rise of China, and the rapprochement between the two countries leading to the establishment of a new economic and military pact, the Shanghai Cooperation Organization (SCO), produced a deep change in the correlation of world forces.

The formation of SCO, which comprises, among others, countries with large territorial, population and military expression, namely China, India, Pakistan and Russia, all nuclear countries, and also the creation of new economic blocks such as BRICS, which established the operation of a new development bank – the New Development Bank – larger than the World Bank, are elements that increasingly challenge the North-American hegemony and deeply change the world scenario. The recent election and inauguration of Donald Trump in the US with a radical nationalist and protectionist program indicates the dimension of the weakening of neoliberal ideology and the fear of sectors of the North-American elites in face of the loss of worldwide hegemony. This is a time of political, economic and social uncertainties only comparable to the pre-WWII period.

While in the 1990s and 2000s Brazil implemented social policies of social democratic character, in Europe, where these policies first emerged, the societies resisted to the neoliberal wave pro-minimal State and reduction of social expenditure, as shown in the analyses of Paul Pierson (2001) and others, mentioned in this text. In our understanding, these elements sustain the argument hereby advocated that the evolution of the Brazilian process has taken us relatively closer to the European situation and more distant from the situation of our neighbors in terms of the direction and the reach of social policies, due to the mostly universal social democratic character of our policies, whereas the majority of them remained either in the Bismarckian model or mainly in the market model.

This statement does not imply that we have come closer to the European situation from the viewpoint of living conditions and the degree of our welfare structure; but we have come closer in terms of objectives and the universal perspective. This has enabled a huge advance in terms of the reduction of social inequality and the improvement of access policies' conditions, and even of living conditions, in relation to our previous history.

We have discussed about the identification of new social risks in the EU and the option made by Member States to face these risks by means of social activation policies. Defined in 2000 in the Lisbon Agenda and renewed in 2010, these policies are comprised in the model of public and universal social policies. We have shown that the new risks develop also in Brazil, although our option for new social policies has taken a different direction, of focal character, inspired on the liberal model. The great question is that this direction distances us from the possibility of successfully facing the new risks and ensuring sustainability to social policies, considering that it does not face the poverty issue and its central point that is related to monoparental families led by women.

The argument previously developed in this text, which is also present in Anton Hemerijck (2013), shows that there is a close relationship between the existence and reproduction of poverty and the society's capacity to generate fiscal resources for the sustainability of social policies for the elderly, including social security and health. Although the current formats of PBF and other recent social policies have been effective in the reduction of poverty, they do not present sufficient solutions for the necessary support to women and children in poverty situation so that they can overcome this condition.

Brazil lacks, above all, social policies of maternity support, the insertion and maintenance of women in the labor market, and the creation of crèches of universal access. The support to maternity and the insertion and maintenance of women in the labor market is crucial to ensure a minimal income to poor families and to reduce gender inequality, as well as to generate sufficient fiscal resources to sustain policies for the elderly. Universal quality crèches are vital to ensure the cognitive capacity of poor children so that it is possible to reduce the inequality of their school achievement regarding the other children and, consequently, the persistence of differences in the educational system. Social investment policies for women and children, particularly in monoparental families, also tend to produce a significant impact in the reduction of conditions that favor criminality and its resulting costs.

The reasoning exposed in this text emphatically advocates the need of social investment policies to improve the 1988 universal policies and overcome the limitations of the focal policies implemented in recent decades. In this sense, it will be necessary to re-direct social financing that, as we have shown, has been increasingly shifted from universal policies to focal policies. Assuming a social investment perspective requires retaking the universal direction designed in the 1988 Federal Constitution. We have also shown that recent history confirms that there is no contradiction between raising social spending and the State's fiscal capacity to sustain it, as long as it is spent in order to strengthen the society's capacity to generate fiscal resources that provide sustainability to the spending, reducing not only misery but also poverty.

In Brazil, since 2014 and particularly as from August 2016, pressures of neoliberal character have been intensified to force greater reduction of social spending under the false argument that the country would not have the financial capacity to sustain it. The same has been occurring in some European countries since the 2008 crisis, with tragic social and economic consequences. We highlight that this option, rather than promoting fiscal relief, will result in greater difficulties to the State regarding the financing of social policies both in the future and in the present. These are not new pressures and the historical underfinancing of SUS results from and is an example of it. The issue is that nowadays the pressures have become hegemonic and put at risk the social gains of almost three decades; they can jeopardize in a definitive way the country's future, by increasing poverty and inequality

and, consequently, reducing the fiscal revenue capacity. The prevalence of these ideas has led to a change in the Constitution to ensure the freezing of current expenses during two decades (EC nr. 95, of December 16, 2016); its maintenance will produce disastrous effects from both social and fiscal perspectives.

This option constitutes a deepening of the subordinate model to which the country has been submitted as from the beginning of the 1990s; it makes it utterly unfeasible to create a society that is more just and less unequal; it produces a financial de-stabilization of the State; and establishes an insurmountable obstacle for the country's development. As André Singer has recently stated, the current policies initiated by Dilma Rousseff and deepened by Michel Temer are 'austericide' (austerity + suicide) (Folha de São Paulo 28/01/17) and need to be dismantled by a large mobilization of the Brazilian society.

We recall that the improvement of living conditions and the reduction of inequality as from 1988 were achieved in an utterly adverse conjuncture, but it was then that the Brazilian society made the option for a counter-hegemonic path, adopting a model of public universal social policies that was in total contradiction to the prevalent neoliberal ideology. Today, as much as then, the only option for the Brazilian society is to choose for the deepening of the universal path and its adequacy including facing the new social risks. This can only be done by once again taking the opposite direction of the dominant ideas in Brazil and worldwide; otherwise, we would be accepting the elimination of the future and the definitive unfeasibility of the Brazilian society.

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Chapter 5

Social security and welfare state in Brazil*

Lenaura de Vasconcelos Costa Lobato

INTRODUCTION

At this moment when Brazil sees the emergence of proposals of radical reforms for the social security model established in the 1988 Federal Constitution, it is important to return to the welfare state theory that inspired our social security to analyze the model that has been under construction and identify its fragilities. In this chapter we will briefly look into the overall ideas of social welfare state and social security in Brazil and present an analysis of some recent policies. We intend to identify some fragilities of the Brazilian case in the light of the literature on welfare and show the need of studies about aspects not much regarded until now, aiming to re-start the debate on the Brazilian pattern of welfare state considering the international experience.

SOCIAL SECURITY AND WELFARE STATE

The idea of social security was consolidated mainly in European countries in the aftermath of the Second World War (DRAIBE; HENRIQUE, 1988; WERNECK VIANNA, 1998). After decades of the prevalence of liberalism as the guiding doctrine of capitalism, with the well-known social consequences and resulting political conflicts, the social democratic guidance was consolidated in the conduction of the reconstruction efforts in several European countries, in their various nuances (OLIVEIRA, 1993) and even in conservative governments (FLORA; HEDEINHEIMER, 1981).

In contrast to the traditional liberalism on the one hand, and the socialism of the Eastern European countries on the other hand, a social protection model was designed; one that would definitely change the role of the State in capitalist economies. In synthesis, drawing on the Keynesian economic conception, this model was based on the possibility

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of a virtuous association between the capitalist economy and social justice. Agreed upon between supposedly highly contradictory interests, this association allowed for the creation of potent social protection structures based on the idea of social security.

Despite significant differences between countries, overall these structures were based on the universal delivery of goods and services financed by the entire society. The idea of universal delivery and financing having the State as intermediary was based on the notion of citizenship. Thus, for the first time, besides its classical attributes of maintaining order and monopolizing force, and those that are specific of the capitalist mode of production and its maintenance and reproduction, the State takes on the unprecedented role of intervener in elements that generate social inequalities. This inflexion imposes an equally unprecedented social conception of social solidarity, no longer as a fragmented mechanism dependent on individual responsibility about strangers' suffering, but rather as a mechanism to generate extensive equalities by means of public institutions.

Another central element was the economic development based on heavy State investments. The idea of associating social justice to economic development through State intervention was crucial in the social construction of the notion of social security. Apart from investments in the economy, social protection structures would be elements of creation of jobs and income distribution, as foreseen in the Keynesian proposition (HALL; MIDGLEY, 2004). All these characteristics responded to an unprecedented logic of redistribution through the public fund and the direct intervention of the State to guarantee accumulation and the reproduction of the working class. If this new logic was largely a response to the expansion and organization of the working class, there was a definitive incorporation to contemporary society and to the public agenda of the politicization of conflicts referring to contradictions between capital and labor, but also to the various forms of inequality. These changes engendered a social apprenticeship about social needs and State participation in the redistribution and in the guarantee of rights and generation of equity.

These elements were not present when the protection systems were created; the development of these systems contributed to consolidate the notion of security and the elements of citizenship, democracy, social solidarity, and State participation. This somehow 'shifted' the notion of social security from the exclusive objectives of accumulation, especially by means of the so-called rights of citizenship, which showed, from then on, their strong symbolic component.

The literature on the subject sought to understand and compare the development of security systems by means of typologies that became classical. The typology by Titmuss (1958) was followed by that of Wilensky and Lebeaux (1965), and the well-known and internationally applied typology by Esping-Andersen (1990). The diffusion and extensive ap-

plication of these typologies generated others, as those for cases of European welfare (ARTS; GELISSEN, 2002; TAYLOR-GOOBY; DALE, 1981; GOUGH, 2004), and those for countries outside of the continent, with different experiences (DRAIBE; HENRIQUE, 1988; FLEURY, 1994; WERNECK VIANNA, 1998; DRAIBE; RIESCO, 2006; FILGUEIRA, 2011).

Among these social policy models, the most comprehensive corresponded to potent systems of social services delivery and labor protection. However, in the mid-1970s these systems fell into a crisis with the collapse of the 'welfare consensus' and the rise and hegemony of the 'Washington consensus'. The idea of economic development associated to welfare was broken and the crisis of the capitalist accumulation process was diagnosed through regular economic mechanisms of reduction of growth, inflation and public deficit. The causes would be the economy's low productivity, the excess of regulation, and the uncontrolled increase of public spending. The recommendations were to seek macro and microeconomic efficiency and greater productivity in the economy; for this end it would be necessary to reduce State participation by means of de-regulation and privatization. In other words, retake economic growth and profitability, but on new bases.

The liberal ideological appeal to reform the social area was the prevalence of bureaucracies that were rigid, costly, and distant from the population, with differentiated and unequal utilization of benefits and generator of the population's dependence on the State. Based on the principles that planning reduces individual choices and protection is a private problem, it was concluded that State intervention is a mistake (ALMEIDA, 2008). The result was that the social protection structures were the most affected by policies intended to contain the capitalist crisis as from the 1970s (BEHRING; BOSCHETI, 2006).

The process defined in the literature as welfare states retrenchment, which took shape with the 'welfare consensus' crisis and the consequent neoliberal initiatives, indicates that the countries have implemented it in different ways and degrees of deepness, but with similarities in some aspects. In a greater or lesser extension, changes have been made through the reduction of increasing public social expenditure; introduction of management mechanisms drawing on the so-called new public management (POLLITT; BOUCKAERT, 2002); changes in the pattern of benefits; inclusion of mechanisms of co-payment; and introduction of private services (COUSINS, 2005; ALSPATER, 2003). However, despite these changes, containment policies did not succeed in altering the backbone of social security systems, but the changes that were implemented have already shown their consequences in terms of inequality and inequity.

In Latin America, the reduction of social welfare states was sharper in the 1980s and 1990s (TAVARES, 2008). More recently, with the entrance of governments of more popular character (with all their differences) in some countries of the continent, the reforms

have been restrained and more comprehensive policies have been implemented. However, they have not been capable of altering in a significant manner the segmented structures constructed by the neoliberal hegemony.

The Brazilian case presents differences and similarities with both the European case and the Latin American case. In Brazil there was an attempt to build a welfare apparatus similar to European welfare states, within the legal framework of the 1988 Federal Constitution. However, this construction was late in relation to the central countries and it occurred precisely in the period of the 'welfare consensus' collapse and prevalence of the 'Washington consensus', when social policies were being reduced worldwide. On the other hand, Brazil presented similar context as other Latin American countries regarding the 1980s crisis and economic stagnation, and the political transition to democracy; plus the country dealt with several proposals conducted by international agencies in order to face this crisis. But Brazil did not integrally follow the reforms implemented in Latin America. The structures of the social policies designed in the Constitution were not broken; on the contrary, they were largely implemented. Nevertheless, there was a corrosion of these structures during the following decades, producing a complex dynamics of segmented rights, highly potent focalized policies but with no relation with universal policies, low relationship with the economic policy causing severe constraints to financing, and 'inside' privatization of the systems, i.e., by means of continuous preference to purchase services from the private sector.

In this sense, Brazil followed more the retrenchment process of the original welfare policies than the rationality of Latin American reforms, at least until 2016. The United Kingdom (UK) stands out among the European countries that adopted the most restrictive measures. The role of this country in the historical construction of social security is undeniable and it is again with the reforms of the past decades. Although other countries had more comprehensive systems than the UK in the mid-20th century, it was based on the Beveridge Report and the measures implemented by the country that the so-called 'social democratic consensus' or the 'Keynesian-Beveridgean settlement' was formed (LAVALETTE; PENKTEN, 2003).

Several decrees issued between 1944 and 1949 regarding education, unemployment insurance, health, family, social assistance, and housing established the British welfare state and served as a basis for similar experiences in other countries. The case of health is the most exemplary, because the UK was the first country to organize a national and universal health system, the National Health Services (NHS), which still is considered one of the most efficient and is treated as a social institution by the British people; this is the reason why it served as the basis for the Brazilian sanitary reform in the 1980s.

Even though it was not considered as the country where welfare was the most expansive, the UK was also the precursor of the welfare reforms or retrenchment. It was

mostly during the conservative government of Margaret Thatcher that the ideological framework of the welfare inefficiency was disseminated. There were innumerable changes in the health area and there are many still being implemented. By not altering the central structure of the system – during the early reforms of the Thatcher administrations NHS had the support of 95% of the population – the government implemented internal changes, focusing on management and stimulating the private logic (LOBATO, 1997). The logic of internal markets or quasi markets was introduced in such a way that social institutions would adopt mechanisms of buyer-seller agreements 'as if' (quasi) of the market (LAVALETTE; PENKTEN, 2003; ALMEIDA, 2008). There was also the stimulus to volunteer and for-profit participation in the delivery of several social services.

The agenda of the Labor Party that followed the Conservative government did not significantly alter the direction of the reforms, thus indicating the continuity of the proposals despite the distinct political guidance; this confirms the logic of the consensus on the need for reforms and the 'impossibility' of intervener States to be expansive on social protection. Those measures formed the agenda of reforms and were widely adopted in several countries, with more or less deepness.

THE BRAZILIAN CASE

In the Brazilian case, social policies have been highly dependent on economic development projects of different political regimes, relegating to a secondary level the adoption of strategies for the effective improvement of living conditions and the creation of minimal patterns of social equality. Citizenship was based on the need to give legitimacy to different regimes, and this caused social rights to develop in fragmented and unequal forms. The prevalent pattern was that of regulated citizenship (SANTOS, 1987) whereby the access to rights depended on the insertion in the formal labor market, with privileges to the urban sectors that were indispensable to the industrialization process.

In a model that was similar to that of many other countries in the South American continent, potent structures of social protection were developed aiming at urban workers and based on the contribution of employees and employers. Social security and health were until the mid-1970s within the same system, which provided mainly retirement, pensions, and medical assistance. Rural, informal, and domestic workers, who had always represented a significant quantity of the country's labor force, were not covered by these benefits. Social assistance, on the other hand, had always been strongly associated to traditional mechanisms of intermediation of interests, as with clientelism, having also been an important element of successive regimes legitimation. As a consequence, in terms of State

actions, it was treated mainly as an element of exchange and related to favors and benefaction (PEREIRA, 2001; SPOSATI *et al.*, 1992).

Another important element of the development of social policies was its anti-democratic character. It is worthy to register that in Brazil social policies have developed more significantly in authoritarian periods – Getúlio Vargas dictatorship and the military regime. This has left a legacy of high centralization, low interference from the population, and little transparency, besides bureaucratic institutions focused on technical competence. Though there has been a long democratic period since the end of the military regime in 1985, these characteristics still permeate sectorial structures of social policies, despite the considerable advances made.

With the 1988 Constitution there was the recognition as social rights of the access to healthcare, social security, social assistance, education, and housing, besides security, leisure, and work. Social security was implemented comprising the areas of health, social security, and social assistance. The notion of social security represented an advance in the institutionalization of a broad model of social protection, which established the universalization of access, the state's responsibility, the integration between the three areas and the creation of a specific and exclusive budget with new financing sources. There was also innovation in sharing responsibility among the three levels of government by means of decentralization of competences and resources, social participation and control, and the creation of collegiate instances to conduct the systems.

Citizenship, democracy, social solidarity, and State intervention were explicitly or implicitly incorporated to the 1988 Constitution when the notion of social security was introduced. However, it is known that there was very little solidity in the Brazilian social structure at that time regarding those elements. By introducing the notion of social security, the Constitution represented an actual legal rupture, with a significant symbolic value, but most of the bases for its implementation were yet to be built. From the viewpoint of the desired social justice it was its cornerstone, but political and economic contradictions would have to be faced later on.

The design of a new shape of State would certainly raise problems in a society with low levels of social organization, anti-democratic in its State and social institutions, and highly unequal. This society had a potent structure of delivery and guarantee of social goods, though characterized by a low coverage in relation to the entire population, restricted to the middle portions and of the formal market, bureaucratized, permeated by clientelism, constantly captured by privatist interests, and with a high degree of corruption. This reality clearly generated the superposition of actions, unsound use of resources, dissatisfaction of citizens in general, and a cruel relationship of disregard with the poor population.

The implementation of the constitutional model has been considerably conflicting; this may be attributed on the overall to the opposition between what is established in the Constitution and the governmental projects that followed its promulgation, besides the conflicts inherent to the institutionalism of the incipient democracy. Moreover, security as a pattern of social rights and social justice suffered from the valuational limitations inherent to the society that adopted this notion. As a result, there is the incomplete and insufficient pattern of our social welfare state.

The institutional shift in social policies in the last 20 years is in many aspects innovative and progressive in relation to past models. This can be identified in its political-organizational apparatus and in the conception of the social issue that has been supporting the implementation of social policies in recent years (LOBATO, 2009).

These advance zones co-exist with others where the conduction of social policies strongly focuses on poverty, defined by the income level and not by necessity; the social risks are either associated to misery or maintained by contribution – either the risks of the miserable or the risks covered by social security to those who are ensured; there is a visible underfinancing and constant contingency of resources for fiscal balance; the purchase of private services prevails instead of the investment on public apparatuses; the assistential coverage is low and the access is precarious. Even during the recent period of economic expansion the mechanisms of the culture of crisis remained (MOTA, 2008) in relation to the social policies, currently urged by the neoliberal radicalization of the government after the impeachment of President Dilma Rousseff.

Several social policy experts identify the current pattern of social policies in Brazil drawing on the dynamics of capitalism and its recent shifts, both worldwide and in the country (MOTA, 2008; BEHRING, 2003, BEHRING; BOSCHETTI, 2006; BOSCHETTI, 2010). These analysis identify that the transformations of capitalism have shifted from the stage in which the welfare consensus was predominant, with the prevalence of the use of public funds for financing the reproduction of the working class by means of universal State services (OLIVEIRA, 1988), to a new stage, with the inclusion of social policies in the logic of capital financialization, demanding that profitable social services are handed to the private sector and keeping the focal assistential programs.

The particularities of this process in each country, though, require the aggregation of variables relating to institutional and political internal conditions. If the situation of security policies may be explained by the injunctions of recent capitalism, which acted in the sense of counter-reforming and restricting social rights, one may ask to what extent is there today a different pattern from the one established by the Constitution and what would this pattern be from

the viewpoint of the organizational and political-institutional structure of social security. These elements have been well explored in the national literature in the sense of identifying the framework of social policies derived from 'our welfare' as defined in the 1988 Constitution.

The notion of social rights traversed the decision arena of social policies, expanded to non-traditional areas such as public security, culture, and diversity rights, and is the fundament of social movements in all areas of social policies. Social security was the touchstone of this inflexion, drawing on movements for the right to health in the 1980s that permeated actors and arenas in defense of the institutionalization of social rights. Within social security, the areas of health and assistance are currently among those that advanced most in this institutionalization, whether or not in the sense designed in the Constitution.

By identifying this set of changes and systematizing it around priority areas recognized by the international literature it will possible to carry out studies and future research on social security, and identify the Brazilian pattern of social security regarding other countries and the limits of this pattern regarding the proposed model. Then it will be possible to contribute to identifying tendencies of social security as well as those of other social policy areas.

WELFARE TYPOLOGIES

The typologies of welfare models or regimes have considerably guided the literature in most countries, especially in Europe. The extensive use of those typologies and its limitation to European countries has engendered the need to expand them by including other countries or regions that did not fit in the traditional models. Currently, the literature seeks to incorporate Asian or Mediterranean countries (DRAIBE; RIESCO, 2006), for example. Gough and Wood (2004) substitute the category of welfare states by welfare regimes, incorporating the community dimension to the classic tripod State-market-family.

In Latin America the welfare typologies have also been largely used and in Brazil the models or regimes of social policies or social protection were investigated, analyzed and widely applied to the Brazilian case (FLEURY, 1994; DRAIBE; HENRIQUE, 1988; WERNECK VIANNA, 1998), though more to the history of social policies than to the current situation. But the investment in the analysis and construction of models for the 'Southern' countries is still small (HALL; MIDGLEY, 2004).

Despite the limitations of those typologies, they have been and still are widely used as a mechanism for the identification of social policies reach in each country and have served to rank their position in relation to the other countries (ARTS; GELISSEN, 2002; COUSINS, 2005; HALL; MIDGLEY, 2004; ASPALTER, 2003). This broadens the apprentice-

ship and the exchange of experiences, but has also served and still serves as a support to propositions in developing countries in the direction of extended social policies systems.

Arts and Gelissen (2002) advocate the investment in the construction of typologies, because they are a trustworthy instrument for the classification of welfare states, a means for a final explanation (and not an end in itself), and finally because typologizing helps the theorization of welfare.

Cousins (2005) highlights limitations of these typologies – especially that by Esping Andersen due to known criticism on the absence of a focus on gender –, but defends them, arguing that they can help to understand not only the European welfare states, but also to what extent those that are currently in existence today do correspond, or not, to the typologies (COUSINS, 2005). Kasza (2002), for example, criticizes the fact that the typologies concentrate on the mechanisms related to work and income, disregarding other important programs.

In general, the typologies approach two large dimensions: the economic, political, and social context of the emergence of social security systems and their reforms; and the internal characteristics of these systems. In the context dimension, typologies may emphasize the structural conditions of capitalism and the formation of labor force, the industrialization process, the political coalitions that imposed or favored the establishment of social security, and the political-institutional history of social policies, or even the political culture of the social formations.

In the dimension of internal characteristics of systems, the models and their groups of countries are differentiated according to the financing of social policies (re-distributivity), extension of State intervention in the control and direct delivery of services, extension of benefits (from residual to universal coverage), comprehensiveness of benefits (social needs covered), regulation (role of the State in the control and direction of the systems' agents), and institutions (agencies responsible for the systems' control).

Although the context is essential to explain the emergence and development of systems, it is the systems' internal characteristics that produce materiality to social security and indicate important distinctions between countries with similar models. Until the collapse of the 'welfare consensus', the comparative pattern was considerably based on the notion of equality and equity of the systems. Thus, the 'best' models were those that reached universal coverage and covered a large quantity of needs – the most known are unemployment insurance, illness insurance, retirement, pensions, integral health, minimal or basic income guarantee, attention to families with children, and education.

The countries that most advanced in this structure were those where the systems were financed with fiscal resources, and delivery was prioritarily made by the State. Thus,

effectiveness was related to greater equableness and equity, and this depended on how much the systems were more comprehensive, distributive in the financing, and in keeping the provision of services in the hands of the State.

With the neoliberal hegemony, this qualification is no longer based mainly on the generation of equableness and equity, and incorporates the element of macro and microeconomic efficiency, which produces a set of restrictive solutions to the social security systems. The reforms that were implemented have already demonstrated the limitations of this 'efficiency', given that studies, especially in the health area, highlight that the shift to the private services sector raised the costs of the systems – not to mention the reduction of equableness and equity. Even so, the idea of the State's capacity, or capacity limit, as a new version of efficiency remains strong in the guidance to carry out reforms in the social security systems.

It is in this sense that most of the Brazilian production on social security takes the normative criterion as a basis for the analysis of shifts and the current pattern of social security policies in Brazil, being this criterion the 1988 Constitution. Hall and Midgley (2004), analyzing the theoretical perspectives on social policy, have identified that the normative theories have a crucial role in social policy, because they have influence in the decision-making arena. They highlight, for example, the importance of the distinction between ideological traditions such as individualism, collectivism, and populism, and their reference to the role of the market, the State, and the community, respectively, when providing a normative basis for several social policies and programs (HALL; MIDGLEY 2004).

The advantage of the normative theories would be the assumption that the ideological perspectives guided the theoretical construct. Heywood (1997) shows that concepts are influenced by models and theories and macro-theories that, in their turn, are influenced by paradigms and ideologies. Thus, it is reasonable to assume the parameter of social citizenship and universal social rights as the locus of political and institutional construction of more advanced levels of equableness and equity. And the 1988 Constitution would be a privileged parameter in the construction of the Brazilian welfare.

CONTRADICTIONS AND PERMANENCE OF THE WELFARE STATE IN BRAZIL

Some elements used in the social welfare literature referring to the economic and political context or to the internal structure of these policies have been changed from historical explanation into potent analytical categories for the analysis of specific cases, valorized to a lesser or greater extent by theories of more economic approaches (WILENSKY, 1975) and by more institutional theories (CASTLES, 1989) (AMENTA, 2003; ARRETCHE, 1995). Among these elements, those to be highlighted are the degree of de-

mercantilization, the commitment between capital and labor, the relations between the market and the public sector, the role of bureaucracy and the central authority, and the role of the middle classes. These elements are well-known in the Brazilian literature on welfare state but, apart from the role of bureaucracy and the central authority, they are not very much applied in empirical researches to study the intervention of or in social policy.

De-mercantilization, a category developed by Esping-Andersen (1990), regards the autonomy that individuals have in relation to dependence of the labor market. When delivering goods and services regardless of the insertion in the market, social policies guarantee this autonomy and in this sense the welfare States would be the regulators par excellence of the labor market. On the other hand, the more the social relations are de-mercantilized, the more the workers will have the strength to vindicate rights (ZIMMERMANN; SILVA, 2009). Thus, de-mercantilization involves the economic aspect and also the political aspect. In the Brazilian case, the social policies post-Constitution were not able to create entirely de-mercantilized social relations. Greater impacts in de-mercantilization were produced by measures like rural retirement and the establishment of minimal one minimum wage for all social security benefits.

The 'Continuous cash benefit' (Benefício de Prestação Continuada – BPC), an important benefit for elderly persons and those with special needs, with high positive impact in these persons' lifes, suffered constraints due to the extremely low income range elegibility – *per capita* household of maximum one quarter of the minimum wage – and also due to excluding normatization regarding medical evaluation for persons with special needs. This rigor has recently been softened with the inclusion of social evaluation, which considers social impairments and not only biomedical ones for the concession of the benefit (LOBATO; BURLANDY; FERREIRA, 2016). The impact of this measure is not entirely known yet, but combined with the income and the norms for the analysis of household composition it does not seem likely that it will be possible to significantly extend the access of persons with special needs to the benefit.

Therefore, BPC has a significant coverage to elderly persons in extreme poverty, but it does not seem likely that it will extend its coverage to a wide contingent of persons with special needs, many of them children and with mental disorders, whose deficiencies make it quite unlikely that they will have an insertion in the labor market. Moreover, the insufficiency of co-related services of health, social assistance, and education, for the inclusion of children and youth with special needs in schools, jeopardizes their social inclusion and their future, and also increases the family commitment with home care, thus restraining the access of family members to the labor market, particularly of women, who remain dependent on unqualified and irregular activities.

The increase of jobs during the administration of President Lula da Silva was significant, with the creation of 22 million new jobs, with 90% of formal jobs. But those were jobs with low qualification, generated mainly in the service sector, and 95% of them were not more than two minimum wages (POCHMANN, 2014). The increase of jobs in the service sector is related to the intense process of de-industrialization registered in the 1990s; and though formalization reduces the precariousness of labor because it generates access to rights like unemployment insurance, those are low qualification functions not occupied by middle portions and therefore there is the persistence of 'bottlenecks' in areas that require qualification (MONTALI; LESSA, 2016).

The dynamics of labor itself remains insecure, given the significant increase of the sick pay benefit that rose from roughly 30% in 2000 to 55.6% of the General Regime of allowances, stabilizing in roughly 45% in the following years (FREITAS, 2013). Various factors contributed to this increase, which has recently generated control measures by the Social Security, among which are the restrictions to the recognition of labor accidents that generate the accident illness benefit.

Analyzing income mobility in regions of Brazil, Montali and Lessa (2016, p. 528) indicate that the income raise registered between 2001 and 2012 "was not followed by substantial improvement in other indicators such as job quality and education", despite various policies and actions in this direction. The authors also show that despite the progress registered in the access to public urban services between 2001 and 2012 there still is a significant distance between income sectors, with losses for the poorer.

Employment fragility, low educational level, insecurity in relation to the access to benefits in risk situation, and insufficiency of universal services show the fragility of the process of de-mercantilization of our welfare state. It is important to consider the effects of globalization on welfare states, which are not well-known yet in Brazil, especially those resulting from the opening of the national market to social services sectors (CORTEZ, 2008). This new configuration also influences the conformation of players and their interests. Examples in the health area in Brazil would be the new players and especially the arrangements of interests regarding changes in the private hospital market and in health plans enterprises, or the growth of medical services enterprises, such as the so-called Social Organizations (Organizações Sociais – OSs).

The changes in the productive organization produce impacts on the collective organization and on the demands for collective rights. De-mercantilization depends not only on the ensured delivery of benefits and services; it needs recognition from the collective subjects. Pochmann draws attention to the fact that the recent ascension to employment of

large parcels of the population was not followed by greater participation in unions or associations (POCHMANN, 2014). Social policy studies should seek to understand the collective dynamics resulting from the expansion of our welfare state to identify future strategies.

The fragility of the de-mercantilization process is associated to another element of importance to the sustainability of welfare states – the element of values (ROSANVALLON, 2000, ESPING-ANDERSEN, 1999). The notion of citizenship, which is a political basis for the construction of the constitutional model, seems not to have reached its inherent fundament of social solidarity. The notion that prevails is that of right: right to education, to health, etc., and of the State's responsibility. But this right is not necessarily related to the notion of equality, expressed in the public and collective delivery, but rather to the individual right.

Though public systems are used by everyone, the different social segments do not meet, because the social stratification of society is present in the social protection systems. This is the case of the differentiation in the access to public school and higher education; in the access to higher levels of complexity and regular services of the Unified Health System (Sistema Único de Saúde – SUS); or the social assistance preferentially aimed at the vulnerable population, when violations of rights are collective risks and may reach everyone.

The fact that a significant portion of the population has access to private health plans is not trivial from the point of view of the collective construction of the right to health and it hinders the propagation of a culture that is favorable to extended and egalitarian social protection. The extension of our democratic social welfare state in the 1988 Constitution did not count on a pact between social classes. Even the cutting edge sectors of the working class, which have supported SUS, maintain that support but demand private health plans in the collective agreements with employers and do not support that non-contributive benefits make part of the social security system. On the other hand, entrepreneurs resisted to the predominance of the public sector and to the expansion of the State's role in the Constituent process.

The phenomenon of the welfare consensus' collapse is common to countries that built welfare states, and scholars stress the difficulty to maintain social solidarity in times of globalization and changes in the labor profile (CORTEZ, 2008). For those countries, the issue is how to maintain welfare systems without the valuational basis that supported them. According to Cortez, there seems to be an increasing shift between the provision of social services and the maintenance of the pillars that guarantee social 'cohesion' (CORTEZ, 2008).

In the Brazilian case, this may be verified in the request for social services without the correspondent association with social solidarity. This could explain the lack of associa-

tion between the conditions to guarantee SUS principles, as integrality and equity, and the prioritization and fragmentation of services delivery by the private sector.

Regarding social assistance this lack of consensus is even more problematic. The construction of the Unified System of Social Assistance (Sistema Único de Assistência Social – Suas) has followed in an equal way the preference for income transfer benefits, which in 2011 represented 86% of the federal spending in social assistance, with little resource left for the maintenance of the system and its social assistential network (SPOSATI, 2015). This not only jeopardizes the system but also reinforces the notion of social assistance as a policy for the poor and, worse, for income poor. The system is still marginal in the configuration of social protection, despite the normative advance of social assistance by means of measures such as the typification of assistential services, which modifies the logic of the relationship with volunteer entities of services delivery, and the Law nr. 12,435/2011, which presents the regulation of SUAS and creates the structure of basic and special social protection, breaking with the logic of assistance by segments of population.

Two mechanisms that are present in Bolsa Família, an income transfer program that is the 'window display' of the social protection to the poor, jeopardize de-mercantilization: the counterpart required to obtain the benefit, and the idea of 'way out'. These mechanisms, which are common notions in contemporary workfare, treat the resource of social assistance as an occasional risk.

The counterpart, even of a soft type, i.e., one that avoids penalizing the beneficiary who does not follow the requirements of children's vaccination and school attendance (at least this is how it is up to now), reinforces the classical liberal notion of control over the poor. The 'way out', or the creation of opportunities for the re-insertion of the beneficiaries in the labor market, is more perverse, because it deals with processes of different amplitudes on the same level – the situation of poverty or extreme poverty and the entry in the labor market. As if the reception of a given qualification by the Program would guarantee the entrance of the poor into the labor market. If this has not shown significant effects in countries with higher educational level and better working conditions, would it in Brazil?

The constitutional model has also lacked the support of a political parties' coalition. Welfare states may be less dependent on parties, unions and social movements when they are consolidated and count on the support of users and professionals of the services. In the Brazilian case, coalitions were sectorial, such as in health and in social assistance, formed mainly by professionals and civil servants. These coalitions focused their efforts on the construction of systems by means of the formation of public policies.

It was a well-succeeded strategy because even without the support of strong political parties and being marginal to the economic projects, the public protection systems

served a political role in different governments, either as part of the State 'modernization' project – as in the case of President Fernando Henrique Cardoso's administration –, or as part of a 'neo-developmentist' project – as in the case of President Lula da Silva's administrations and part of Dilma Rousseff's administrations. However, the capacity to reform the public policy showed its limits in face of the structural fragilities of low insertion in the economic policy, low degree of de-mercantilization, absence of egalitarian values, and little support from political parties.

The priority given to institutionalization by means of public policies was extremely positive from the legal viewpoint and the construction of national systems, but it did not reach sub-national spheres in the same way. One of the most innovative precepts of post-1988 social policies was decentralization as a mechanism to strengthen democracy against the centralizer tradition, but it seems that this was one of the problems of the expansion of the national systems. The committees of agreements (instâncias de pactuação), innovative mechanisms for the negotiation of public policies, have not been capable of tackling federative conflicts and the model of competition between political parties in the spheres of the states and municipalities.

CONCLUSION

The social order instituted in the 1988 Constitution inaugurated an advanced model of welfare state, with significant impact on the population's living conditions up to now. But structural elements of support to this model could not be altered or were only slightly altered. Given the successive contexts of unfavorable conditions for the consolidation of this model, its development prioritized the State dynamics, especially on the federal level, by means of sectorial policies, services and benefits, which does not provide the necessary solidity to face retrenchment conjunctures.

The priority given to State dynamics was also a sort of 'barricade strategy' in defense of social policies in the face of the dissociation of the successive economic models adopted, especially in health. Even the so-called neo-developmentism did not achieve universalization in the health area, being more active in the stimulus to consumption and markets, and prioritizing income transfer programs. Not even in that propitious moment did health gain prominence, despite its importance as an industrial sector; on the contrary, it increased its dependence on the foreign market. This was the case also in other Latin American countries, where this progressive model did not manage to break from the heritage of economic policies of the preceding liberal period. Despite the advances of this model, the current obstacles are also related to the antinomy between the extended expansion of welfare and macroeconomic policies.

The positive and well-succeeded relationship between the expansion of social policies and democracy in Brazil, expressed in the democratic transition, in the 1988 Constitution, and further on in the design of social policies, when considered in the face of the coming retrocession appears to be exhausted and must be re-created. It is known that democracy and social policies do not necessarily go together, and Brazilian history is an example of this. But the efforts made in the past 30 years, in the sense of relating one to the other, admitted the supposition that some stages were over and could not be altered, despite the constant clashes in the areas of financing and management and in the hindrances to overcome the traditional ways of interests intermediation, very much present in the real dynamics of social policies experienced by the population.

How to re-create the democratic sense of social rights and social citizenship? What kind of democracy is capable of providing full sense to social policies? Which social policies do effectively make democracy be consistent? Brazil and the Latin American cases challenge the literature on social welfare states to answer these questions.

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Chapter 6

Second capitalist globalization and impasse in social welfare policies

Marcio Pochmann

From the mid-19th century until World War I in the 20th century, the advance of the first capitalist globalization wave led by the United Kingdom was followed by deep transformations that enabled Brazil to improve its relative position in the old International Division of Labor (IDL). However, the same feature has not been verified in Brazil since the 1980s, with the emergence of the second capitalist globalization wave.

Drawing on this evidence, this chapter intends to contribute with elements that help to understand the main current challenges to the development of Brazilian social welfare. Initially, it should be stressed that the set of changes that the country went through in the turn of the 19th to the 20th century was fueled by political majorities that reconfigured the status quo of that time.

In Brazil, the decades of 1880s and 1930s are crucial to exemplify the well succeeded efforts of the respective new governing elites regarding the new courses of the country. In the last quarter of the 19th century, for example, there was the achievement of reforms – political (1881), labor (1888), governmental (1889), and constitutional (1889) – that favored the transition from the old mercantile economy to capitalism.

Subsequently, the engagement of the new elites in the period between the decades of 1930s and 1970s was crucial to enable the transition from the archaic and long-lasting agrarian society to the urban society by means of a national industrialization project. The various reforms achieved in the spheres of the State's organization, political democratization, and labor rights, among others, proved to be operative and efficacious for the country's moving from the position of a mere commodities exporter to being ranked eighth worldwide among the most important industrial economies.

This was possible due to the developmentist pact between national and foreign entrepreneurs, workers and State rulers. But at the end of the 1970s, when the country was about to become consolidated as an urban and industrial society, the phase

of post-WWII regulated capitalism was surpassed by the emergence of neoliberalism in the rich countries.

To aggravate the picture, Brazil faced the foreign debt crisis between 1981 and 1983, and had in the economic direction of the last administration of the military dictatorship (1964 – 1985) the decisive strangling of the majority of the old developmentist policy and the disconnection from the progress of the third Industrial Revolution. In the 1980s' context, the propulsion of the Washington Consensus released the forces of the second globalization wave, which was followed by the descendant inflexion of Brazil's relative position in the new IDL with the decadence of national industrialization.

As there is no vacuum in politics, the space further occupied by punctual and non-enduring agreements in the political cycle of the New Republic initiated in 1985 with President José Sarney, from the Democratic Alliance (Aliança Democrática), buried the program Hope and Change (Esperança e Mudança) from Brazil's Democratic Movement Party (Partido do Movimento Democrático do Brasil – PMDB) that aimed to constitute a new elite to reform the country's capitalism. In the 1990s, the period of Fernando Collor de Mello and Fernando Henrique Cardoso, what remained from the industrial bourgeoisie capable of subordinating the other fractions of the capital to the national development was detonated to be handed over to financial domination.

In the same way, without a strategy, the deepening of the privatization and internationalization of the national industrial park jeopardized a possible active integration to global value chains. As if by magic, Brazil became unprepared and with no large transnational corporations to be able to compete in the land of 500 giants that took over control of global capitalism.

Complementarily to this, the tripod of the macroeconomic politics established after the 1999 crisis of the Real Plan (Plano Real) led the national sovereignty mechanisms to exhaustion. On the one hand, it linked the control of inflation to the valuation of foreign exchange, thus accelerating the process by which productive capitalists became mere import traders.

But in order to keep the Real artificially valued as national currency, the internal interest rates became the highest worldwide. This attracted speculative capital into continuously balance the transfer abroad derived from the irresponsible stimulus to import, deviant external tourism, and other shameful financial services.

On the other hand, the macroeconomic tripod imprisoned the State finances in order to force the sanguinary fiscal surplus for the payment of public indebtedness produced

by the high and criminal interest rates. For this purpose, permanent fiscal adjustment was used by restraining resources – such as public investment – including social expenses in the form of contingencies and unbinding Federal Government revenues (Desvinculação de Receitas da União – DRU).

Even during the largest global capitalist crisis initiated in 2008, Brazil continued to be the world's champion of real interest rates while most countries practiced near zero interest rates, quite below inflation. This was the reflection of the continuity of the macroeconomic policy tripod that led the industry to a decrease of 9% of the Gross Domestic Product (GDP).

The reinvention of a new political majority in the second half of the second decade of the 20th century became crucial, presupposing the support of a new economic program, alternative to the tripod of the macroeconomic policy austerity implemented in 1999. Without this, the tendency to the secular capitalist stagnation has a free horizon to grow in Brazil, and this would not be a previously unseen historical fact.

According to Sérgio Buarque de Holanda, the history of the country's economic progress has followed the shape of a rosary of miracles. In other words, a succession of cycles of economic peaks that started with the colonial exploitation of Pau-brasil tree (*Paubrasilia*) and was followed by sugar, gold mining, and coffee.

In this perspective, the national industrialization during the 1930s and the 1970s perhaps could also be understood as the possible response to the end of the first capitalist globalization wave; whereas the deindustrialization movement observed in the turn to the 21th century would derive from the context of the second capitalist globalization wave and therefore the end of one more economic cycle.

On the other hand, it is noteworthy that Celso Furtado showed that in Brazil between one economic cycle and the following one there was a long phase of national decadence, as occurred between the end of the gold mining cycle in the 18th century and the rise of the coffee cycle in the 19th century. If one looks into the period of 35 years between 1945 and 1980, the Brazilian industrial capitalism showed an average growth rate of almost 7% per year, while during the 35 following years, from 1981 to 2016, the performance of the Brazilian economy grew at a low annual average rate of 2%.

When changing the parameter to income *per capita*, it is verified that in the first period (1945 – 1980), the average growth rate was almost 3.5% per year, whereas in the second period (1981 – 2016) the average growth rate fell to 0.7% per year. This is a clear sign of a practical stagnation of *per capita* income of the Brazilian population.

Brazil should not continue to wait for a miracle, as if it was doing its part in saying

the rosary. It may help to accommodate the primitive in the current elites, but it will take nowhere besides what is being observed in the last 35 years.

The political cycle of the New Republic is dead; all that is left is to bury it. The tripod of the macroeconomic politics continues to make the country have a rickety growth, without carrying out a treatment for the anorexia that dominates the national economy.

The backward forces grow, defending a return to the 19th century. They wish to undo the basic social complexes of the 1988 Federal Constitution and definitely end the Vargas Era through labor and social security reforms.

The demand for left-wing policies remains strong in Brazil, although the offer is practically nonexistent. The new service workers' class and the subproletariat, until recently emerging, remain untouched by the left-wing forces, which seem to conduct looking only through the rearview mirror.

The new and urgent Brazilian inflexion will depend on what the left-wing wishes to do. Building a new majority means choosing and empowering previously unseen political actors, besides the existing ones, and concomitantly having a project for the country distant from the continuity of the current tripod of macroeconomic austerity policy.

For this purpose, Brazil broadens horizons and, as in the 1930s and 1980s, would consecrate the possibility of creating a new political majority and an alternative economic and social program to face the second capitalist globalization.

GOVERNMENTAL POLICIES AND RECENT DISTRIBUTIVE SHIFT IN BRAZIL

The free evolution of market forces historically points to income and wealth concentration. By the hands of the State, the intervention on the capitalist dynamics enables the production of distinct results, depending on the correlation of political forces capable of reversing the centralizing distributive trajectory in the form of institutional actions that shift to the working classes the income flows appropriated by the owners and the society's privileged segments.

According to the current specialized international literature, advanced capitalist countries that until recently were referential in terms of less concentrating distributive trajectories have reconnected with the perverse past, i.e., the return of alarming indicators of increasing poverty and worsening of income partitioning resulting from neoliberal policies (OXFAN, 2014; ILO, 2014; PIKETTY, 2014).

Brazil, on the other hand, follows a distinct perspective since 2003, when the coun-

try abandoned the neoliberal prescription and started to simultaneously reduce poverty and income inequality. This is a specifically positive moment when compared to the Brics (Brazil, Russia, India, China and South Africa), seen that the other countries of the group are not able to combine poverty reduction with a decrease in income inequality.

Countries in the American continent that achieved progressive constitutional changes through the formation of advanced political majorities (Bolivia and Ecuador) present a higher performance regarding a combined decrease of poverty and income concentration. When comparing to nations in the region that continue to be aligned with neoliberal policies (Colombia and Mexico), Brazil's performance has been considerably better.

In this context, this chapter seeks to identify the different distributive trajectories in Brazil since 1960, when the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE) started to survey the population's income. Subsequently, it aims to describe the recent move of income flow as from the 2000s, capable of explaining the reduction both of poverty and inequality in the country.

In the last five decades, for example, the distribution of work income in Brazil presented three distinct trajectories according to official statistics. The first one occurred between 1960 and 1980 with a decrease of 11.7% in the relative weighing of work income in the national income, and a near 22% worsening of inequality in the personal distribution of income.

The second distributive trajectory occurred between 1981 and 2003, when the participation of work income in the national income accumulated a 23% loss. At the same time, inequality in the personal distribution of work income remained practically unaltered, with an average 0.1% annual decrease.

Finally, in the third distributive trajectory, which has been occurring since 2004, there is a 21.2% increase of the participation of work income in the national income. In relation to inequality in the personal distribution of work income, a 12.3% decrease has been verified.

Graph 1. Brazil – evolution of rates of inequality/persons of income* and of parcel of work income in national income (1960 = 100)

Source: IBGE/National accounts, Censuses and PNAD (National Household Sample Survey).
* Gini Index.

Graph 1 registers the evolution of work income participation rates in national income and personal inequality in work income, measured by the Gini index. It was possible to verify the existence in Brazil of three distinct distributive trajectories in over half a century of methodologically systematized official statistical data.

In the first decade of the 21st century, the shift in income flow expresses both the restraint of financial income (rentism) and the growth of work income above the expansion of national income. The deflation of financial income sustained by transfer of public resources as a proportion of the national income resulted in the reversion of the priorities of governmental policies.

In order to have a relative decrease of public resources transfer to the owners of financial investment, a repositioning of the federal government was necessary regarding the public sector indebtedness inherited in 2003. Initially, one should highlight the end of a long phase of transfer abroad of parcels of national economic surplus by means of the external debt resolution during the administration of President Lula.

It should be remembered that as from the external debt crisis, in the early 1980s, Brazil started to transfer to external creditors an annual parcel of the internal income. Due to the economic policy of export adjustment, the country managed to transfer abroad an annual average of approximately 4% of the GDP.

This amount was even higher in certain years, as in the 1998 financial crisis, leading the country to request once again an agreement with the International Monetary Fund (IMF) in order to avoid the ruin of the national economy. But as from the 2000s Brazil changed from the condition of debtor to creditor of IMF, having resolved the external debt problem that implied in transferring abroad part of the internal income flows.

In the sequence, one highlights the restraint in the process of shift of internal income flow to the process of financialization of the country's economy. For example, in the 1980s, public resources transfer to the owners of financial investment occurred by means of high inflation rates combined with a wide financial indexation.

Thus, the internal public debt, which was responsible for the shift of public resources to the segments that owned financial bonds, increased from 29.7% of GDP in 1981 to 57.6% in 1984. In 1994 the dimension of the public sector net debt represented 30.9% of GDP.

With the end of the hyperinflationary phase, as from 1994, the public sector indebtedness started to grow again, reaching 55.5% of GDP in 2002. Furthermore, the predominance of neoliberal policies in the 1990s led to the increase of the tax burden and the sale of state-owned productive enterprises to the private sector.

The shift of the internal income flow to rentism was continuous and the payment of public debt interest reached 14.2% of GDP in 2002. In the period 1995 to 2002, the State transferred an annual average of approximately 9% of GDP to the holders of the country's public debt. In eight years, the amount of public resources transferred cumulatively to rentism was equivalent to 70% of GDP in 2002.

Moving away from the neoliberal policy since 2003 implied the gradual reversion of the amount of resources shifted from the public sector to rentism. The savings in the payment of interest occurred by means of the substantial public debt decrease, combined with stretching the terms of indebtedness bonds, recomposing indexations, and lowering interest rates.

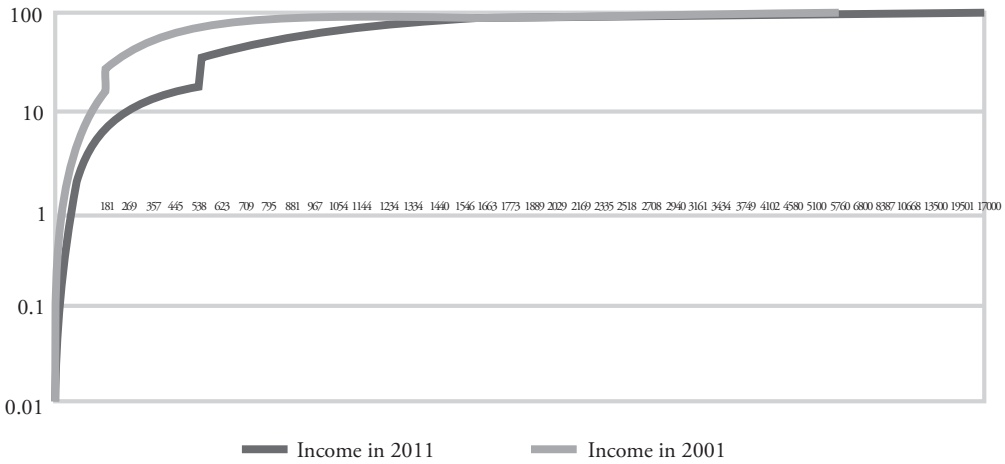
In 2013, for instance, the amount of resources engaged in the payment of public debt interest was 5.7% of GDP, representing only 40.1% of the amount transferred to rentism in 2002. The relative reduction of 40% in the public debt contributed to this, considering that there was a decrease of almost 60% of GDP in 2002 to less than 35% of GDP in 2013.

In 1980, when the process of financialization of wealth had not yet been established in Brazil, the payment of debt interest with public resources represented less than 2% of GDP per year. That year, public debt was equivalent to only ¼ of GDP.

In short, the restraint in the flow of generated income to financial investment from public resources was equivalent to the savings of approximately five to six percent of GDP when comparing the 2000s and the 1990s.

Anyhow, the interruption of neoliberalism in Brazil enabled public sector savings of 8.5% of GDP when comparing the expenditure with financial expenses in 2013 and 2002. Halting the transfer of public resources to rentism opened new opportunities to reallocate part of the national income flow in public investments, social policies and income guarantee to social segments at the base of the pyramid.

Graph 2. Brazil: distribution of population's income in 2001 e 2011 (reais 2011)*



Source: IBGE – PNAD.

*Logarithmic scale.

Due to this context, the amount of work income increased above the GDP expansion in the 2000s, pointing to the inflexion of the trajectory of part of the national income traditionally appropriated by the owners (land income, profits, interest and rents). *Graph 2* presents the shift concentrated on the low-income segments in the curve of individual income distribution between 2001 and 2011.

In terms of the monetary income distribution of the Brazilian population in 2011, it is verified that the remuneration range between 150 and 600 Reais monthly is the one that became most distant from the 2001 distribution curve. To a large extent, this income stratum expresses the impact of increases in the value of the national minimum wage, as well as the impact of social policies of income guarantee to persons retired through social security.

Also to be highlighted is that the increase in quantity and actual value of benefits paid by income transfer programs, such as Bolsa Famíla, was determinant to the shift in the distribution curve of the lowest-income population between 2001 and 2011.

By force of the generation of over 20 million new jobs during the 2000s, where 90% of them had remuneration of up to two minimum wages, a new Brazilian proletariat started to be created, expressing the shift of part of the income flow to workers. In other words, the growth of the volume of work income above the national average converged so that the segment that responds for between 6% and 38% of the poorest Brazilians could ascend economically and socially.

Therefore, the recent Brazilian success in facing poverty and income inequality refers to the change in the distributive trajectory inherited until 2002. For this achievement it was necessary to alter the shift of income that was previously concentrated on transferring part of the public resources to rentism and retaining the policies of support to workers' income.

Since 2003, though, the process of inversion of priorities started. Thus, there was lower shift of public resources to rentism; and there was the establishment of new income policies added to the support to the working classes through the high profusion of job offer and income rise at the base of the social pyramid.

There may still be a lot to be done in terms of combating the harmful income partition and the social inclusion process, but what has already been done presents undeniable and practically incomparable results.

THE NEW POLITICAL IMPASSE IN BRAZIL

Inequality constitutes the basis over which the Brazilian society was built. Originally, colonization conceived as exploitation, and slavery as sustenance of economic wealth and parameter of social relations, disseminated the generalized culture of inequality as a condition for national unity.

With capitalism and its wild nature development since the end of the 19th century, capable of removing all possibilities of effectively achieving civilizational reforms – agrarian, fiscal and social – inequality proliferated even further allied to wealth progression. Thus, the passage from the old agrarian society to urban and industrial was marked by the absence of minimal standards of individual competition and by a peculiar combination of new and old features.

On the one hand, due to the prevalence of the archaic rural structure in combination with the industrial modernity, the advances on social and labor protection, such as the 1943 Consolidation of Labor Legislation (Consolidação das Leis do Trabalho – CLT) were circumscribed to the minority of urban workers. The force of conservatism remained intact, allowing for contradictions such as the fact that presently the political majority in the National Congress is constituted of representatives of the rural sector in a country that registers 86% of its population living in urban areas.

On the other hand, the blockage to the meritocratic competition among individuals pertaining to the privileged segments of society resists by means of the vigor of a State that continues to create and sustain social monopolies that historically guarantee a differentiated socioeconomic ascent. The educational funnel makes evident how the segments of lower purchase power are kept apart from the country's social, economic and political mobility.

Neglecting universal access to fundamental education, at least until 14 years of age, during a hundred years between the instauration of the Republic (1889) and the 1988 Federal Constitution indicates how education produces and reproduces inequality. Or, maintaining the entry to higher education of all youth from 18 to 24 years of age below 15% also jeopardizes the ideals of justice in a less unequal distribution of opportunities. Not to mention the extreme quality difference that deeply contaminates the national education system.

In short, the country that built an important trajectory of significant economic growth through time as to be situated among the richest economies worldwide is the same country that brought along the reference of iniquity, thus being among the most unequal countries in the planet (POCHMANN, 2015).

Therefore, the new experience registered as from the 2000s, capable of combining the democratic regime with economic growth and the decrease of inequalities, generated not only satisfaction but also simultaneous discomfort within society. After half a millennium of social construction based on inequality it would be naïf to believe that the initial signs of inequalities decrease would be followed only by support and satisfaction.

The rising opposition reveals discomfort with the recent experience of inequalities decrease and, above all, with the possibility of keeping it active in the future. A new impasse seems to have been created in the Brazilian society between the satisfaction of those who had a faster ascent and do not wish to interrupt this trajectory, and other social segments that feel discomfort due to the increasing reduction of inequality.

The understanding of this scenario in Brazil has not been an easy task, although its consequences seem evident in terms of a growing political polarization. Since the establishment of the monetary stability achieved by the Real Plan in 1994, during President Itamar Franco's administration, Brazil has registered two distinct periods regarding the distributive pattern. The first occurred between 1995 and 2003, when few social segments improved their relative participation in work income.

While the stability of the purchase power of the average income was maintained only between 1995 and 1997, one observes that from then until 2003 the real value presented a significant decrease. Besides the decrease of the purchase power of the average income, one also observes that national unemployment presented an accelerated rise between 1995 and 1999 and then stabilized at a high level until 2005.

In the second period starting in 2004 there was a simultaneous improvement in the distributive gains in practically all social segments, i.e., the decrease in national unemployment, the rise of the purchase power in the average income of those employed, and the improvement of living conditions in all segments of the population.

The division of the society in three distinct segments – rich, intermediate, and poor – according to the income level allows verifying the change in the distributive pattern during the monetary stability in the country. Between 1995 and 2002, for example, the intermediate income segment (sixth to eighth decile in the personal income distribution scale) registered an average annual loss of 0.4%, whereas the richest 20% had a stronger income decrease (1.2%). Only the 50% poorest population had their income maintained above inflation with an average annual increase of 0.2%.

In the period from 2003 to 2013, all social segments had a significant increase in their income level. The 50% poorest population had an average annual increase of 5.8% in their income purchase power, whereas the intermediate social segment had

an average annual increase of 5.2% and the richest had an increase of 4.1% in the annual average.

Though highly important, the rise in the material standard of wealth by itself is far from being sufficient to satisfy individually and collectively a country's population. Studies have verified that for segments at the base of society the absolute rise in the standard of living are generally presented as sufficient to increase the degree of individuals' satisfaction (DAVID; REDER, 1974; STEVENSON; WOLFERS, 2008).

The same move, however, does not seem sufficient to rise the degree of individual satisfaction of those who are in the higher income strata, because the absolute increase in the individual standard of living in the middle class and the rich segment is not necessarily capable of influencing people's satisfaction.

In this case, individual satisfaction is based in the relative increase of the standard of living rather than in the mere expansion of absolute welfare, i.e., the improvement of the personal material standard of living in relation to what happens to other individuals in the society.

Thus, the movement of rise in the individual life standard is compared to what happens to peers: when superior, the degree of personal satisfaction will tend to be higher. The fact that the improvement in the individual standard of living of the rich and the middle class occurs in a level lower than the evolution of the entire society may show itself sufficient to unleash dissatisfaction.

On the other and, the improvement of the material standard of living in the society that produces a reduction of inequality presupposes that lower income segments ascent faster than the other individuals. This may produce, in general, a higher degree of satisfaction concentrated on low-income individuals, whereas among the segments of higher purchase power there may be an increased dissatisfaction when realizing that their relative standard of living grew less than that of the poorer.

On the other hand, the rise in the material level of life in the society that produces an increase in inequality tends to satisfy the higher income strata, whose standard of living rises faster than that of the poor. In this situation, dissatisfaction is not necessarily present among the poor.

This paradox of satisfaction may shed light on a differentiated situation of discomfort that is verified in certain higher income segments in Brazil related to the well-succeeded policies of inclusion implemented since 2003. In general, the elections carried out in the 2000s increasingly revealed the distinction in satisfaction according to territorial and socioeconomic dimensions of the votes.

Richer states and individuals, for example, showed a tendency to be increasingly dissatisfied with the policies of rise in the level of material life of all people, especially the lower income segments. Without the improvement of the individual standard of living of the country's entire population, especially faster at the base of the social pyramid, the inequality that is reduced may produce not only satisfaction but also discomfort and disapproval.

In Brazil in the early 21st century, the rise of the material standard of living occurs in a generalized manner among all individuals. As the improvement was concentrated on the poorer, inequality was reduced, generating different degrees of satisfaction and dissatisfaction among the population.

In short, the struggle against inequality does not have the support of everyone; it depends on the segment to which the individual belongs, as well as the absolute and relative trajectory of the individual's standard of living. Without such previous verification, it would be difficult to understand the current impasse in which Brazil is in the face of the paradox of satisfaction.

The existing relations between the infra- and the superstructure of a society have been increasingly studied in the present time. In this sense, greater importance is given to the understanding of the connections between what is manifested on the material base measured by the economy's behavior with feelings and actions expressed by cultural and political movements (POCHMANN, 2014).

The changes in the society's economic base give impulse to simultaneous effects on the society's superstructure. Though there may be changes and their consequences through time, they do occur, and their determinations should not be disregarded.

This assertion may contribute to shed light on the current political moment in Brazil. According to a public opinion survey conducted by Perseu Abramo Foundation (Fundação Perseu Abramo) with samples of participants in the manifestations held on March 13th and 15th, 2016, there is evidence of the impacts of the changes verified in the material base on people's feelings.

For those who took the streets on March 13th, on a Friday, it was observed that the average profile of participants was closer to the average national population, with a predominance of non-whites and lower-income. These sectors were substantially impacted by the economic changes since the 2000s regarding the rise of the general level of employment, jobs' formalization, the increase of incomes' purchase power, generalization of access to credit, and higher consumption and its diversification.

On the other hand, the profile of participants in the manifestations held on March 15th presented a distance from the typical characteristics of Brazilians due to their higher level of education and income and their race/color. For these social segments, the economic changes resulted in small positive impact or even in consequences perceived as negative.

Even though the ascent of those below did not have a negative repercussion on the standard of living of the higher income strata in Brazil, it produced a certain discomfort in the face of the reduction of the distance that until recently demarcated the areas of the different classes and fractions of social classes. In a certain way, it is even possible to observe the register of the feeling of threat from the better ones included in the face of the process of combatting the exclusion of the poorest, since there is a repercussion on the strengthening of the competition for the opportunities created in the country.

The filters that sustained the false meritocracy represented by the social monopolies by means of education, networks of indication, and relationship circles, are being questioned due to the advance of inclusion policies on various levels, revealing the low capability of certain higher income segments to live in a more competitive society. In fact, the democratizing movement of access to secondary and higher education, to consumption of higher unity value, to entertainment, among others, has made it more difficult for the children of those already included to continue entering higher quality university and higher wages jobs because there are more and more competitors.

Thus, the recent mobilizations in Brazil seem to indicate two directions of different natures. On the one hand, the direction of those who do not wish the interruption of the channels of socioeconomic ascent established in the 2000s because of the presently low economic dynamics, the shortage of higher quality jobs' offer, and the raise in the level of prices, which reduces the incomes' purchase power.

On the other hand, the direction of the others in favor of the obstruction of mechanisms that push the ascent of those below, with the acceptance of policies of public expenditure contingency and ostentation of morality, which are evidences of the obstruction to the stimulus of potentialities of those who come from below.

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Chapter 7

How financialization challenges social protection systems

Lena Lavinas

This chapter intends to emphasize new aspects of social policy design and how they relate to the accumulation regime that promoted a growth cycle in the period 2003-2014 in Brazil. In order to highlight how complementarity between social policy and economic policy in the so-called social-developmentist model occurs, we will initially systematize the evolution of paradigms taken as reference for the debate on social protection systems since the post-WWII period. Next, we will briefly point out the predominant characteristics of the social protection systems in Latin America, in the same period, before deepening the analysis of the Brazilian case, stressing the changes that have been occurring in the 21st century. Finally, we will look into the case of Brazil to identify the pressures on and challenges to the welfare regimes still being structured, specifically in the Global South, now subject to the impacts of neoliberal financialization, which re-commodifies social policies by means of provisions that are increasingly ensured by the financial sector.

Social expenditure in Brazil is characterized by being predominantly made through cash transfer in detriment of decommodified provision. Thus it privileges the solution of market failure (LAVINAS, 2013) instead of promoting basic standards of goods and services and favoring the equalization of opportunities dissociated from income level and citizenship status.

This bias was not only not corrected during the Workers' Party administration, but it also underwrote the transition to a mass consumption society through massive incorporation of segments that were not previously integrated. In order to have a successful strategy, it was necessary to broaden the consumption capacity through access to the financial system, since while wages were rising, they would not have achieved such a transition in a sustainable way in the long term. It is noteworthy that the minimum monthly wage in Brazil on March 2016 was US$ 245, lower than Argentina (US$ 408), Ecuador (US$ 366), Chile (US$ 360) and Uruguay (U$ 314) on the same date. The process of incorporation into the market required, simultaneously, a wage recovery and the creation of an unprecedented financial inclusion process. As we shall see, the government would make use of the social policy.

The collateralization of social policy occurs amid the increased prevalence of financialized capitalism (STOCKHAMMER, 2007), no longer restricted to advanced economies but also emerging countries and the Global South more generally (LAVINAS, 2016).

The defense of financial inclusion as an expression of financial democratization (SOEDERBERG, 2014) occludes the recommodification of social rights that threaten the foundations of classic welfare state models—a reality in some countries (FINE, 2009) and an unfulfilled promise in others.

CONFIGURATION OF SOCIAL PROTECTION SYSTEMS AND NEW CONCEPTS

Chart 1, *2* and *3* synthesize the fundamentals, in my understanding, of paradigms that in recent decades have structured the provision of what we may (roughly) name welfare: a set of social policies directed to avoid risks, prevent poverty, attenuate inequalities, face inherent uncertainties of economic cycles of capitalism, equalize opportunities, and dovetail social justice and efficiency. Social policies cover various dimensions of life reproduction. According to Gough's characterization (2000), they can be defined as ways of State intervention in the sphere of the reproduction of labor force and families.

Such qualities do not indicate a linear, sequential or temporal trajectory – i.e., a foreseeable evolution – though they are historically situated. They translate the way that social policies are articulated with a given accumulation regime. In this sense one can consider that sometimes there is a clear transition between paradigms, not without tension; in other cases, there is the contamination of a more consolidated paradigm by a more recent one. Hybrid forms tend to share the same institutional dimensions. In the case of developing countries, these are more rudimentary, only some of which are visible and operative in one or another paradigm. Thus, far from having highly structured dimensions aligned with a given paradigm, what prevails are trajectories loaded with ambivalence and permeated by conflicts and contradictions that constantly re-design the social protection systems, which are always highly contested.

Chart 1 shows the well-known profile of the different types of welfare state, much referred to and well systematized in the specialized literature on the subject (ESPING-ANDERSEN, 1990; TITMUSS, 2001; BRIGGS, 1961; TOWNSEND, 2002; JESSOP, 1993). This chart indicates that social policy is not only closely associated with the economic policy directed toward growth but is also the engine of aggregate demand via the consumption of families and the state. The decommodification of social goods and service provision contributes to securing a more homogeneous and integrated society, which is also resilient to crises and to the uncertainty of economic cycles. Moreover, the classic welfare state

model enabled consistent full employment, with significant job creation in the public sector, necessary for the consolidation of qualified public provision defined on the basis of common basic standards. The state's role is crucial for the provision and regulation of the access to such goods and services, and its intervention strengthens the principles of solidarity and social cohesion based on risk-sharing.

Chart 1. Paradigm: Welfare capitalism or Keynesian National Welfare Model in advanced economies, notably in Europe

Fordism Regime: Strong complementarity between social and economic policy, high social spending

Model: Welfare State

2 Pillars: technical-technological progress and institutional innovations in the sphere of reproduction (BOYER, 2014, 2015).

Goal: More equal society – Equalization of labor and opportunities. Sustain aggregate demand and promote economic stability. Promote social cohesion.

Mechanisms: 1) universalization of access to education and training as a result of democracy; 2) decommodification of access to healthcare, housing and other services; 3) progressive tax system that increasingly taxes individual wealth.

Chart 2 describes how the design of social policies is reframed drawing on labor market flexibilization and the introduction of new technologies, amid the return of the liberal thought hegemony at the end of the 1970s. Instead of directly assisting a set of contingencies and necessities of the entire population, the new rule is that the State should limit its protection to the poor. Those truly threatened by acute levels of deprivation will be ensured with a safety net, on the condition that they prove their good-will to integrate the labor market and fulfill other requirements intended to stimulate individual responsibility in their relationship with the market. The State is only meant to be the promoter of this autonomization process by the market, and no longer by citizenship. The scope of social policy shrinks markedly, targeting prevails, the goal is to reduce expenditure and give place to provision via the market. With the raise of new unforeseeable risks in a globalized economy, it is said that national social protection systems would no longer be capable of offering effective solutions. Instead of decommodifying, it is about recommodification. Growth is no longer a priority, but rather inflation control and the restriction of any expansionist fiscal policy. Redistribution is no longer necessary – thus, there are cuts in taxes in general and an increase of capital relief – seen as the cause of great inefficiencies and harmful to competitiveness, now raised to a priority against the backdrop of globaliza-

tion. The guarantee of residual coverage is a cornerstone for avoiding the tearing apart of a market society. In the developing world, where the State's fiscal capacity is low because the fiscal burden is mostly low, microcredit becomes the mechanism par excellence to discipline individuals by making them responsible for their choices. It advances in the absence of social protection systems or in the meanders of their imperfections and incompleteness. Instead of risk-sharing, the rule is risk-taking, associated with the idea of prosperity.

Chart 2. Paradigm: Workfare (JESSOP, 1993) in the North and Social Risk Management in the South

Neoliberalism: residual social policy, more conditionalities and controls. Social spending contraction. Low complementarity between social policy and macroeconomics.

Pilar: targeting

Model: Enabling State (GILBERT, 2004).

Goal: Public support for private responsibility – work incentives to make precariousness acceptable.

Mechanisms: 1) Change in the spending : cuts in the provision of decommodified services and prevalence of cash; 2) Combating poverty instead of social protection; 3) Merit/Punishment/ Exclusion – focus on the individual; 4) Regressive tax system; 5) Private provision / stimulus to commodification; 6) Safety nets and microcredit.

Chart 3 reveals how financialized capitalism, which rapidly expands with the financial de-regulation of the late 1980s, redefines the relationship between State, market and society. Since the 2008 crisis, this paradigm acquires prominence with the deepening and broadening of the constitutive premises of the workfare and social risk management models (HOLZMANN; JORGENSEN, 2000). The novelty resides in the role that the financial sector assumes in the provision of a set of social goods and services, which had previously been the role of the State. Therefore, beyond the incentive towards commodification, under the aegis of modern finance (SHILLER, 2003), provision must be made through the access to financial products, recurrently subjected to an intense innovation process. Among them, there are: health insurance of various types, strongly segmented according to household income; education credit to 'invest' in education and acquisition of human capital; various modalities of personal credit, which require the existence of some income flow to serve as collateral to make it feasible to obtain loans and reduce the moral risk of the financial system. Welfare is recommodified and financialized.

The pillar of this new paradigm is the existence of some regular financial flow, no matter how small. Not by accident, the social protection floors proposed by the International Labor

Organization (ILO, 2011), with the support of the World Bank and the International Monetary Fund (IMF), besides the entire United Nations system (UN), includes ensuring, on a permanent basis, a cash income to a known type of clientele: lone women, the poor, elderly, children, and unemployed persons, not only as a means to subsistence in a market society, but also to have the conditions, when accessing new products made feasible by the financial sector, to face the risks and vulnerabilities with better chances to fulfill their needs. The framework of social protection floors (LAVINAS; FONSECA, 2015) – which are actually minimal – defends the guarantee of a safety net for all individuals who have an income deficit, as well the delivery of some basic services in health and education, which can be either public or private. Regarding health, the basic guarantee is restricted to pre-natal assistance and elementary services, to be defined according to the profile of each country; and in education, the basic guarantee covers essentially primary education.

The role of the State is clearly re-defined: instead of being the provider or capacitor/stimulator leading the individual to assume responsibility for his or her own welfare, it becomes the guarantor of an income guarantee that mitigates poverty and grants access to the financial system. Hence the re-configuration of the welfare state concept into the Debtfare State concept, so sharply elaborated by Soederberg (2013, 2014). In other words, there is the emergence of the State as the debt's guarantor, in the sense that it will be the warrantor, by means of the provision of a conditional cash transfer and other concessions (loans, insurance, etc.), the latter originating from the financial sector. Access to credit becomes the guarantee of the right to wellbeing (credit for welfare).

Chart 3. Paradigm: Social Protection Floors, credit for welfare, 'private Keynesianism' (CROUCH, 2013)

Finance-dominated capitalism: social policy as collateral for access to credit and financial products, which will, in turn, boost consumption and segmented protection income-related – individualized risks, tailor-made!

Model: Debtfare State (SOEDERBERG, 2013).

Pillar: Regular cash flows to serve as collateral. Financial deregulation and innovation.

Goal: Expansion of global markets under the aegis of financialization- financial inclusion, by loosening the criteria for credit concession and access to insurance industry. 'Finance must be for all!' (SCHILLER, 2003).

Mechanisms: 1) Public provision reduced to basic floors (cash, healthcare and education); 2) Credit as a mechanism for access to well-being; 3) Dependency (through debt); 4) Regressive tax system; 5) Private provision through democratization of finance and commodification 'all the way down' (FRASER, 2012); 6) Regulation through remuneration floor; 7) Equalization through consumption standards – citizenship loses focus; new modalities of well-being provision through finance.

It is useless to stress that this model disregards fiscal policies that may suitably fund decommodified services, now off the radar. Redistribution is substituted by the democratization of finance and financial inclusion, a great motto of the new millennium worldwide, with emphasis on 'financial education' (ERTURK *et al.,* 2007; SANTOS, 2013) for the rational use of the opportunities made available by finance. Welfare is entirely related to the market. Everything is merchandise, as intended by neoliberal thought, which led Collin Crouch (2013) to name this paradigm as 'privatized Keynesianism', because the State steps back, cannot spend, let alone become indebted, and know it is up to families to become indebted in a responsible manner when seeking welfare.

The use of credit as a mechanism to access welfare obviously suggests a dependency relationship, a dependency through debt. This dependency relationship is neither neutral (indifferent to social class) nor natural (inevitable), as Soederberg (2013) warns.

Citizenship loses focus in favor of consumption. Standards of consumption give structure to a segmented offer, via market. Advocating universal social policies gradually becomes senseless. The process of individuation through the market strengthens the logic of floors and credit for welfare via the insurance market.

This dynamic inevitably leads to a process of dualization in the access to welfare, since social reproduction needs being guaranteed in a way that is dissociated from and indifferent to the individuals' income. But it is income that now determines access to financial flows, which in turn determines the scope and quality of services and goods available to each individual.

This shift from the public to private sphere naturalizes credit as a substitute for social goods and services, previously considered as rights. In case of default, aside from being an individual responsibility, it also implicates severe penalties that cannot be shared. Previous experiences with microcredit based on the commitment of the entire community as guarantor of loans to its individual members have shown that if at times this mechanism works out well, in many other situations there is the exclusion of the indebted family from the community, its humiliation, and the definitive rupture from the channels of access, which further aggravates the poorest´s destitution and discrimination.

Thus, confirming what was foreseen by Fine (2013), there is an advance in the direction of increasing the diversity of social protection systems, marked by a strong hybridism: networks of services are created, in which one observes a constant rise in the residue not covered by public provision. Privatization and financialization inexorably lead to highly segmented systems, where individuals are discriminated again according to their income.

SOCIAL PROTECTION IN LATIN AMERICA AND BRAZIL

Latin America is not immune to these deep transformations, previously mostly associated with the development of advanced capitalist societies. In 1980, the average social expenditure was 10% of the Gross Domestic Product (GDP); it was slightly higher in Argentina, Uruguay and Brazil (circa of 15%), but much lower in the other countries in the region.

This level of relatively low expenditure was a consequence of the model of 'State-led industrialization' (BERTOLA; OCAMPO, 2012) that occurred from the 1950s to the 1970s, in which economic development, though marked by high growth rates, did not result in a permanent process of social inclusion. In short, at that time social insurance covered only part of the working class, and there were no, for example, systematic policies to face poverty, except in Argentina and Uruguay. Such systems, of Bismarckian character, were still under creation; they were therefore centralized and highly heterogeneous, with deficient coverage and exclusionary, thus reflecting Latin-American societies. Huber and Stephan (2011) studied existing social protection mechanisms and denominated them social policy regimes, rather than welfare regimes.

Nevertheless, it was in this continent where the first experiments of radical privatization initiated, comprising pensions and health. Chile is an exemplary case because there was compulsory privatization of the social security system, which closed down completely the public system, and the same happened with public health. Instead of social protection, targeted anti-poverty programs became predominant, based on microcredit initiatives, which progressed more significantly in countries lacking a minimum social protection structure (Bolivia, Ecuador and Peru, among others). With the debt crisis of the 1980s, the neoliberal wave enters the region preaching the State's withdrawal. Market alternatives multiply to counter the extremely high social costs, whereby poverty and inequality indicators become high due to structural adjustment imposed by multilateral agencies. This scenario prevails until the mid-1990s, when the strangling is released and social expenditure starts to modestly rise again.

The new millennium sees the return of economic growth in the continent, this time with a new level of social inclusion, marked, above all, by the incorporation into the market, increased employment– especially formal employment –, the transition to mass consumption society, and deepening financialization. Poverty and inequality decrease notably thanks to the improvement of labor income.

Having revealed its anomalies and ineffectiveness, the 'pure market' model gives way to the reintroduction of at least one public pillar in the case of retirements

and pensions; conditional cash transfer programs become generalized, spreading to practically all countries in the region and preserving the neoliberal trademark of having the poor as an almost exclusive target-public of the social policy. It is about prioritizing market failures (LAVINAS, 2013), favoring the production of surplus in a rapidly expanding consumption society.

However, this new cycle of growth did not solve structural problems, which had been mapped by seminal structuralists since the mid-20th century: work productivity remained low and even registered a negative variation; technological progress was absent or with little expression, thus incapable of triggering sustainable and mid- to long-term development that would propagate a mass income increase that would also be sustainable; in terms of *per capita* income there was no convergence with industrialized countries (BERTOLA; OCAMPO, 2013); the commodities boom, which spread the ascending cycle, fomented the resurgence of extractivism and its predatory logic. This logic reappears in its fullness with deleterious and dramatic impacts on the environment and indigenous and small farmers communities (PICQ, 2015), not to mention the process of reprimarization of the regional export agenda.

But the great change occurs with the incorporation into the market of those living on subsistence levels, whose reproduction was mainly made outside market circuits. This process gains a previously unknown impulse and there is a transition to mass consumption in many countries, though without overcoming the region's structural heterogeneity (PINTO, 1970; FURTADO, 1973).

Social expenditure continued to be predominantly in the cash form and although some countries, like Argentina, Chile, Colombia, Peru and Mexico, operated some reforms in their tax systems, none of these countries made effective changes in favor of more progressiveness and fiscal equity (VALDÉS, 2015; JIMÉNEZ; AZCÚNAGA, 2015). Therefore, regimes identified as left-wing did not face the major challenge of redistribution. Moreover, social expenditure was not used as a counter-cyclic mechanism, despite the continuation of high volatility in the region, but rather pro-cyclically.

Regarding social protection systems, some counter-reforms occurred to reintroduce public provision – for example, in Argentina, concerning pensions (social insurance). In most countries, however, it remained highly segmented and fragmented and with deficient quality. Despite some advances in the field of rights, such as the adoption of a universal pension in Bolivia (Dignity Pension – *Renta Dignidad*), the absence of positive complementarities between the economic and the social protection systems remained, which explains the difficulty of stabilizing a growth pattern capable of sus-

taining productivity increases and its progressive distribution to the majority of the population. The (New-Neo-Social) developmental State (BIELSCHOWSKY, 2012) did not leave behind the old model.

What model is that? According to Lo Vuolo (2015) it is characterized by: i) persistent informality; ii) high productive heterogeneity and low diversification; iii) dominance of the ethos of contributive social insurance (+ adhesion to residual anti-poverty programs); iv) low social cohesion and weak horizontal solidarity; v) political actors' hostility to universal policies and support to privatist interests; vi) regressiveness and inefficiencies of the fiscal system, which continues to be based on indirect taxes and payroll; and vi) State's inability to solve fiscal evasion, and to monitor and tax income and wealth.

Thus, the differential of this recent phase of economic growth in Latin America, between 2003 and 2014 lies unquestionably in the rapid expansion of mass consumption. Globalization of consumerism occurs amid the aggravation of investment (that remained insufficient) and stimulated imports. This is but one of the results of the 'commodities consensus' (Svampa 2013).

This growth model, directed to consumption expansion, was in the opposite direction of universal policies and unconditional access, strengthening therefore the pro-market logic and the occupational incorporation as alternatives to obtain welfare. Thus, once again it ignored the idea of social policy as a necessary element not only to cope with risk and uncertainty, but as a factor of stabilization and development with structural change. Social policy was meant to fill gaps derived from unremoved structural obstacles. And for this reason it did not contribute to triggering a process of productive restructuring that could have promoted the emergence of a new redistribution pattern.

It was more of the same, but now with the incorporation of dozens of millions of individuals into the consumption market. The social model that spread in Brazil in recent years expresses the tendencies that substantiate the financialization of social policy.

THE FUNCTIONALITY OF SOCIAL POLICY AS COLLATERAL FOR ACCESS TO CREDIT

The 2000s saw the emergence of a new articulation between social policy and economic policy, giving way to a 'model' in which contributive and non-contributive social benefits and formal employment became key to accessing consumption credit under certain conditions. The core of this strategy combines market incorporation with growing debt without addressing persistent and disaggregating obstacles, such as the country's structural productive and social heterogeneity (LAVINAS; SIMÕES, 2015), the regressiveness

of the tax system, and the low redistributive effectiveness of social expenditure due to the non-provision of decommodified public goods key to equalizing opportunities.

For this strategy to become effective, institutional changes were made—the most significant of which was the creation of new financial instruments. The great architecture starts with the creation of the consigned credit (payroll loans), in 2003, that would link the priority access to credit lines for public servants and formal employees, with less overcharged interest rates and compulsory discounts directly from the paycheck. In 2004, this mechanism was extended to pensioners[1]. Social policy, particularly in the case of social security beneficiaries, becomes the collateral that was missing and that is warranted by the State, apart from work income, which becomes the relevant collateral. It is worth remembering that wages, and notably the minimum floor, obtained significant real gains in a sustained trajectory of recovery.

In parallel, that same year, there was the regulation of Bolsa Família (a conditional cash transfer program for poor families), which, despite its delay, was meant to expand the incorporation into the market of millions of families whose level of destitution restrained not only opportunities but also threatened their existence and dignity. Mechanisms of access to consumer credit are gradually extended to recipients of the large national anti- poverty scheme to stimulate a consumption model that finally gives impulse to the domestic market, with an increase that doubles retail sales between 2003 and 2014 (IBGE, Pesquisa Mensal de Comércio – Monthly Commerce Survey) (IBGE, 2016a) and, consequently, finance guarantees access to imported goods as well, facilitated by an over-valued real (due to the exchange rate), thereby exporting jobs and aggravating the trade balance.

It is worth recalling that microcredit was also regulated during the early years of the Workers' Party administration (BRASIL, 2003). From 2003, when it was created, to 2007, 90% of loans in this modality ended up financing household consumption (BACEN, 2011). This rate gradually decreased as from 2013, when it was established by law that 80% of requirements should be directed to oriented productive microcredit. Even so, consumption still represented 67% of its application in December 2010, according to the Central Bank of Brazil (Banco Central do Brasil – Bacen).

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[1] The payroll loan for workers hired under the Brazilian Labor Laws (Consolidação das Leis do Trabalho – CLT) was established by Law nr. 10,820 of December 17, 2003, during President Lula's administration. In September 2004, through Law nr. 10,953, which alter the previous one, this right was extended to retired persons and pensioners from the National Institut of Social Security (Instituto Nacional de Seguro Social – INSS). Therefore, initially the launch of the payroll loan favored public servants and workers under CLT. It was named Personal Loan with Payroll Discount and it rapidly spread in the retail banking system throughout the country, for those workers with a regular, stable and virtually riskless job, and regular civil servants. One year later, it reached retired persons and pensioners under the regulation of INSS.

Thus, there is evidence of a well-orchestrated strategy to expand instruments of access to the credit market, notably monopolizing the lowest income classes and deprived population, at the lower bottom of the distribution, previously excluded from this market.

Finally, aiming at the financial inclusion of Bolsa Famíla recipients – currently comprising 14.5 million families – in 2008 there was the creation of the Banking Inclusion Project (Projeto de Inclusão Bancária – PIB). Not having achieved the boasted success, it sought to offer new financial instruments and services to the target-public of this scheme. At first, the project was restricted to the opening of simplified accounts (agreement MDS+Caixa Econômica, through Conta Caixa Fácil), and immediately afterwards it was expanded. Rapidly, though, there was the habilitation of cards for credit purchases and other services and products[2] in the sphere of PIB. However, the low adherence of approximately two million families among the total number registered as beneficiaries in 2010 indicates that unaffordable prices and conditions, perhaps even self-exclusion, put a break in the interest by the more vulnerable for the financial market. Still, there was a significant expansion of financing for the acquisition of durable goods among poorer groups.

In 2001, credit corresponded to 22% of GDP, whereas in December 2014 it was 58%. It is noteworthy that individual credit responded for 47% of total credit supply on this same date; consumer credit[3] – for general consumption, purchase of vehicles, payroll loans and non-payroll loans – was equivalent to almost 2/3 of all credit to individuals. From 2007 to 2014 the amount of credit triples. As an example, between 2003 and 2010 the number of individual clients of SCR[4] (Registry of Natural Persons – Cadastro de Pessoas Físicas – CPF) identified as responsible for loans of at least R$5,000 increased 347%, while those who took loans inferior to R$5,000 increased 352%. In other words, there is a substantial expansion of small borrowers as well as of those with higher income, much above the growth of the adult population.

There was in fact a fast process of financial inclusion besides bankarization, which was also stimulated as from 2004 with the creation of simplified accounts aimed at the low income population. These accounts are special individual deposit and savings accounts, which are opened without the need of some usual identification requirements and with

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[2] Theoretically, it was foreseen that the beneficiaries of Bolsa Família would have access to housing financing, loans in general, life insurance, capitalization bonds, and savings. Except for the savings service, which reached 2.3% of the beneficiary families, the other services and mechanisms of inclusion did not surpass 0.3% of those families, until 2010. Thus, the adherence was very low.

[3] The other individual credit service is the directed credit, which comprises rural credit, mortgage loan, microcredit, the Brazilian Development Bank (BNDES), and other resources named as directed credit.

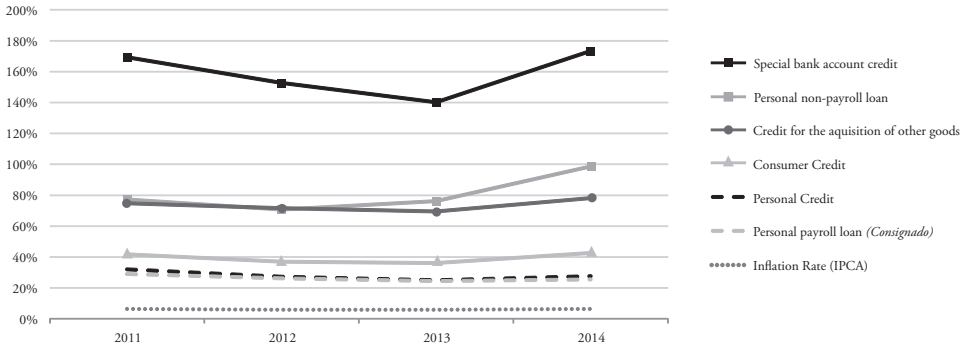
[4] Credit Information System of the Central Bank of Brazil (BCB).

low operation limits[5]. There are no maintenance costs, and four withdrawals and deposits allowed per month. According to the Central Bank (BACEN, 2015, p. 67), there are little more than 13 million simplified accounts, in a total of approximately 150 million bank accounts.

The administrations of Presidents Lula and Dilma have innovated by promoting credit inclusion, which consequently increased families' indebtedness.

This is the Achilles' heel of the strategy that integrates social policy and access to the financial market: the cost of credit. *Graph 1* shows the disparity between interest rates of various individual credit lines from 2011 to 2014. They all share the fact of being strikingly high in real terms when compared to inflation rates (Extended National Consumer Price Index – Índice Nacional de Preços ao Consumidor Amplo – IPCA).

Graph 1. Brazil, consumer credit interest rates and inflation rate, 2003 and 2013 (% per year)



Source: Central Bank of Brazil.

At the end of 2015, after consecutive uninterrupted raises of Selic[6] (Special System of Custody Liquidation, from Bacen), the National Association of Executives in Finances, Administration and Accountancy (Associação Nacional dos Executivos de Finanças, Administração e Contabilidade – Anefac) estimated that interests charged by the commercial sector had reached 140% per year.

[5] The maximum balance limit per month was R$ 3,000 on December 2015.

[6] The Central Bank prime rate.

According to Bacen, the current indebtedness of Brazilian families with the national banking system compromises 48% of their income, in comparison with 22% in the beginning of 2006. This would not be a problem if the government – after having encouraged the consumption of families, the motor of economic growth as from 2006, by using social policy as collateral –, at the moment when recession started to show its face, wouldn't have decided to change the rules of access to unemployment insurance, and to cut and reduce widows' pensions and other social insurance benefits; and if the tax system, with its regressive structure that falls heavily upon consumption, wouldn't take away over half of the net income of families who live with less than two minimum salaries per month. Not to mention that practically half of the value of the Bolsa Família income, according to data from the Institute for Applied Economic Research (Ipea), is returned to the central government due to the incidence of indirect taxation.

In other words, the disposable income of working or retired families is low, still very low. But the income of Brazilians in general is also very low due to the picture of extremely high inequality and regressive taxation. According to the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE), average earnings during 2015 (Monthly Employment Survey – PME) (IBGE, 2016b) corresponded to little more than R$ 2,000 per month. To this equation it should be added that most of the social policy is composed of cash transfers, contributive or non-contributive, whereas the portion of public provision of services and goods that should be unconditionally granted becomes increasingly scarcer; this pushes those who seek security and quality into the private market, which has distorted and very high prices that are incompatible with the population's income, of which an important part is committed to it. A research conducted by Instituto Data Popular and published by the newspaper 'O Globo' (BONFANTI; FARIELLO, 2014) on September 2014 shows that the social class C[7], currently represented by half of the Brazilian population with 58% of loans, spends 65% of its income on services and 35% on products; the percentages found in this research are the opposite of ten years earlier. And among the services, the higher predominance is that of essential ones, such as health and education, which should be decommodified, for being a citizens' rights.

This means that Brazilian´s disposable income is absorbed by increasing levels of debt, massive indirect taxes (LAVINAS, 2014), and the purchase of what should be provided free of charge, with quality and in the quantity imposed by contingencies, i.e., public services such as health, education, security, and transport.

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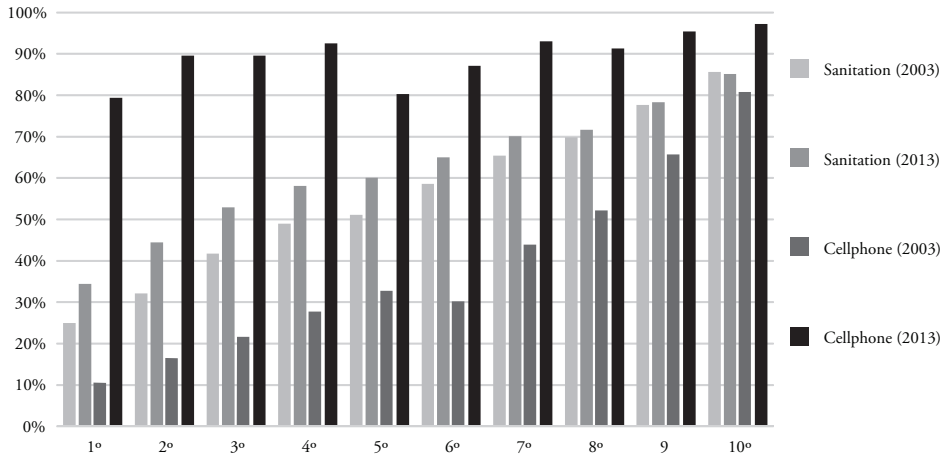
[7] *Per capita* family income up to R$ 1.184/month.

WHEN THE MARKET EQUALIZES [8]

In this process, the golden side of the coin, however, was to allow the reduction of inequities across the income distribution in the access to certain consumer durable goods, such as domestic appliances. *Graph 2* shows this evolution, revealing that cellphones broke the income barriers and entered practically all Brazilian domiciles; in 2013, the differentials between the tenths of the distribution were strongly narrowed. Yet in terms of suitable sanitation, the same graph shows tremendous persistent inequality, despite some improvement in the analyzed decade.

Graph 2. Brazil, access to suitable sanitation* and cellphone by income deciles, 2003 and 2013 (%)



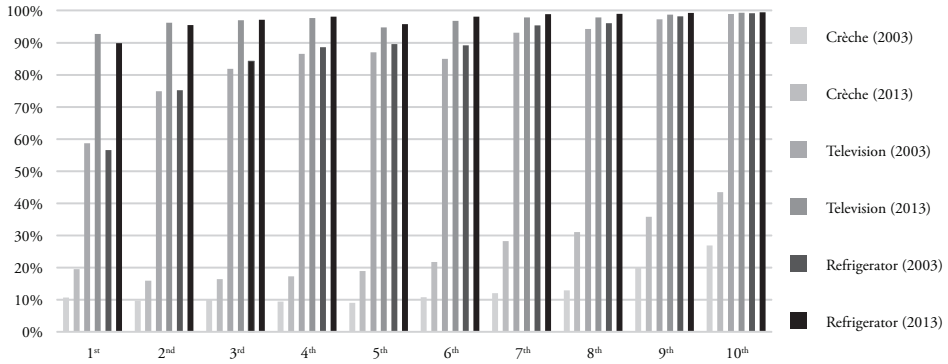
Source: PNAD 2003 e 2013.

*Clean water supply, sewage and waste disposal.

A similar dynamics is evident when comparing, in *graph 3*, the access to crèche and the presence of television and refrigerator in Brazilian domiciles. Both appliances are currently universal goods in Brazilian households, whereas the crèche is markedly a class differential attributable to income, thus not being a right.

[8] This section was partially extracted from an article written by me, published in 2015 by the International Celso Furtado Center for Development Policies in the anthology 'Brasil, Sociedade em movimento', organized by Pedro de Souza, under the title 'Brasil, mais consumo e pouca redistribuição', p. 93-102 (LAVINAS, 2015a); and also from another article published in the journal 'Revista Política Social e Desenvolvimento' (LAVINAS, 2015b). I thank Pedro de Souza and Eduardo Fagnani for authorizing the partial reproduction in this book.

Graph 3. Brazil, access to crèche*, refrigerator and television by income decils, 2003 and 2013 (%)



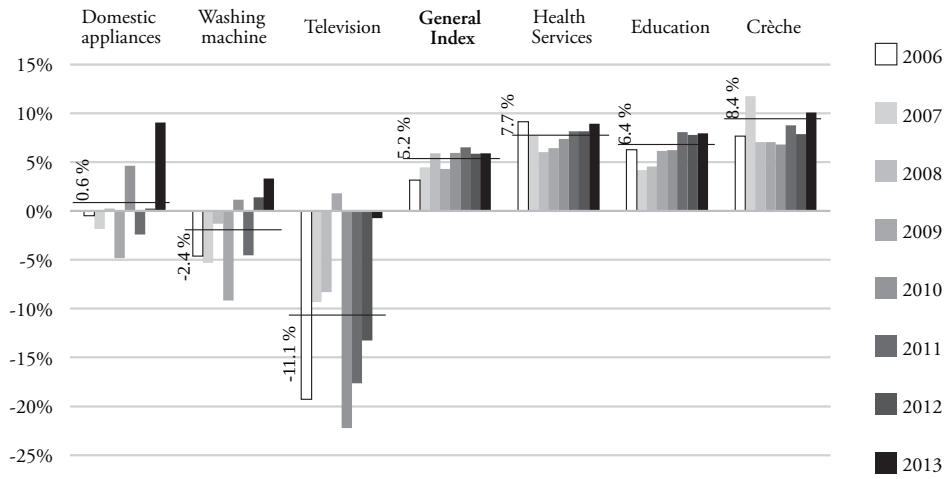
Source: PNAD 2003 e 2013.

*Domiciles with children between 0-3 years of age in which at least one of them goes to school or crèche.

The moral of the story is simple: acute asymmetries persist where there doesn´t exist public policies to reduce disparities in the access to welfare by decommodifying such provision. Yet, when the incorporation into the market associated to the process of financial inclusion enables lower income classes to buy domestic appliances, the market equalizes!

Perhaps this may explain the process of identification of various social segments, including the most destitute, with a 'middle class' ideal made possible through mass consumption of durable goods, which had a significant decrease in prices along the decade, as can be seen in *graph 4.* This graph highlights the dispersion in the variation of prices between durable goods and certain services – health and education –, which present a notable weight in the consumption agenda of the so-called middle classes. This occurs, precisely, due to deficient and insufficient public provision. However, given that health and education costs raise above the average inflation rate its access reiterates exclusion patterns, because it is defined by the income level. To be more specific: while average earnings registered a real increase of 1.4% per year (IPCA) between 2006 and 2013, household spending with education increased 6.4% per year; with crèche, 8.4% per year; and with healthcare, 7.7% per year.

Graph 4. Brazil, evolution of prices of goods and services (IPCA), annual average - 2006 and 2013 (%)



Source: IBGE.

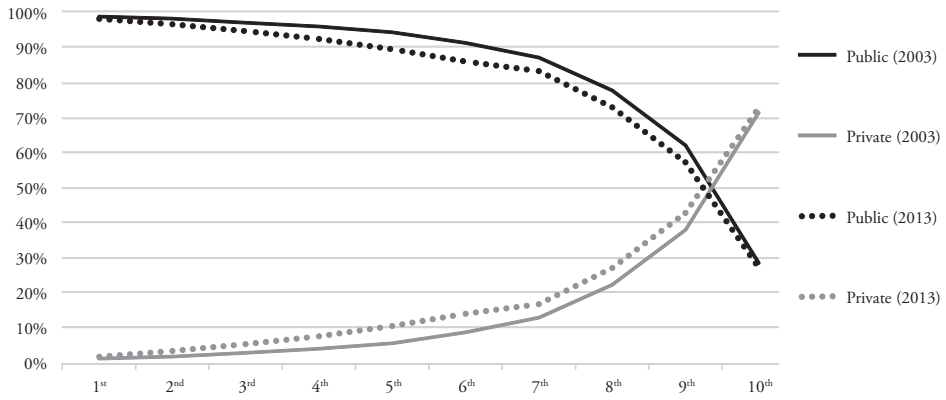
Note: Extended National Consumer Price Index (IPCA) yearly accumulated (methodology updated in 2012 with new structures).

However, it should not be understood that only the so-called middle classes – traditional or 'new' – were affected by the inflation in services. A remarkable phenomenon in Brazil is that the real household income increase tends to produce a shift of students from public education to private education. This can be seen in *graphs 5* and *6*.

Graph 5 shows that in all tenths of the distribution, including the first and second deciles, between 2003 and 2013 (National Household Sample Survey – PNAD) (IBGE, 2016c) there is an increase of children and youth participation in private education and a decrease in public education. It is true that at the extremities of the distribution there is only a slight movement. But between deciles two and nine there is a visible increase.

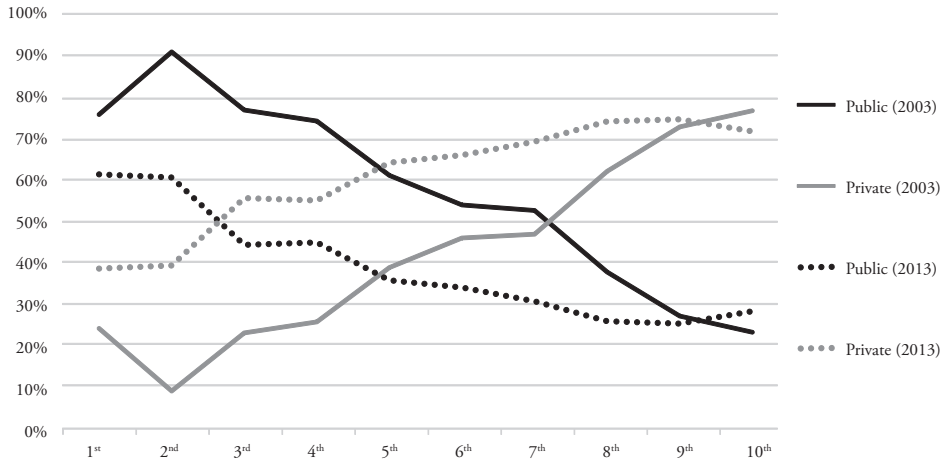
Graph 6 brings up an even more worrisome data: as much as in primary and secondary education, in the period under scrutiny there is also among university students an increase in the percentage of those attending private institutions, in detriment of public institutions, except for the richest decile, i.e., decile ten. In this case, the portion of students enrolled in public universities not only raised in 2013 in relation to 2003, but it was also higher that the enrollments in private universities.

Graph 5. Brazil, access to primary or secondary education, public and private sectors, 5-17 years of age, by tenth of distribution, 2003 and 2013



Source: PNAD (IBGE).

Graph 6. Brazil, access to higher education (university), public and private sector, 18-25 years of age, by decils of distribution, 2003 and 2013 (%)



Source: PNAD (IBGE).

The 'pro-private' effect, so significant in higher education, may be explained by the broadening of opportunities to achieve this level of education in the private universities network, which was made possible due to the spectacular progression since 2010 of the students' loan program known as Fies (Programa de Financiamento Estudantil).

The creation of Fies dates back to the administration of President Fernando Henrique Cardoso. In 2003, the amount of Fies contracts was slightly above 50 thousand. In 2013, there were nearly 560 thousand contracts – ten times as much –, with a new record registered in 2014: 663 thousand.

Between 2003 and 2013, the number of enrollments in higher education raised from 3.9 million to 7.3 million. However, public-private relations did not change substantially; it did, indeed, worsen in detriment of public institutions: in 2003, 30% of enrollments were in the public sector, and it decreased to 27% in 2013. Thus, the number of enrollments in the private sector, which was twice financed by the government (directly by tax credits for households and tax relief for firms, and indirectly by Fies), presented a faster increase. Undoubtedly, the exponential growth of Fies weighed in this expansion. The fact that the interest rate of Fies loans (6.2% per year) is quite below that of the market is not to be disregarded; however, once the student graduates, he/she starts as a young professional with a debt to be paid back, without the assurance of receiving from the job market a remuneration that will be compatible with the reimbursement of the old loans, to which new ones will add up.

This dimension of indebtedness that engenders a dependency relationship with the market permeates new forms of inequality, which have been ignored. In the example above, being indebted expresses the absence of opportunities to someone who has been excluded from the right to free and public higher education. The debt is the mark of individualization in the era of financial capitalism. The individual who does not honor it is morally responsible.

Therefore, it is not sufficient to celebrate the increase of the number of students in Brazilian universities; it is necessary to consider how this has been taking place and how it creates and re-creates social asymmetries and hierarchies.

There is much more to be mentioned about the health area: private expenses as a proportion of GDP surpasses public expenditure (5.01% against 4.66%[9]) in a country where there is a public and universal unified system (SUS). There is also the fact that private expenses are mostly out of pocket (57.8%), whereas expenses with private health plans, which would have at least a 'preventive' effect, are only 40.4%[10]. This means that

[9] CNES-Ministério da Saúde (BRASIL, 2013).

[10] CNES-Ministério da Saúde (BRASIL, 2013).

health is a family expense that tends to occur outside the security coverage which raises the financial vulnerability and the risk of individuals.

Not to mention the open complementary pension funds, whose net assets raised from R$ 23.5 billion in 2002 to near R$ 500 billion in 2015 (constant values from December 2015). The fact that Brazil has established a contribution ceiling of little over R$ 5,000 for the general social insurance regime (Regime Geral da Previdência Social), now equally extended to the civil servants social insurance (Regime Próprio da Previdência Social), stimulates individuals to seek coverage in the financial sector, thus withdrawing from the public fund. This is how the financialization of retirements and pensions progresses in Brazil.

The delay in carrying out the Consumer Expenditure Survey (Pesquisa de Orçamentos Familiares – POF) by IBGE jeopardizes a thorough analysis of this increasing financialization picture, which takes multiple forms. What seems likely to happen is the deterioration of this scenario due to the increase of unemployment, which has reached 10.5 million individuals (April 2016), and the cut of benefits constantly threatened, together with the always imminent pension reform.

FINAL REMARKS

A research conducted by Bacen on financial inclusion (2011) estimates that, if the unemployment rate at national level has an increase of 1%, the probability of default regarding the modality of personal consumer credit increases three to four percentage points. Therefore, in a scenario of recession or economic stagnation, families' default tends to raise (CORREA *et al.*, 2011). Consumer credit in general is considerably more sensitive to the economic conjuncture than other forms of credit, for instance.

During her administration period, President Dilma Roussef emphasized the priority of targeted programs, such as Bolsa Família, Minha Casa Minha Vida, and Mais Médicos, in detriment of the social protection system, which in 2014, besides having lost the budget of approximately R$ 56 billion in favor of tax cuts, also introduced the shift of – in a conservative estimate – R$ 60 billion to the mechanism named Desvinculação de Receitas da União (DRU).

As an example, the National Audit Court (Tribunal de Contas da União – TCU) (BRASIL, 2016b) highlights that in 2013 tax credits and other tax waivers amounted to around R$ 218 billion, whereas public healthcare and education together received R$ 163 billion. In five years of President Dilma's administration

(2011-2015), approximately R$ 800 billion were subtracted from the social security budget in the form of tax relief.

The aims of social policy are to reduce vulnerabilities, prevent poverty, equalize opportunities and, above all, decommodify access and, thus, guarantee rights. In Brazil social policy is currently used as collateral to give access to the financial system, as a way to boost consumption that is restrained by relatively low wages and a structure of high relative prices, with mediocre products, low productivity and high real interest rates. Moreover, it is through wages, and pension and welfare benefits that the access to the financial sector makes feasible the private provision (insurance) in various areas.

The dualization of health, education and social security, confronting minimum services with broader choices for those who can afford paying for them, reflects the direction taken by a social protection system originally designed to give assistance to the entire Brazilian population; but it became increasingly the option for those who have few possibilities outside the public sphere, no matter the quality or coverage of the service provided.

Considering the context of severe economic downturn, the decline in public and private investments, interest rates at prohibitive levels, and shortage of new jobs, changing the rules of unemployment insurance and other benefits, like pensions, means turning the back to the pro-financialization 'social model' introduced by the very Workers' Party, with costs not only raising, but also being a source of great social and financial vulnerability for Brazilian families.

If this already known liberalizing trend would not have sufficed, there is presently, amid a prolonged recession, the intention to cut social rights and benefits, many of which serve as collateral for the access to some degree of welfare. Dissociating the floor of social security benefits from the minimum wage after having stimulated families to strongly raise their consumption through loans and increasing debt levels, who is it good for? How will debts be paid? What new 'social model' is being designed to substitute the one that has eroded and has failed, for having dismantled rather than consolidated the Brazilian welfare regime instituted by the 88 Constitution?

No less important is to draw the attention to a strong dimension of a vicious strategy, markedly neoliberal: if the level of indebtedness of families continues to rise then the way out of the crisis and the recovery of a new cycle of expansion of demand will be obviously jeopardized. The dramatic result of such a strategy is, therefore, the worsening of the contraction of demand.

Despite the existence of a social protection system constituted in 1988, which in-

corporates social rights through public and unconditional provision, social policy in Brazil was coopted by a perverse functionality: the transition to a mass consumption society under the aegis of financialized capitalism without, however, simultaneously contributing to overcoming the country's structural heterogeneity. To achieve this, it would have been utterly necessary to make social policy become truly and fully complementary to the growth pattern, with emphasis on the decommodification of the workforce, which means broadening public provision.

Such a strategy would demand time and, especially, would have required a structure of spending radically different from that which prevailed in the 'covenant for growth with mass consumption' (LAVINAS; GENTIL; COBO, 2017, n.p.) in the last decade.

The novelty in Brazil was the way in which the State acted on the collateralization of social policy, by stimulating the privatization of public services through access to the financial sector. Such consequences are yet to be revealed. There is a lack of data on securitization, a complex and non-transparent phenomenon, which spread tremendously, notably due to the extraordinary amount of loans taken by families from the financial sector.

What can be seen today is the accelerated and almost unlimited expansion of the market in all spheres of life, with dynamics of recommodification that affect all income classes, with extremely high costs, in parallel to a process of accentuated and dangerous increase in household debt, considering the present conjuncture – high interest rates, unemployment, cuts on social benefits, as mentioned above.

To respect and consolidate the great institutional innovation that came along with the creation of a national social security in 1988, this seems off the radar. The function of social policy is to ensure increasing levels of welfare and not to primordially serve for access to the financial sector or the purchase of services that the State neglects to promote. An understanding that seems an anachronism regarding what reality wants to impose on us.

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Chapter 8

Social policy, development and citizenship: history also moves backward

Carlos Octávio Ocké-Reis

INTRODUCTION

The debate on social policy, development and citizenship is central in the current historical picture in Brazil and in Latin America and is marked by the stirrings of class struggle and distributive conflict.

Actually, this is a decisive moment for constructing the unity of popular, democratic and socialist forces in the face of the offensive of conservative forces.

In this debate, the fiscal reform is a central issue for the historical progressive block. According to Marx, this is the oldest form of class struggle. It is necessary to change the tax burden composition, by exempting the popular and middle classes who are punished with a burden that falls upon work and production, while there is no taxation on high income, especially the financial income, and on estates.

Political conditions must be created as to enable this change, also as a mechanism for the recovery of the country's economic growth since non-taxation on estates and high income results in favoring financialization.

Together with the reduction of interest rates, this would be a concrete means to strengthen the standard of public financing of social rights in contemporary Brazil.

MINIMUM PROGRAM

The Workers' Party (Partido dos Trabalhadores – PT) in Brazil made a serious mistake during its national administration: when exercising its State hegemony, its direction obstructed the dialogue about the opportunity to constitute a certain State capitalism – that would surpass, in a positive sense, the heritage of Cepal (Comissão Econômica para a América Latina e o Caribe) and Keynesianism.

Despite the windows of opportunity, this mistake made it unfeasible to adopt a reformist program through foreign exchange and capital control, strengthening of public investment, universalization of social policies, tax, political, agrarian and media reform, and working and middle classes mobilization in favor of deep transformations in the country's social structure.

The universalization of social policies, in particular, should be seen as a crucial support for the opening of a new development cycle that would promote economic development and radicalize the struggle for the reduction of social and regional inequalities. For this purpose, the theoretical and strategic debate within the Party and in the State should reside also in the rich experience of positive and negative results of the international socialist movement from Marxist orientation.

If the constitution of universal social policies would have been prioritized, for example, the effects of the current recession would be mitigated in the second administration of President Dilma Rousseff – especially through health policy, which deconcentrates income and favors the increase of work productivity and job creation, and the decrease of inflation. It would have been a strategic action to mitigate the effects of the crisis, permitting that the democratically elected government – despite the economic setback – would not become distant from the social groups that voted for it in 2014.

Nevertheless, it became paralyzed at the landmarks of a weak reformist project, as stated by Singer (2012); it was 'revolutionary' when facing the issue of poverty, but it did not touch the structures of power and the circuits of production and circulation of wealth.

A CRITICISM TO THE HEGEMONY OF THE HEALTH SERVICES MARKET

There is an aspect to be added about the health sector during the administration of the Workers' Party: the positive valorization of the consumption of private health plans.

There are no doubts about the importance of the agenda around the financing issue, especially when most management problems of the Unified Health System (Sistema Único de Saúde – SUS) result from this aspect, in particular those concerning human resources. However, there is another equally important agenda that causes disagreement in the progressive field: the market regulation of health services.

The Brazilian health system has been transformed into a parallel and double mix in which the private sector establishes a parasitic relationship with SUS and with the public financing pattern.

Even worth: without the strength to resist the spread of the neoliberal hegemony, a fiscalist view – promoter of the health plans market as a pragmatic solution to reduce public expenditure – has been and still is ideologically supported both inside and outside the State. There is an ongoing process of Americanization of the health system in the country for quite some time already (VIANNA, 2011).

In this context, some public health analysts affirm that the expansion of SUS would have the potential to move the private medicine clientele into the public sector practically in a natural manner. My view is that this movement should be combined with a substantial market regulation, i.e., drawing on the social security nexus, one should expand the regulatory scope of health plans provided by firms (OCKÉ-REIS, 2012) aiming at the reduction of expenses of families, middle classes and employers with private health services.

This axis would be quite timely to unify the struggle of middle and popular sectors, due to the risk that the market's parasitism over SUS may further strengthen its predominance in the Brazilian health system.

The task is to build a twofold agenda: the strengthening of SUS with the improvement of financing, management and social control; but also market regulation, especially of health plans – having as guiding axes, universality on the one hand, and on the other hand the reduction of expenses of families, workers and employers with private health services.

WITHOUT THE MOBILIZATION OF SOCIETY, SUS AND DEMOCRACY ARE AT A HISTORICAL CROSSROADS

In the context of the international economic crisis, one observes a strong attack against the democratic rule of law and social rights, and this requires the definition of a minimum program in defense of SUS, democracy and national sovereignty.

The sanitarian block must strive for the expansion of financing, management improvement and strengthening of social participation in SUS; but at the same time, as a criticism to privatization, it must propose the creation of institutional structures and regulatory mechanisms that enable the attraction of segments of private medicine clientele to SUS, as well as the reduction of expenses of workers, families and elderly with health plans, medical and hospital services, and medicaments. Population aging is a determinant element of the increase in health expenses, usually related to chronic degenerative diseases, pointing to the need of substantive institutional transformations in SUS and in market regulation for health plans.

However, in the context of financial globalization in the health sector and considering the conservative and reactionary profile of the current provisional government, market and subsidies expansion seems to be a plausible scenario, in line with the Obama Care concept and the proposal of international agencies regarding universal health coverage.

Bearing in mind the dismantling of the National Health Service in England, recent changes in Brazil were harmful to the financing of SUS and the creation of institutional bases for market internalization and they tend to deepen underfinancing in the public sector and inequalities in the health system and in society, not to mention the disastrous recent proposal of the Finance Minister Henrique Meirelles.

The 1988 Federal Constitution cannot be dismantled. Therefore, it is crucial to strive for the vivification of Article 196 and for democracy: health does not rhyme with profit; health is a social right.

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Chapter 9

Public policies in an extremely unequal social environment

Mário Theodoro

INTRODUCTION

The aim of this chapter is to discuss the role of racism and its effects on the formation and consolidation of the Brazilian society, notably concerning the maintenance of inequality and its affirmation as an object of necessary public intervention. Despite its importance, the theme has not been much explored in the debate about the current constitution of Brazilian public policies, their impacts and perspectives. The proposal is to approach more specifically some elements pertaining to the limits of public policies in the face of the existence of institutional racism and the importance of implementing affirmative actions as complementary to public policies in order to mitigate the effects of racism.

The chapter comprises three sections besides this introduction. The first section will present some outstanding elements on the debate about the racial issue in Brazil from the historical perspective of the formation of a markedly unequal society, extremely disinclined to changes in its distributive pattern. The second section will discuss the bases for institutional racism reproduction, introducing and justifying the basic assertion that racist societies engender racist institutions. Section three highlights the importance of affirmative actions as instruments to fight prejudice and institutional racism and, therefore, to improve public policies with emphasis on health policies. Section four will present the final considerations, stressing the importance of affirmative actions as an indispensable complement to public policies in a racist society.

INEQUALITY AND RACISM: ROOTS OF THE SOCIAL ISSUE IN BRAZIL

The dramatic social inequality in Brazil – according to the United Nations (PNUD, 2013), only two countries in Latin America, Bolivia and Colombia, are more unequal than Brazil – is historical and has been resisting to periods of strong economic growth. In the

so-called Brazilian Miracle period, in five years, between 1968 and 1973, the country presented an average annual growth rate of 11%. Despite equaling Chinese rates levels, Brazil did not achieve the reduction of inequality levels. During the last century, a middle class emerged with consumption standards similar to the developed countries, but the pockets of poverty and misery did not disappear. Slums, peripheries, ghettos, invasions and *mocambos* (groups of extremely poor dwellings) still shelter millions of families that, for generations, have been living with the absence or the precariousness of public policies and basic services. For these communities the State operates basically as a repressive apparatus, the most present and symbolic form of existence of the instituted power.

A situation that is no less dramatic is experienced by poor communities in rural areas, such as those of landless workers, settlements remaining from *quilombos* (isolated communities of descendants of runaway African slaves in Brazil), and a considerable quantity of indigenous people's communities. Equally forgotten by the public administration, these segments experience the repressive apparatus and public violence, aggravated by the problems resulting from land disputes, in a uninterrupted cycle of violence: in 2015, murders in rural areas reached 50 deaths, representing an increase of 39% in comparison with 2014 (CPT, 2016).

Rural and urban areas concentrate pockets of poverty and misery, configuring a persistent social profile in which inequality constitutes the essential feature. The question posed is why has Brazil not been able to end poverty and misery? Or, in other words, why are inequality levels in Brazil still so significantly high despite the economic advances and, more recently, the social policies implemented?

Traditional approaches in social sciences and especially in economy propose that overcoming social inequality and poverty will result from economic growth, market development and the modernization of social relations. In this perspective, the construction of a more egalitarian society is seen as an objective of societies, which would naturally get organized seeking to overcome backwardness and constitute a more equitable profile. In some historical contexts, this dualistic and evolutionistic vision seems to constitute a kind of academic mantra to which different approaches adhere. Even the most orthodox have drawn on Rostow (1971) for the inexorable pathway to development, found in the ideals of an industrial and consumerist society whose main feature would be the end of poverty.

The case of Brazil, however, has been continuously challenging the idea of the virtuous pathway towards development, hereby understood as economic growth with wealth distribution. When focusing on the Brazilian path one observes a notable dissonance in relation to academic assertions. The concomitance, recreation and renovation of produc-

tion and consumption standards in unstructured markets and the social relations based on hierarchic and authoritarian patterns are the features of the country's modernity. The Brazilian society not only experiences inequity in daily life but also depends on it for its functioning. Therefore, inequity is not really a conjunctural characteristic or a path heading to superation, but rather a central feature of its dynamics and organization.

The Brazilian society is structured on inequality. It is this feature, for instance, that guarantees middle classes having access to low-cost personal services such as nannies, housekeepers and maids, as well as general services like those offered by car keepers and washers, which facilitate and even enables daily life in the large cities. These are workers who sell their services in an environment strongly featured by informality and inequality in the labor market, keeping incomes very much reduced, mainly through low productivity and low costs associated to these services. The direct purchase of services from one person to another, which is typical of unequal societies, besides reflecting the economic dynamics also expresses a social reality where inequality is the keyword.

In more egalitarian societies there is, in fact, a lower dissemination of the so-called personal services. Actually, only in highly unequal societies the phenomenon of inequality is recurrent. In such societies, hordes of individuals are easily found who are willing to sell their work for whatever price in the form of personal services; thus, for very low costs various types of these services are obtainable in an informal way. In more egalitarian societies, personal services are not easily disseminated as a survival strategy. In general, people have access to social protection mechanisms, which provide them with basic social services besides income levels to maintain a minimum quality of life. This is not the case in Brazil, despite important advances made in recent years with the implementation of social programs of income transfer such as Bolsa Família, Brasil Sem Miséria, among others. It is no perchance that Brazil is the country with the largest amount of housemaids worldwide. In 2014, there were approximately six million people, mostly black women, according to data from the National Household Sample Survey (Pesquisa Nacional por Amostra de Domicílios – PNAD) carried out by the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística – IBGE) (IBGE, 2015).

The persistence and perenniality of Brazilian inequality should be – and has been – the subject of different grades of understanding and interpretation. This study, however, highlights an aspect seldom present in the current debate, which is its historical and relentless naturalization at the core of Brazilian society. The naturalization of inequality and its effects, in the sense of the consolidation and perpetuation of a hierarchic and iniquitous society, is rooted in the past of slavery and the constancy of racism in the country. Slavery, as highlighted by Bonfim, more than a labor system, was consolidated as a racial domi-

nance regime. As reminded by Salles (2002), the social pattern of racial dominance socially disseminated and infiltrated in the entire social fabric has not only woven hierarchies but also institutions, forms of sociability, and the use of everyday and public violence.

When defending the Abolition of Slavery with no indemnity to slave-owners and followed by measures of protection to the black population, Joaquim Nabuco sought the incorporation of those freed from slavery into the condition of citizens. He was concerned that otherwise slavery would be substituted by racism, which would maintain segregation and indifference towards the black race, an indifference that would corrupt the nation. Nevertheless, the Republic emerged as a conservative pact and refused to receive as the State's responsibility any initiatives aiming to guarantee equality or level the opportunities. Racism became disseminated, strengthened by the advent of the eugenics theories, as from the second half of the 19th century (THEODORO, 2013).

At the time when the country discussed the suppression of the slavery regime, scientific racism gained ground, providing subsidies to the equation of policies to stimulate the immigration of the European element, seeking the whitening of Brazilian society. The whitening policy explicitly adopted in the 19th century, and onwards, saw the black element as the great hindrance to national development. In fact, if racism appears associated to slavery, contemporary historiography has been demonstrating that it became structured especially after the Abolition, anchored on the theses of biological inferiority of black people. Furthermore, it disseminated as a matrix for the interpretation of national development (JACCOUD, 2008).

As an ideology that classifies and orders people according to their appearance, racism operates as a scale of values in which the black person is placed at the bottom limit. And more than one century after the end of slavery, racism persists in the country as a structuring element of the process of naturalization of inequality.

RACISM, INEQUALITIES AND PUBLIC POLICIES

Racism as ideology unfolds in two main modalities of social interaction: discrimination and racial prejudice. Discrimination is the act of racism. It is the externalization of racism by an individual or a group against another individual or group in the form of a direct action: aggression or verbal offence, an act of excluding, obstructing or neglecting, or a prohibition made in an open and direct manner. Discrimination has a subject and an object, and in Brazil it is liable to legal penalties since the 1950s, with the enforcement of the so-called Afonso Arinos Law. Presently, with the so-called Caó

Law, of 1989, racial discrimination, typified as a crime of racism, is an imprescriptible and unbailable crime. It is one of the most advanced existing legal dispositives against discrimination; however, its execution is hampered precisely by the second element or second axis of racism, which is racial prejudice.

Racial prejudice is the introjection of racism by individuals, experienced as a non-explicit value. Prejudice valorizes and hierarchizes the individual by his/her color or race and the result seems like a sort of sentence without a subject. But the subject does exist: occult and naturalized in the meanders of a racist scenario, with the support and connivance of peers. What is observed about prejudice is a denial of access to opportunities, not really knowing the reason why or even who is directly responsible for it. It is the job interview in which the black person apparently did well, but when the result is released, he/she has been neglected once again. It is the requirement for 'good appearance' when a job is being offered, when in fact it is being vehemently exclaimed 'be white'. It is when doors are closed without one knowing exactly why, reinforcing the absence of black persons in relevant social settings.

In both cases we are referring to mechanisms used on a daily basis by society, which persistently closes its doors to the social ascension of the black population drawing on this behavior whose atavist component goes back to the association between skin color and social condition. Inequality between white and black persons has been progressively recognized as one of the most perverse dimensions of Brazilian social dynamics. Data and studies systematically produced by national institutions such as IBGE, Institute for Applied Economic Research (Instituto de Pesquisa Econômica Aplicada – Ipea), and Inter-unionist Department of Statistics and Socioeconomic Studies (Departamento Intersindical de Estatística e Estudos Socioeconômicos – Dieese) show the large racial differentials that mark practically all fields of Brazilian social life.

Also in health there is racial inequality. If race as a biological feature could not be invoked as an explanatory variable of health conditions or as a relevant determinant of higher mortality risk, it constitutes, however, an important sociological category to understand the variations in health conditions in a given population (SANTOS, 2011).

Studies on health inequality have been improving, reinforcing the negative correlation between health condition and socioeconomic position, and more directly between health condition and racial categories. Several works have been revealing that pertaining to racially subordinate groups has additional and disadvantageous effects on inequalities of health and socioeconomic conditions (WILLLIANS, 1997; HOUSE; WILLIAMS, 2000; LAVEIST, 2005; BARR, 2008).

Differences are evident, as exemplified in the case of women's health: data publicized by the Brazilian government[1] show significant difference in the health care provided to black and white women in the public health system. Black women receive less time in medical assistance than white women. Regarding pregnancy and birth delivery only 27% of black women had prenatal follow-up, against 46.2% of white women. There are differences even concerning procedures with anesthesia, waiting time, and post-delivery information, such as breast-feeding (GOES; NASCIMENTO, 2013; ARRAES, 2014).

Investigating the Brazilian case using 2008 PNAD, Santos found the persistence of a direct effect from race in health inequalities that surpasses socioeconomic mediation. Comparing different socio-professional categories, the author shows that particularly among the most valued, but also among the less privileged (typical worker), there are intensifications on health discrepancies between racial groups (SANTOS, 2011).

In short, it is not about the lack of the State, but rather the constitution of a given conformation of State, which is in coadunation with a social spectrum where inequality propagates in its amplified reproduction. But this configuration of the State has been questioned, and relevant experiences have been implemented in the last two decades, opening a promising pathway for the fight against racism, especially due to the recognition of the racial theme in the field of public action.

In the 1990s, the Department of Justice filed a Term of Conduct Adjustment (Termo de Ajustamento de Conduta) with the Brazilian Association of Restaurants and Bars (Associação Brasileira de Bares e Restaurantes – Abrasel) in the city of Salvador (State of Bahia – BA). The motivation was the finding that there were no black workers, attendants and waiters, especially in enterprises situated at the touristic shore of the city, whose black population amounts to 85% of the entire population. This absence is not an isolated case. When approaching more critically the racial issue one can observe that throughout the country there is the absence of black persons working in socially privileged spaces, such as shopping centers, restaurants and hotels, among others. It seems that, despite having been proscribed from job advertisements, in practice the good appearance precept still holds.

Here we identify an important unfolding of prejudice, the so-called institutional racism, which is the interiorization of racist practices and prejudices by institutions and organizations. If the persons who direct, manage, or have some power of action in the institutions – or even those who are in decision-making positions directly affecting individuals – are racists, naturally the results and decisions will have an excluding tendency.

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[1] 'SUS without racism' ('SUS sem racismo'), Facebook page. Available at: <http://facebook.com/SUSnasRedes>.

Ultimately, we can state that racist societies mold racist institutions. The results of this scenario are the feedback of racism and the perpetuation of naturalized inequality.

And in this aspect Brazil is an example. Our universities are white, with the majority of students being white. Black persons are the most subordinate workers. A picture considered as natural even by professors and social scientists. In such a way that the racial issue is an area with still very few studies, despite its importance and implications. This perverse educational picture has economic roots and, obviously, it is also the product of educational trajectory. Studies on pre-school and the early years of elementary education carried out by researchers Rosemberg (1985) and Cavalleiro (2001) show that black children are less stimulated by teachers, who openly prefer the contact with white children. The same happens in crèches and nursery schools, where black children are less caressed and less stimulated and, in general, receive less attention than other children.

According to these researchers, the school setting does not reflect a welcoming atmosphere to black pupils. Besides constant situations of bullying to which these pupils are submitted, usually with the connivance of teachers, the curriculum, and the negative manner in which blacks are represented in the History of the country constitute a great obstacle to a better integration of black pupils (MURANGA, 2005).

The situation of violence against the black youth is not less relevant. A recent report on young people's murder produced by the Parliamentary Committee of Inquiry at the Federal Senate reveals that one black youth is murdered every 23 minutes in Brazil. While the rates of white youth murders have shown a positive decrease, an opposite trajectory occurs in the case of the black youth, with an increasingly intense incidence in recent years. According to the document, "the problematic of homicides has a directed age group, color and gender: of 56 thousand murders reported per year, 53% are of young people between 12 and 29 years old, of which 77% are black and 93% are males" (BRASIL, 2016).

According to the report, young blacks are much more exposed to situations of violence because of the proximity with regions with greater presence of drug traffic and also because of the posture of the police that, in general, acts more fiercely and with more virulence when approaching black youths.

UNIVERSALISM AND AFFIRMATIVE ACTIONS: THE NEED TO FACE RACISM

Racism as a historically constituted ideology and its unfolding – discrimination and racial prejudice – must be tackled as the first step for the construction of a more egalitarian society. Racial discrimination has a counterpoint in the above mentioned Caó Law. The problem is that

because of the second axis – prejudice and its more developed form, institutional racism – this law has seldom been effectively used by the judiciary, which is molded by racism.

This is where affirmative action policies enter the scene as effective instruments to combat prejudice and institutional racism. Jaccoud and Beghin (2002, p. 47) characterize affirmative actions as those that

> [...] aim to treat in a differentiated and privileged manner, during a limited period of time, historically discriminated groups. Its objective is to seek to guarantee the equality of opportunities by adopting a preferential treatment to enable such groups to reach a competitiveness level similar to the other social groups. […] Measures that are central in affirmative action policies are those that aim to prepare, stimulate and promote broader participation of discriminated groups in the various sectors of social life, especially in the areas of education, job market and communication. (JACCOUD; BEGHIN, 2002, p. 47).

Therefore, the aim of affirmative actions is to face the racist ideals by means of initiatives that enable the black population to occupy spaces interdicted by racism. It is about actions that intend to alter the common sense, the biased and naturalized vision of racial inequality; policies of valorization and change in the perception of the racial issue, combined with actions that aim to take the black persons away from their place of natural subordination and make them become protagonists. In this context, the establishment of quotas in universities is one of the instruments of affirmative actions. The quotas will enable thousands of black persons to enter a higher qualified job market and dispute spaces, and also contribute to private institutions becoming revitalized and open to diversity. In the same way, quotas in the public service with the presence of black persons in decision-making and management spaces will lead to the mitigation of institutional racism.

Certainly there is a wide space for innovation in the health sector as well. The presence of a larger contingent of black physicians and managers, besides providing a broader awareness of other staff members in favor of a more vigilant and positive attitude regarding the existence and harmfulness of institutional racism, may also provide significant qualitative improvement in services toward a more egalitarian healthcare.

CONCLUSION

This chapter sought to bring to light an issue that challenges the efficiency of public policies but that in spite of this has been mitigated, if not entirely forgotten. It is about the influence of institutional racism in the design and direction of public policies. The differ-

ence in the care and treatment of citizens according to the color of their skin is something that directly opposes the construction of a more egalitarian society. If it is a fact that institutional racism is still disseminated in our country, the State and its institutions cannot be instrumental in reinforcing this situation. On the contrary, it is precisely the State that should serve as the example to be followed by the entire society.

Therefore, it should be highlighted that the differences observed between racial groups in Brazil are not reducible to socioeconomic inequalities. Concerning health this theme acquires some singularities. First, due to the fact that the black population is more prone to certain types of diseases, such as falciform anemia and high blood pressure, it is important that our health system is designed to deal with such particularities, especially in the regions with higher concentration of black population. Second, there is an immediate need to provide the implementation of a set of measures to eliminate treatment differentials between black and white persons in SUS instances, as well as in all the other hospitals and health centers. The example arising from the State is crucial to foster changes in the society capable of facing racism in all its forms and unfolding.

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Chapter 10

Is the future of social democracy in women's hands?*

Celia Lessa Kerstenetzky

INTRODUCTION

A new constellation of social needs has been driving the care issue towards the center of the welfare state agenda. Women, the traditional family care providers, massively entering the labor market, contestation or actual transformation of gender values and norms, proliferation of monoparental family arrangements, and rapidly ageing populations with significant increase of dependent elderly people – all these phenomena are connected to what some observers have been calling the 'care crisis'. And although the prime trigger of many of these changes has most likely been the old welfare state, it does not seem suitable to provide answers. In fact, traditional social protection reactions seem relatively ineffective in the face of the new challenges posed by the care crisis.

In many cases, adaptation has been slow and is still being tested, and is mediated by aspects that are usually blamed for the variation from one country to another, namely: welfare state design, cultural and socioeconomic factors and, generically, economic, social and political institutions. However, in the last two decades a new way of thinking the welfare state emerged from the efforts to make sense of the new problems, clarifying causal connections and imagining interventions that may better respond to the identified needs (MOREL; PALIER; PALME, 2012). For instance, the traditional emphasis on income maintenance was substituted or complemented by a new emphasis on service provision, reflecting what has been called welfare state 'activation phase' (KERSTENETZKY, 2012; BONOLI, 2013). This new emphasis, on the other hand, seems to reflect the belief that the new wel-

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fare state's commitment, in a period of great uncertainty, should be towards the aggregate productivity growth rather than exclusively to ensure direct welfare.

However, what is at times presented as a coherent set of ideas hides a significant variation: we should be referring to different modes of engagement in this new way of thinking social provision. As indicated by Morel, Palier and Palme (2012), currently it is possible to identify at least three variants of the so-called social investment perspective: a neoliberal variant 'make work pay' welfare; a 'make work pay plus targeted services provision' third way welfare; and a social-democratic 'activation-oriented universal provision of service plus social security' welfare[1]. All variants share certain premises with the so-called supply side economics, with its emphasis on productive forces, though the social democratic one is eclectic because it includes typical principles of the demand side economics: it recognizes the significance of income transfer and public employment in the social services sector so that, as in the Beveridgean tradition, some endogeny and capacity of resource generation are directly attributed to social spending.

The focus of this article will be on the social democratic version of social investment, particularly on the perspectives for economic and political sustainability of the social democratic welfare state, with its typical equality-orientation. In the first section I will briefly present the economic sustainability rationale of the social democratic social investment perspective (SIP). Work-family conciliation policies stand out as an integral and crucial part of SIP architecture insofar as they respond to the new economic problems and social fragilities. In the following sections I will examine arguments and factual evidences related to the problem of welfare state political sustainability, based on the political economy of work-family conciliation policies and the examination of different work-family regimes. My ultimate objective is to investigate if where hope lies is on women's political agency and constituency, regarding the continuity of the social democratic experiment under contemporary challenging circumstances. In the final section, I discuss implications and provocations to the proposed narrative.

THE PRODUCTIVIST WELFARE STATE: ECONOMIC SUSTAINABILITY

The emergence of a social investment perspective of the welfare state has been considered as the 'response' to a new set of sources of welfare insecurity that became prominent

[1] Solga (2014) calls this version the 'double liability welfare state'. A fourth variant could be identified as the Bismarckian adaptation of the new labor market orientation, but this would be more of a practice than a doctrine.

since the early 1980s. A brief list would inevitably include technology revolution and the radical industrial production restructuring, implying unemployment, relative shrinking of the industrial sector, and concomitant swelling of the service sector, which must respond at the same time to the technology sector's needs and to the growing demand for all types of consumer services. Globalization has admittedly triggered these transformations, seeing that it extended market competition to a global scale and provoked general convergence to the new 'knowledge economy' parameters. Domestically an important collateral effect was the deterioration of labor markets, which are now increasingly dominated by polarized jobs in the service sector, with having low skills – often associated with precarious employment, low wages and weak unionization – becoming an acute social risk, and having long-term unemployment as another distinctive characteristic. Increasing labor income inequality and in-work poverty are among the most noticeable negative effects.

Adding to labor market insecurity there are changes in families: divorce rates increase, multiple family arrangements, dissemination of monoparental families and lone parenthood. These transformations promise a rupture in the traditional way of ensuring welfare: the implicit family contract between the male-breadwinner and the female-caregiver. Moreover, massive female entry in the labor market restricts even more family care provisioning. To aggravate this movement, care demands are intensified with ageing populations. Many women deal with the increasing pressures by postponing maternity, reducing fecundity or participating in the labor market in precarious ways, or totally abstaining from it, an option that falls preferably upon poorer women – testifying the resilience of traditional gender norms. Finally, the intensification of socioeconomic endogamy, i.e., the formation of families from the marriage of persons in similar socioeconomic condition, reinforced societal segmentation and social inequalities. New sources of economic inequalities and poverty, separating women of distinct socioeconomic conditions and intensifying child poverty, have contributed to the reconfiguration of contemporary societies.

In the face of market and family 'failures', welfare provision should be ensured by the welfare state, which is the third pillar of welfare provision in Esping-Andersen's (1990) terminology. But the welfare state is also under great pressure. On the one hand, additional resources are needed so that the State compensates market and families' retraction. The income maintenance discourse would face resistance from taxpayers, particularly from businesses, on whom the additional costs would fall, thus inducing them to respond by reducing their 'productive efforts'. This is at least the prevision of trade-off theories, even if the analysis of social spending in recent decades does not confirm the effective obstruction to expansion, defying globalization theory and the infallible prevision of the 'race to the bottom', even when social security institutional reforms have been taking place all over

(KERSTENETZKY, 2012). But it would be surprising if the expansion of spending would continue indefinitely, especially when confronted with increasingly dominant fiscalist and austerity discourses. On the other hand, while it seems quite clear where a major resistance to social spending expansion would come from – the middle and upper classes, responsible for the provision of resources –, it is not equally clear, in terms that would make sense nowadays, from where the support for additional traditional income redistribution would come. While post-war welfare states were based on a well-delineated class-alliance, it is now far from clear what coalition will make sense and sustain a political alliance so that post-industrial welfare state does the same as the traditional one did.

It is with the productivist turn that the social investment perspective intends to reduce the dissonance, modifying a zero-sum game into a situation in which there are only winners. The strategy is to transmute the logic of spending into the logic of investment. This is translated into a set of policies that while reducing several social inequalities – in the structure of opportunities, spheres of economic and social security, welfare outcomes – promote economic activity and enhance productivity. Social policies are calibrated to stimulate jobs and skills, an objective that under the social democratic version, which is the one we are examining in this article, goes hand in hand with economic and social security and aims at equality. A central argument, thus, is that inequality of opportunities, besides being socially unfair, is a waste of valuable resources and productive capacities in view of increasing welfare demands. But the argument of opportunity is followed by a clause that, considering the uncertainty that characterizes the new knowledge economy, the guarantee of economic and social security is indispensable, among other certainly more significant reasons, to avoid the waste of productive human capacities. Under this narrative, social justice ex ante and ex post facto of the functioning of markets becomes the spear of economic progress and the shield that protects itself from it.

Among the core policies are those directly related to the labor market, combining generous income benefits (e.g., unemployment benefits) with active skills promotion policies, public employment in the social services sector, and comprehensive quality education[2]. But the policies that concern me in this article are those related to work-family conciliation, which support family life[3]. In terms of an investment perspective, crèches and external childcare in general are policies that have two crucial implications: they facilitate

[2] A broad vision of this approach can be found in Morel, Palier and Palme (2012). The main influence is the latest work of Esping-Andersen (1999, 2009) and Esping-Andersen *et al.* (2002).

[3] The complete set of work-family policies, according to Morgan (2012), would include elderly people care, childcare, parental leave, policies of part-time work with appropriate shifts of care for children and pre-school, availability of full-time school, decently paid and long (but not too long) leaves.

mothers' employment – including fulltime quality jobs and career perspectives – and enable 'quantity and quality' population increase, as opposed to fecundity rates decline to levels that are lower than population reposition and to deficient educational start of children from low-income families. The Myrdalian premise (from Gunnar Myrdal seminal idea) implicit here is that a highly productive population is a crucial economic factor, especially in knowledge economies, so that longevity expectation is achieved with good standards of living. Externally provided care for the elderly and parental leave, which are other types of intervention comprised in the work-family conciliation package, are also instrumental to women's employment. They ensure cost-free time for women either to work or care, while keeping them active. Moreover, SIP also advocates gender equality and is interested in the capacity of these policies to promote it: besides complying with justice requirements, gender equality has an investment component also valuable in a productivist reasoning, as inequalities of conditions of all sorts are a waste of productive and creative capacities.

Social democratic social investment is typically universalist. Besides arguments based on public morality, i.e., social rights, the traditional rationale of universalism may be found in uncertainty (KERSTENETZKY, 2012), as for example the social needs and social costs in Richard Titmuss: from the public authority viewpoint, as one cannot anticipate when and where bad chance will strike, and its origin is unknown, the best way to protect is to offer the most extensive and comprehensive prevention possible. In the social investment narrative, universalism is also based on expediency arguments: when placing people from different social backgrounds together in the consumption of public goods, their wellbeing and skills discrepancies will be equalized or minimized – an obvious concern here is about the quality of this provision – while being able to collect more resources to finance public provision and benefit from some incentive effects. Among the latter, it is mentioned that from a productivist perspective children can be understood as a 'social externality'; the costs involved in their upbringing and development, however, are incurred by families (ESPING-ANDERSEN, 2009): sharing these costs with families seems the right decision from the public viewpoint, regardless of their social backgrounds, if the children are socially desired. Another aspect of incentive is sharing cultural and social capital between children from different social backgrounds who attend public childcare centers and schools; an important element not only to improve life perspectives of those lacking stimulating family and social environments but also to engender positive aggregate results from the economic viewpoint. Universalism appears as an efficient strategy, in line with the economic social investment rationale.

As employment and productivity improves, the social investment welfare state gains financial stability. A non-decreasing and productive population should guarantee the

necessary sound fiscal base needed to finance the welfare state's costly but efficient redistributive policies. This is in general lines the social investment story.

WOMEN-CENTERED WELFARE STATE: POLITICAL SUSTAINABILITY

A similar argument could be presented regarding the political sustainability of the welfare state under the auspices of SIP. It would be necessary to demonstrate that the same set of policies that would ensure economic sustainability could – in fact, should – also guarantee political sustainability. The main premise is that, as immediate beneficiaries of work-family policies, women would constitute an important political bastion of the social investment welfare state. An issue to be examined would be women's transition to a condition of political agents, considering aspects of constitution of identity, self-awareness, and concerted political action. Here I will shortly discuss the abstract situational logic that would configure this pathway; then I will report stylized facts that corroborate women's political support to the set of work-family policies of SIP, especially care policies.

The context in which this investigation takes place is the multiplication of vulnerabilities in the contemporary era and the correspondent fragmentation of political support to welfare state. Unionized industrial workers, initially in alliance with rural classes and then with urban workers and middle-classes, accommodated in a political coalition typically led by social democratic parties, constituted the political base of the old social security welfare state, which responded with a set of policies that attended primarily to the social needs of these groups. This sociopolitical stratification and the full-employment economies to which they corresponded are nowhere to be found anymore: the radical economic and societal changes of the last decades have produced effects on the welfare state politics, still to be fully evaluated, obscuring, however, divisions and opportunities of interclasses alliances. Industrial work has shrunken and has been subjected to differentiated conditions and contracts, in a context of increasing global competition for productivity gains; the swelling of the service sector multiplied the heterogeneity of conditions and situations among workers, hampering solidarity among them; fierce market competition, outsourcing and increasing heterogeneity are known facts behind the weakening of unions. The traditional constituencies of parties that strongly supported the welfare state seem to be evaporating (MORGAN, 2012, 2013; BONOLI; REBER, 2010).

As SIP is presented as an equation of the new social needs and as policies of conciliation come to the fore, it seems reasonable to suppose that being women-centered will turn them into an attraction point to women constituency. And while women are obviously not a homogenous constituency, it seems though plausible to suppose that due

to gender differences, i.e., different representations of women's and men's social roles, the degree of heterogeneity between women and men is greater than among women regarding the priority of policies concerning gender roles. Shared experiences and differentiated social expectations, as they crystalize in social norms, for example, that women are the ones who should care, account for most gender differences. As women enter the labor market, the issue of care and other prominent employment obstacles become objective matters of concern to them. Moreover, as men's partners in family financial maintenance, women begin to contest the objective fundaments of traditional care norms.

Politically, several consequences seem plausible to be expected: first, women-oriented welfare policies become women's priorities, among them work-family conciliation policies; second, as left parties are those traditionally advocating these policies, the proportion of women's votes for them would most likely be higher than men's votes; third, women would need women representatives and women politicians in general so that their perspectives and demands are brought to the political sphere; fourth, as a condition to the previous, there should be an alignment of priorities between women politicians and women's constituency; and fifth, there might be an opportunity for a new gender-generational political alliance at the constituency level, between the elderly and women caregivers or workers, turning women politicians into potential representatives of the elderly. In sum, women might be the new protagonists of an updated version of the classical power resources theory of the welfare state (BONOLI; REBER, 2010), a new political force that will conduct most of the necessary changes.

What degree of realism can we attribute to this logical reconstitution? If these changes are happening in fact, how are they happening?

Fortunately, the empirical literature on many of these problems is prolific and has been increasing especially since the late 1990s. Its origins are in the welfare state and feminist literatures. Since the rehabilitation of the welfare state from its patriarchal exile, conducted by feminist revisionists as from the late 1980s (HERNES, 1987[4]), which in its turn converged with the slow approximation of the mainstream literature on welfare state to family and gender themes (ESPING-ANDERSEN, 1999, 2002, 2009), there has been growing attention to the intersection (BORSCHORST; BIRTE, 2002). My interest is to examine if SIP political sustainability is a reasonable expectation in the light of known facts.

Drawing on Hannah Pitkin's (1967) classical discussion on representation, feminist analysts used the categories of descriptive and substantive representation to highlight the

[4] Hernes coined the term women-friendly state, "a state that would not force harder choices on women than on men, nor would allow unfair gender-based treatment" (p. 15), having in mind the typical Scandinavian state.

imperative of women being represented by women so that their substantive interests and priorities evolve in the representative spheres of the political system (PHILIPS, 1995, 1998). This belief has been substantiated by an expressive set of empirical work and the evidence is not limited to developed countries (CAMPBELL; CHILDS; LOVENDUSKI, 2009 offers a review of the findings). Moreover, drawing on a study carried out in sub-Saharan Africa, there is indication of positive influence of women's political representation over women's engagement in politics in general (BARNES; BURCHARD, 2012), providing support to the idea that politics becomes more interesting to women when their interests are in fact echoing in the political sphere.

Another set of studies have emphasized the need of a critical mass of women so that gender really makes a difference within representative political bodies: something between 25-35 per cent of members of parliament (DAHLERUP, 1988, confirmed in the study by BARNES; BURCHARD, 2012; for a literature review, see CHILDS; KROOK, 2008). But, according to other studies, even with symbolic levels of representation, women's presence would be substantively felt (TAYLOR-ROBINSON; HEATH, 2003)[5]. And though the parties on the left of the political spectrum are the ones that usually advance with these interests and perspectives, there remains a perceptible difference of priorities between men and women politicians inside the same party even when other sources of variation are controlled, thus indicating that gender is meaningful (CAMPBELL; CHILDS; LOVENDUSKI 2009).

Empirically, these interests seem to orbit around issues of women's welfare and rights. There is substantial evidence of the prominence of welfare issues varying from support to child education, health and development, and family policies, up to women's rights in general, both in the developed and in the less developed world, especially in India and Latin America (BOLZENDAHL; BROOKS, 2007; GIBSON, 2012; TAYLOR-ROBINSON; HEATH, 2003; AVELAR, 2001; ROMERO, 2014). A study about the Indian province of Kerala is noteworthy: it shows the preference for the welfare agenda also in participative contexts and even in the absence of women's critical mass at parliament level, suggesting that redistribution is more effective when women are more involved in politics (GIBSON, 2012).

Furthermore, during the last three decades women's interests have increasingly concentrated in conciliation policies, with some coincidence with gender equality perspectives (CAIAZZA, 2004; BOLZENDAHL; BROOKS, 2007 provide a review of many of these

[5] The study by Taylor-Robinson and Heath gathers evidences of descriptive representation in developed countries, but also presents the case of Honduras (with low proportion of women politicians) that confirms the stylized fact. There is also evidence of legislative initiative in Brazil. With a very low level of participation in the Congress (less than 9%), Brazilian women politicians are quite active, especially in issues related to welfare, according to Romero (2014).

studies). Women's suffrage and movements are widely perceived as significant political triggers of social spending (ORLOFF, 1996, 2010; ANNESLEY, 2007; PIERSON, 2006; HOBSON; LINDHOLM, 1997; SAINSBURY, 2001), whose emblematic expression is the introduction of policies such as family allowances in many countries already in the 1940s. Increasing women's participation through voting and representation in the last decades has been positively associated with, and even a key factor for, the SIP-type of spending and the expansion of coverage rates of childcare and parental leave (MORGAN, 2012, 2013; NAUMANN, 2012; BONOLI; REBER, 2010; CAIAZZA, 2004).

Priorities alignment between women politicians and the mass of women constituency has been confirmed in empirical studies based on the hypothesis that 'women vote for women'. In general, however, there seems to be a significant superposition of ideological and gender factors (CAMPBELL; CHILDS; LOVENDUSKI, 2009). In fact, at least in developed countries, there is empirical support for the thesis that there is a new political gender gap: traditionally conservative constituents, women have begun to move left since the 1980s, surpassing men in their preference for left wing parties (ABENDSCHON; STEINMETZ, 2014; MORGAN, 2012, 2013)[6].

Apparently, an acceleration factor of women's political participation and their shift towards non-conservative political preferences would be the increment of their economic participation as from the 1970s, as several studies indicate (STOCKEMER; BYRNE, 2012; BOLZENDAHL; BROOKS, 2007; ABENDSCHON; STEINMETZ, 2014). In this sense, urgent and intense needs led women to press for social services, thus configurating a new interest group to which women politicians responded emphatically: in fact, increasing rates of economic participation were followed by increasing political participation and, together, are associated with increasing social spending in many developed countries, including those of the universalist type (BOLZENDAHL; BROOKS, 2007; ORLOFF, 1996).

But it was the left-wing parties that led the expansion: though historically the relationship between left-wing parties, unions, and politician-worker women has not been linear, left-wing parties were the first to encourage women's political participation; once in the parties, women were able to sensitize the leaderships to project women-oriented policies onto prominence in the party's agenda (NAUMANN, 2012; MORGAN, 2012; BARNES; BURCHARD, 2012; CAUL, 1999). Some studies collect evidence that center-right parties begin to follow this line (NAUMANN, 2012; MORGAN, 2012, 2013), but the left-wing force seems to be a continuous influence (BONOLI; REBER 2010). Anyhow, factors such as the

[6] Other political inequalities present in the literature are women's lesser interest for, and engagement in, politics, which persist. See Chibber, 2002, for international comparisons.

weakening of religious divisions in the public sphere and the increasing participation in the labor market might have led women to left-wing parties, social equality, egalitarian gender norms, and support to additional social spending (MORGAN, 2013; NAUMANN, 2012). The force of religious parties seems to be negatively associated with public spending levels in childcare (BONOLI; REBER, 2010).

Finally, these changes in women's behavior and worldview have recently become part of the strategic calculations of various political parties. If, on the one hand, women-oriented policies, particularly conciliation policies, are traditional elements of the ideological mosaic of social democratic parties, on the other hand, the fact that women's support became crucial has made those policies attractive to other parties as well, seen that more women are politically active (MORGAN, 2012).

In fact, the fierce competition for women's vote has promoted this agenda since the late 1990s: European parties on the right political spectrum, but also traditional social democratic parties, as the British Labor Party, have conceived and implemented strategies such as women recruitment, promotion of women leadership, adoption of quotas and goals, and changes in electoral platforms to include work-family conciliation policies (MOREL; PALIER; PALME, 2012; MORGAN, 2012; MORGAN, 2013; NAUMANN, 2012). The case of the New Labor Party is emblematic (MORGAN, 2012). In the 1997 election, in which the New Labor had a massive victory, the party openly favored women candidates, thus obtaining an expressive number of women's votes. Once in Parliament, these women started a frenetic process of legislation production, in an impressive case of paradigmatic change that dramatically altered the landscape of family policies in Great-Britain. In general, studies show that the increasing competition for women's votes and related changes in electoral politics are the main vectors behind recent changes in the welfare state in the direction of adopting work-family policies (MORGAN, 2012), being a consequence of powerful forces, such as increasing women's public and private empowerment and the decline of religious and class identities.

It is also noteworthy that some studies reveal strong competition for resources in less developed welfare states, between policies for childcare and those for the elderly, such as retirement, suggesting a generational cleavage as a characteristic of the new welfare state that hampers its path to new conciliation policies (BONOLI; REBER, 2010). Other studies, however, register that the proportion of the elderly in the population would be strongly and positively associated with women's political representation (BOZENDAHL; BROOKS 2007) – although it is not clear if it would be due to greater women's sensitivity to the elderly's needs or to their own need to conciliate care and paid work (BOZENDAHL; BROOKS 2007). Anyhow, the latter study has also observed that women politicians exert a

high level of influence over welfare state spending, only slightly lower than the effect of the proportion of the elderly (traditional welfare state constituents) in the population.

WOMEN'S PREFERENCES AND OUTCOMES: WELFARE STATE OR CULTURE?

The convergence of policies promoted by the electoral competition has not necessarily been towards a social democratic SIP. The latter includes a concern with gender equity that is not consensual across the communities of social policy designers.

The marriage between the welfare regimes literature with welfare-friendly feminism gave birth to a better understanding of the variety of care regimes, the framing of and responses to the care crisis by public policies. In each country or regime, the representation of the crisis and the menu of responses were mediated by religious and cultural factors imbued in the welfare state architecture and prevailing public discourses, bringing nearer or pushing away issues referring to women from a gender equality perspective. In fact, three distinct care regimes were identified, in a gradient from 'maternalistic' perspectives to gender blind to gender equalizer, according to whether their policies reinforce traditional gender roles, such as maternity, abstain from interfering in the division of household labor, or stimulate an equal division of paid work and care between men and women (ORLOFF, 1996; BORCHORST; BIRTE, 2002; ANNESLEY, 2007). This branch of literature is particularly useful to shed light on contextual factors that assist the formation of women's preferences for policies and the production of objective outcomes regarding interventions in work-family conciliation.

Feminist theorists, though, warn that women-oriented policies do not perfectly coincide with gender interests, particularly gender equity (ORLOFF, 1996; BORCHORST; BIRTE, 2002). The full agenda of gender equality is ambitious: it requests that at least three inequalities be eliminated, namely, in the political representation, where women are less present than men; in the labor market, where women receive lower wages and there are more hindrances in the access to quality employments and prestige positions; and in the family, where most of the unpaid work falls on them.

Different normative models of welfare state are variably sensitive and responsive to those demands, insofar as they directly attend to market and family failures. For example, some may emphasize women as citizen-workers, while others favor them as citizen-caregivers, and others advocate equality in paid and unpaid work. Each model has its set of policies for women and their results obviously vary according to the model they adopt: citizen-workers, citizen-caregivers, or citizen-workers-and-caregivers (ORLOFF, 1996; FRASER, 1997 *apud* BORCHORST; BIRTE, 2002).

Thus, while the first model may result in some equality in the market, i.e., participation equality, insofar as its conciliation package stresses mothers' employment and, therefore, childcare and parental leave, the citizen-caregiver model is directed to mothers who stay at home by ensuring them social protection rights and monetary benefits. And the third model responds to equality in the market and in the family, because besides facilitating women's employment, it also intends to balance unpaid work, by guaranteeing that both parents have parental leaves and flexible work for men and women. The third model in its full form, which appeals to social democratic and feminist sensitivities alike, is inexistent in reality: the Nordic countries, which are the closest to its achievement, still have asymmetries in the labor market (men in the private sector, women in the public sector, for example), and in the family (women spend more hours in household work and take the longest parental leave), in spite of presenting the most extensive set of gender equality measures in its repertoire of women-friendly policies (ORLOFF, 1996; BORCHORST; BIRTE, 2002). In fact, some studies indicate that cultural norms still weigh significantly (BUDIG; MISRA; BOECKMANN, 2012; TAMILINA; TAMILINA, 2014).

Empirically, what is known about the connection between welfare state design and gender outcomes? Obviously, all depends on how we define the outcomes, and equality between paid work and unpaid work is one of the possibilities. Hence, if on the one hand the provision of childcare and parental leave appears positively associated with the presence of mothers in the labor market in the empirical study conducted by Keck e Saraceno (2013), revealing the emphasis on mothers' economic participation, Geist (2003) gathered evidence that the usual trichotomy of regimes impacts the domestic division of work, a key variable in the perspective of gender equality. This division appears more balanced particularly in countries with social democratic tradition in Northern Europe, and less in continental Europe of 'familistic' tradition, i.e., where care provision is family-based. Tamilina & Tamilina (2014) show that symmetry in the allocation of domestic work between men and women is achieved through two types of interventions, one affecting values, such as education and labor market policies, and the other facilitating the exercise of these norms by means of childcare or poverty alleviation policies, and that the exclusive use of one of these has negative consequences. Higher wages for mothers appears in association with the presence of childcare and parental leave, as long as a propitious culture of equitable choice is also present, as registered by Budig, Misra and Boeckmann (2012).

The regimes of welfare state thus seem to make a difference regarding gender outcomes, though it is not clear how much the preferences are being formed by them or are merely reflecting or reinforcing certain preexisting cultural views. It is possible that these two causalities operate simultaneously. In fact, an element of support to the hypothesis

that the welfare state design exerts considerable influence comes from a comparative empirical study that contrasts countries in terms of differences observed at the individual level and at the country level (GEIST, 2003). This study observed that contextual factors have more weight. As an example, such factors as the welfare state design has a more significant role than the bargain at the couple's level in the determination of unpaid domestic division of work.

One certainly cannot exclude the influence of culture, since cultural factors operate both at the level of individuals and at the level of countries, although in the last case its incidence is filtered through changes or reinforcement by powerful macro-institutional elements that can be reconstituted, including political dynamics and welfare state design. In fact, Morgan's analysis of European countries with distinct family traditions provides a dense description of the recent trajectory change towards conciliation policies conducted by conservative welfare states – although it also indicates that the traditionalist culture has somehow infiltrated the recent novelties. Germany and the Netherlands, two countries of familistic tradition, have rapidly shifted towards the promotion of women employment during the 2000s, but the gender equity objective did not stand out as a trigger for attitude change, rather losing space for other more consensual concerns, such as demographic pressures resulting from the alarming fecundity decline in Germany, or fiscal concerns resulting from the uncontrolled retirement growth in the Netherlands (MORGAN, 2013; NAUMANN, 2012). Although gender equity did not emerge in the dominant public discourse in these countries, participation of women politicians, particularly on the executive level, was crucial in making changes happen, as much as was the ability of these women to advocate equalizing practices in other terms than those of gender equality (NAUMANN 2012). Some analysts have an optimistic view about recent transitions from the male-breadwinner model to the adult-worker model as a window of opportunity for women's political agency and the advancement of a gender equality agenda (ANNESLEY, 2007).

Finally, if it is true that care involvement is a significant ingredient behind abstinence or asymmetrical participation of women in the public space, economic inequality, in itself a contextual factor, is an additional ingredient. And while the welfare state can detect and solve the problem in the case of care, economic inequalities present a subtle challenge when taking the form of a 'solution' for the problem with care.

In general, the poorer of both genders do more housework than the richer, and this is also true about poor and rich women (HEISIG, 2011). Part of the problem is unequal access to energy-saving technologies, but the other part is the way in which economic inequality presents itself in low-regulated labor markets (HEISIG, 2011). This inequality is expressed in the polarization that confronts richer women with poorer women who do care services, either as paid domestic service for other families, or other low-paid jobs.

In low-regulated labor markets that are typical of liberal welfare states, poor women enter the labor world through the entrance door of consumption services; in the absence of public provision, private crèches or informal care proliferate, and women find precarious insertion and low pay. With low wages and very small labor costs, expenses with private crèches can accommodate to virtually any budget. The seeming paradox is that in gender-blind and weakly regulated welfare sates, such as the North-American, childcare coverage is almost as extensive as in women-friendly welfare states with high level of public spending in childcare (BONOLI; REBER, 2010). But in the first case, coverage rests on a fundamental form of economic inequality, one which depresses poor women's economic perspectives.

Therefore, it seems possible to have care coverage with either public or private spending and have working mothers in all income strata, but with care quality proportional to payment capacity and roots in poor women's precarious insertion in the labor market as distinctive characteristics from the private option. Gender equality of economic participation may conflict with other desired objectives, including economic equality and offering equality of opportunities in life to children from different social environments, such as those offered by universal child education with high quality. Again, the welfare state design seems to make a difference, because it may exert some control over the labor market and provide quality social services, including the offering of good job opportunities for women who enter the labor market through the entrance door of services such as crèches. The dark side is that, alternatively, the welfare state may make it more difficult to have all women on the same political side in case it operates in collaboration with economic inequalities.

DISCUSSION

The social democratic social investment perspective has the vison of a lasting marriage between social justice and material progress. Much of it depends, both materially and symbolically, on the truth contents of the expected economic consequences, which I have taken for granted in this essay. However, there is no guarantee. Hovering above, there is the increasing systemic risk associated with the overwhelming presence of financial capital, deregulated in our patrimonial capitalism (PIKETTY, 2014), as a sword of Damocles over our best aspirations, though it is possible to argue that SIP may exert some form of repression on this threat. But much seems to depend, though not exclusively, whether women will recognize in social democratic SIP their own interests and perspectives, and will politically mobilize themselves to promote it.

While women-oriented social investment strategies vary in different care regimes, it

was possible to observe some convergence with work-family initiatives in recent reforms. The apparent convergence hides, though, a not negligible negotiation between progressist views and resilient cultural traits, using compromises and rhetoric as common strategies behind advancements. At present, the focus on productivity or 'productivism' promises to advance justice, and the politics of power is promoting more substantively committed agendas. And women appear as the crucial link for elective affinities to emerge. But what will happen if the chemical combination fails? And if the trade-offs emerge and, before that, what are the chances that they emerge?

It is necessary to highlight certain paradoxes whose solution depend on the help of the welfare state's visible hand.

Firstly, SIP's productivism implies greater commodification of citizens, which strongly contrasts with the classical social democratic commitment to decommodification, i.e., the decrease of the dependence on welfare in relation to labor income. But the agenda seems to propose commodification to better decommodify, i.e., more and better citizen's insertion in the labor market so that the welfare state can provide more decommodified services, including, with increasing emphasis, care services. Similarly, SIP assumes the promotion of social justice to stimulate material advancement, i.e., services that promote capabilities so that labor force becomes more productive and creative. This seems to be the material condition for the possibility to enable advancement in social welfare. A third alignment of probable opponents is that occurring between individual or group interests and broad interests, via the translation of women's interests in general interests, once care becomes SIP's core and the new frontier of equality – the classical flagship of social democracy. And a fourth seems to be the alignment between power politics and ideological politics, when political democracy via electoral competition for the unaligned votes, such as those of women in recent decades, reaches social democracy outcomes. While social rights continue to be the electoral winners and the normative pedagogy of the welfare state continues to be a factor behind the formation of political preferences, these outcomes will come as no surprise.

However, it is likely that direct tensions will arise.

Commodification may be an appropriate material strategy for the promotion of decommodification. But what about negative secondary effects, such as the deepening of market ethos, of incentives? And what to say about economic inequalities that will likely arise as a consequence of a more extensive market domain? This perspective confronts social investment with social democracy. Furthermore, social investment and feminism are no perfect match: a perspective of difference, for example, demands women's rights

to privilege the dedication to domestic space rather than working outside the home, an expectation that finds shelter in the citizen-caregiver model previously mentioned. In a related way, social democracy and feminism do not coincide comfortably: whereas social democracy prioritizes social equality, some versions of feminism may prioritize the difference, and these objectives may conflict in real life. Thus, it might be less likely to have an alignment of interests and perspectives between, e.g., women situated at the inferior and superior levels of the service sector labor market (ORLOFF, 2010). Moreover, I have not counted electoral demography as a possible obstacle, caused for instance by the fact that the percentage of women in the age group most likely to benefit from care policies might not constitute a majority (VAN KERSBERGEN; VIS, 2013), though the relation between demographic groups and political attitudes and preferences is a complex one (MEULEMAN; CHUNG, 2012 highlight unalignments of interests and perspectives supporting the welfare state).

Perhaps the mere possibility of alignments is all that may be affirmed for sure. If one observes the long-term temporality, it is possible to note that the century-old welfare state also had unlikely alignments – notably between capital and labor – and a lot of its contexture has been weaved posteriorly, responding to unintended consequences. Ultimately, the welfare state's pursuit is the incomplete art of addressing paradoxes. In any case, in the face of the current challenging circumstances the social democratic social investment seems a possibility that 'egalitarians' cannot afford to dismiss.

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Chapter 11

What left-wing project is there for Brazil? Contribution to a national project with social spending and state activism to boost development*

Pedro Paulo Zahluth Bastos

Right and left have been classically characterized by Norberto Bobbio (1994) according to their stand regarding social equality. Right-wing citizens defend greater inequality (understood as a natural attribute), and left-wing citizens advocate greater equality (characterized a historical product). This does not mean that the right-wing does not accept some rights (e.g., to treat everyone as lawfully equal), while the left-wing agrees with some sources of inequality (e.g., to some extent differentiate remuneration according to the individual contribution, at least before the achievement of a society vaguely defined by communist abundance).

Such a relational definition is preferable to others that emphasize strict and static criteria, like the defense of or rejection of capitalism. One definition, like that of Bobbio's (1994), highlighting the concrete historical relationship between social forces that struggle to preserve or increase inequalities, or to reduce them, accepts that men make history but in conditions that are given or inherited from the past. To refuse this and confer the attribute of left-wing politics only to those who reject at any given moment whatever compromise that preserves capitalism means being placed outside history, in a utopic position, which may turn unfeasible the construction of alliances necessary to move history toward the left.

In historical phases of right-wing offensive, however, it is not unusual that in difficult times portions of the left have their aspirations shortened to the point of being concerned only with survival, abandoning the reflection about strategic horizons and even more so the effective struggle to achieve them. It is at those moments that some inorganic members, who seemed to be aligned with the left, change sides: for example, middle-class technical staff who sympathized with left-wing projects when they were part of university students' movements

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but who later have socially stood out due to their bureaucratic merits. They differentiate themselves from those who are below them, they are attracted by those who are above due to promises of social and monetary recognition of their merits. Although they are slight to the left of financial aristocrats who coopt them and will never entirely accept them, they have objectively changed sides.

It is thus from the strategic horizon, more than from the short-term tactics, that one can define right and left in concrete circumstances of social forces correlation. As Lenin used to say (1904), it might be necessary to move two steps back before going one step forward. If the left abdicates of thinking the step forward, however, the defeat and cooptation will become close. The greatest ideological victory of the right, in these circumstances, is to mold the terms of public debate and even limit the strategic discussion to its own chosen options. In other words, look at the left and see a well domesticated and even easy to coopt field.

An example is the fact that the insistence, until its exhaustion, on the bet on restoring the market's credibility with Joaquim Levy had already restrained Dilma Rousseff's administration to the point of preventing it from leaving the terms of the national agenda defined by neoliberalism.

The original intention of accepting, in 2015, the macroeconomic program presented by the right, and defeated in the 2014 presidential election was to appease the scaling up of right-wing hostility until the economic recovery could be achieved in the medium term. The problem was that the conditions were no longer those of 2003 and the timing was economically and politically terrible: an 'austericide'. Economically, the cyclic deceleration and the counterproductive effect of austerity were underestimated. Politically, as the president would later admit, the decision-making nucleus underestimated the opposition's intention to enact a coup, which had already been expressed in Aécio Neves' discourse of acceptance of his defeat in the presidential election[1].

The pro-cyclical fiscal adjustment may also have initially satisfied the demands of

[1] For Dilma Rousseff's mea culpa, see her interview to Carta Capital magazine (Barrocal et al., 2016) on May 22nd, 2016: "People try and sometimes fail. We thought it would be possible to have an adjustment process in one year, but in 2015 is was not compatible with the political reality of the country". This hypothesis was presented two days after the second turn of the election, on October 28th, 2014, in the article 'The third turn has already begun, has the austericide also begun?', warning about the coup and the inexistence of political and economic conditions for austerity: "If Dilma Rousseff gives way to the political constraint implicit in the market terrorism, she might gain credibility with the market, but she risks her credibility with the constituency, precisely when it will be most necessary, to fight for the political reform she says it is her legislative priority. Or when her administration is politically judged for possible embezzlement of Petrobras. She might gain good reputation in the market, but risks demobilizing the

entrepreneurs who did not understand that public spending decrease implies a reduction of their own private revenues. As these revenues decreased, firms restrained even further by cutting their costs, thus producing tax revenue decline.

The worsening of balance sheets did not make entrepreneurs reject the medicine that was killing them because the claim for fiscal adjustment did not diminish immediately. In the context and the way it was done, the fiscal adjustment had an opposite effect to what had been expected, also regarding the private sector's support. Those who believed in its feasibility in a recession were frustrated with the deficit and demanded even more cuts. Those who requested cuts perhaps did not know that these contributed to the decline of their own income, and their dissatisfaction with the government raised as the income fell.

Thus, the second term of President Dilma Rousseff's administration incurred the political cost of implementing the conservative and entrepreneurial agenda, albeit without reconstructing the broad private sector's support enjoyed at the beginning of her first term. On the contrary, the result of the economic policy turn was the decline of profitability and entrepreneurial discontent, while popularity dropped tremendously, including among the traditional base of support.

The broad movement of this base against Levy's austericide and the construction of a joint agenda between labor unions federations and entrepreneurs associations, in November 2015, created the last opportunity to step back and correct the tactic and strategic error. However, amid a crisis that demanded a robust countercyclical resumption of public investment, the hesitation and acceptance of a diagnosis that federal spending was, in general, a problem, put the government and the new Minister of Planning Nelson Barbosa with no other 'alternative' than to propose more of the same that had been proposed since 2014, i.e., more limitations on public spending and more cuts on social rights, including social security. It is no surprise that the opposition used the austerity discourse as an absurd pretext for an illegitimate impeachment because the absence of an official alternative was evident to anyone who was not immersed in the short-term power games in Brasília.

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energy and the support of those who voted for her, exactly when she is called to dispute the third turn" (BASTOS, 2014). In an article sent to publication and to the team of the future Minister of Planning on December 2014, I argued that: "A recession is not an event classified as benign by risk classification agencies, however strange their classification criteria might be. Albeit probably resulting from policies required by those who speak on behalf of the financial markets, it is doubtful that it is likely to buy their goodwill… A recession would also not facilitate governability in the face of a National Congress that demands a lot of funds and positions. Especially if recession pushes the masses to the streets against a government that is recoiled because of corruption indictment and an irreconcilable opposition, constituted even by some politicians who can hardly conceal the coup attitude" (BASTOS, 2015b, p. 13). About what follows, see Bastos (2017a, b, c).

The outcome was that the excessive concern with the fiscal adjustment – which is only possible with the resumption of economic growth, and not the other way around – deepened the recession, the very budgetary crisis, and the public legitimation of a regressive agenda marked by the deepening of social inequality and cuts of rights.

It is now time to think big again, as big as the social inequality and the challenges to the Brazilian development, and in the necessary measure as to recreate a comprehensive social support to a national left-wing strategy.

ARE THERE HISTORICAL CONDITIONS FOR A LEFT-WING PROJECT OR CAN THEY BE CREATED?

Obviously, more important than to think about the world is to transform it; but I don't know anyone who has modified it politically without thinking about it. To be able to change society it is necessary to identify the suitable conditions, but it is also required to mobilize social forces to make use of the conditions and overcome them. For this purpose, it is crucial to have a perspective on where to go; in other words, to build through debate a program that indicates where to head for and how to achieve it.

Without a vision of the future, which is less utopic and more hopeful (not necessarily optimistic), there is no broad mobilization: a project animates the practice of large social groups. Mobilization is about circulating information and creating political agitation pills, and it is the project that provides the themes for a mobilizing and transforming practice.

The essential condition for a left-wing project is to win the election, but not only that. It is to win it with a mandate that inspires broad popular support and presses the political system from the bottom up to execute it. This cannot be achieved in the 2018 election, but nobody said that the battle will be quick and easy.

Anyhow, in the moment this article is written, one year after the impeachment process was accepted in in the Senate, is already much better than May 2016. Risks are higher, because the power block that controls President Temer's government has already passed the Constitutional Amendment of Public Spending Ceiling (Emenda Constitucional do Teto do Gasto Público – EC nr 95/2016) for a period of 20 years and is about to approve the labor and the social security reforms. However, while the resistance regarding the public spending ceiling has been limited, the resistance against the constitutional changes has produced the largest general strike in Brazilian history, on April 28th, 2017.

If there is an election in 2018, the conjuncture is already much different than in 2015 or 2016: the isolation of the left has ended, but the government's popular isolation is

evident. The latter has its base on the big media and the big capital, but most of the population already knows whom social security and labor reforms serve. With a broad political movement of awareness and mobilization, the people may support the reversion of these reforms, including in the 2018 proportional elections.

Thus, the fact that the neoliberal project supported by the big media and the big capital is divorced from the population opens the space for an alternative block to dispute the narrative and create new supports to a set of left-wing projects. The hope is not unreal because four elections have been won despite the mediatic opposition. However, it will only be possible to make the most out of the proportional elections opportunity if the grassroots work and the dispute for the narrative that animates hearts and minds advance around a program that is alternative to neoliberalism.

Moreover, the monopoly of the corruption accusation is over. After Odebrecht and OAS contractors' delating, the problem of corruption became less personalized and more as it actually is: a structural attribute of the political system (that many traditional politicians do not want to change). The point is not to cynically silence about the issue but to face its structural motives. Then to attack the right for not intending to address the structures that explain corruption, but rather to hypocritically blame some of its opponents on the left, who were coopted by the system that purchases votes, decision-making, and public contracts by the richer, which has always fed the right-wing parties.

Besides the unpopularity of the neoliberal reforms agenda, the potential support to an alternative is nurtured by the fact that the economic recovery strategy proposed by Temer's administration has failed. The political plan of those who acted for the coup was to paralyze the institutional and pragmatic legacy built from the 1988 Federal Constitution on, retrieved in Lula's administration; they wished that the people would forget about it until 2018, while the economy would be recovering after the impeachment.

For this purpose, Temer's administration counted on restoring business confidence and on a significant change in the fiscal policy in 2016. In a situation of tax revenue decline, it is crucial that the primary deficit limit is raised to avoid that the government is forced to cut expenditure; otherwise, public spending cuts reinforce the vicious circle of public and private revenues decline.

This was not done by Dilma Rousseff's administration in 2015, nor in 2016. In 2015, the initial goal was a surplus of R$ 55.5 billion or 1.2% of the (unreal) estimate Gross Domestic Product (GDP). The purpose was considered mistaken by many (including myself) because it counted on a tremendous fiscal adjustment while there was an economic deceleration that could throw the economy into a recession. In fact, this occurred, and the goal

was revealed unreal because the tax revenue dropped enormously due to the recession.

Joaquim Levy avoided reality as much as he could; he pursued the initial goal and resisted to ask for its review, as requested by other members of the administration. At the end of 2015, against the will of the governmental body, Levy resigned, after having prepared a new retarded effect bomb: a primary goal of +0.7% for 2016, a surplus of R$ 24 billion!

In 2016, Nelson Barbosa proposed an increase of the deficit limit to R$ 96.7 billion, which unfortunately would still determine a significant reduction of the real spending compared 2015, given the behavior of tax revenues. Henrique Meirelles was more cautious; he raised the deficit limit to R$ 170.5 billion to allow the government to spend more, even though the tax revenue continued to fall.

Thus, the real public spending increased 5.3% in 2016, discounting the payment of the so-called pedaling (OLIVEIRA, 2017). With the confidence of entrepreneurs being restored, the government considered it would be enough to ensure the resumption of fiscal revenue[2].

It is likely that public spending increase has not stimulated the economy as much as it could, because it counted on the so-called 'pork-barrel Keynesianism', i.e., concessions to powerful interests of strata of the judicial and police apparatus, parliamentary amendments, and tax waivers to private concessionaires of public services, while the public investment continued to fall. Anyhow, Temer's countercyclical policy is not to be underestimated: the net expenditure variation represented an increase of the demand of approximately 1.7% of GDP. According to the Secretariat of Economic Policy (SPE, 2017), the structural fiscal outcome generated a positive fiscal impact of 0.9% of GDP in 2016, virtually the same as that of the countercyclical policy of 2010.

However, for having used the rigidity of the annual fiscal goal as a pretext for the impeachment and for having announced its rigid accomplishment as a condition for credibility, Temer's administration was made hostage to itself, as the fiscal policy returned to the austerity's unreality in 2017. The effects of the EC nr 95/2016 will only be felt in 2018, or even in 2019, because the rapid disinflation in 2017 would still theoretically allow the increase of the real public spending in relation to 2016, if the 2017 primary surplus goal of R$ 139 billion would not have been fanciful, given the behavior of the tax revenue.

In fact, the low revenue performance already requires bimonthly public budgeting contingency, as the one announced at the end of March 2017: R$ 42.1 billion in cuts, plus the reversion of the payroll tax exemption, which had been vetoed to Dilma Rousseff's

[2] For what follows, see Bastos, Welle and Oliveira (2017).

administration (recently postponed). Extraordinary revenues, however, enabled the sum of budget cuts to fall to R$ 39 billion by the end of May; this still determines a decline of the real public spending in 2017, as if the ceiling amendment had already been enforced.

Given the unrealistic fiscal target, the real spending of the consolidated public sector decreased 4.3% in the period of the first four months of 2017 (compared to 2016), with dramatic situations as in the case of the state of Rio de Janeiro. If the rate is repeated along the year (which is unlikely), the gross spending variation will have subtracted approximately 1.4% of the aggregate demand in 2017. The central government budget cut alone, of R$ 39 billion, will represent about 0.6% of GDP (BASTOS; WELLE; OLIVEIRA, 2017).

The cuts affect mainly discretionary spending on investment, interrupting projects half-way or scraping existing public equipment. In the period of the first four months of 2017 (in relation to 2016, which already had considerable cuts compared to 2015 and 2014), the central government discretionary spending had a decrease of -23.6%; the Growth Acceleration Plan (Plano de Aceleração do Crescimento – PAC) decreased 64% (from R$ 14.8 billion to R$ 5.3 billion); My House, My Life program (Minha Casa, Minha Vida – MCMV) fell 77.3% (from R$ 2.2 billion to R$ 510 million).

Until the end of 2017, one cannot disregard new budget cuts, proposals of tax raises, and the supreme humiliation: the practice of pedaling or the recommendation of an increase in the deficit limit beyond the R$ 139 billion defined by law. While the unrealistic fiscal target may constrain the economic recovery, its repudiation demoralizes the austerity and places the need of a fiscal stimulus into the economic debate.

Despite exports and agricultural growth verified in the first semester of 2017, a robust recovery requires public deficits for some time, instead of having the austerity spiral. Public spending cannot decrease following tax revenues because its contraction determines the decline of private incomes and even the bankruptcy of private companies. For this reason, there is the decrease in tax revenues due to private spending decline, and only the public deficit can interrupt the vicious circle.

If there is a slow economic recovery despite new budget cuts in 2017, the constitutional amendment of the public spending ceiling may throw it down again in the future. Therefore, recovery requires the reversion of this bill and the creation of a new fiscal regime that unties public investment and anticyclical initiatives, when necessary. This is an indispensable condition for the resumption of development and its sustainability along time.

Moreover, the political effect of depression or even a slight recovery is that it increases the population's nostalgia for Lula's legacy. As this legacy involved social rights materialized in public spending, such as the low-income housing program Minha Casa,

Minha Vida (MCMV) and the income transfer program Bolsa Família (BF), its deliberate paralysis has significant responsibility for deepening the recession. Therefore, having its return is the obvious way to recovery, with fast economic and political benefits.

In an economy with vast amounts of unused resources, real interest rates may fall, lowering the cost of public debt financing with no risk to inflation and. It is well known that it is mostly the interest rate of the debt, and not the primary fiscal balance, that determined the recent acceleration of indebtedness. Interest rates reduction also allow for a gradual exchange rate devaluation, necessary to confer competitiveness to some industrial branches. I emphasize the term 'gradual' to characterize the exchange rate devaluation, because a mega-devaluation, as occurred at the end of 2014 and beginning of 2015, disorganizes expectations, raises the value in Reais of external liabilities, and increases the preference for liquidity and long-term investment retraction much before producing the positive effects desired by those who defend it. Anyhow, the trap of high interest rates and low foreign exchange rates has not been removed since 1992, and it is crucial to have it done, in order to sustain a new cycle of development with income distribution.

THE THEORETICAL DEFENSE OF STATE ACTIVISM AND SOCIAL SPENDING AS STIMULUS TO DEVELOPMENT

Reacting to the dismantlement requires the dispute of a narrative regarding the economic impact of social spending. Without an empirical base and with a mistaken theoretical base, neoliberal reformists allege that the economy did not grow as they had expected after the 2015 fiscal adjustment because it would be necessary to have further cuts and dismantle the social chapter of the Federal Constitution. In other words, if the medicine dose did not bring the desired effect, instead of abandoning the treatment, it would be necessary to increase the dose heavily.

The risk is that the patient dies from an overdose because the diagnosis is utterly wrong. The diagnosis is that the 1988 Constitution determined a social spending increase that would not necessarily follow economic growth, but could even hamper it when allocating resources for consumption. The pressure for more public spending would imply expanding the tax burden and/or federal deficit, thus directly reducing savings (due to public consumption increase) or indirectly, by producing inflation.

Savings reduction, in turn, would produce real foreign exchange rate appreciation, either through domestic inflation increase or through interest rate increase; hence, it would attract external savings that would generate nominal foreign exchange rate appreciation. In this sense, the rise of basic interest rates by the Brazilian Central Bank would

only react to inflation increase inherent to public intervention that privileges consumption and depresses savings. Foreign exchange rate appreciation would then hamper competitive activities, reducing savings even further.

Moreover, savings decrease would produce lower economic growth and efficiency by reducing investments, which would strengthen the tendency to public deficit and inflation, in a vicious circle that may be aggravated if labor unions insist in wage increases beyond productivity. In this field, the neoliberal argument is that the excessive protection of legislation, fiscals, and labor justice, as well as minimum wage increase and labor formalization, would hamper profits and stop entrepreneurs from hiring labor. Therefore, an under-optimal equilibrium would be a mere reaction of the market economy to government or labor unions interventions that wish to drive it beyond-optimal.

Apart from the 'social contract of re-democratization' (the constitutional determination of increasing social and social security spending), the renaissance of the national-developmentist ideology in the second term of Lula's administration and the 'new economic matrix' in Dilma Rousseff's administration, the argument goes, would depress savings and investment even further. The neoliberal promise is that average growth of 3% would be possible with the reversion to the 'old economic matrix' and by abandoning national-developmentism, and above 3% with the reduction of constitutional linkage between social spending and social security spending[3].

In sum, the neoliberal interpretation is that inequality fosters efficiency and that the struggle to reduce it fosters inefficiency, due to either savings reduction or the decrease of 'incentives' to seek profits. Hence, the decrease of the participation of social spending and workers' consumption in the national income, brought about by neoliberal reforms, would increase the national income growth rate and would then raise the absolute value of social spending and the total amount of wages. In the proposal, once having achieved the end of the linkage of social spending as ensured by the EC nr 95/2016, plus the social security reform, the end of the minimum wage valorization policy, and the labor reform, then the profit rate would increase, and so would employment, which would later lead to an increase of the total amount of wages (though below the national income growth rate).

The first problem of this interpretation is empirical. Since the 1980s, neoliberalism promised to increase economic growth worldwide, under the impact of income and wealth concentration and global economic integration. In developed and underdeveloped

[3] Pessôa, 2014. See Bastos (2003) for the traditional neoliberal arguments, and for the recent debate in Brazil, Moreira and Arend (2016). For the originals, consult Pessôa (2011, 2014), Giambiagi and Pinheiro (2012), Mendes (2014) and Giambiagi and Schwartsman (2014).

countries as well, inequality raised as had been foreseen, but growth rates fell clearly compared to the post-war period, and even to those of the 1970s, in which democracy would supposedly be suffocating capitalism (CHANG, 2011; BASTOS, 2015a).

In Brazil, the raise of social spending and of the participation of wages in income was co-related to an expansion of aggregate income increase since 2004, compared either to the neoliberal period in the 1990s or to its resumption since 2015. Unemployment fell until 2014 while wages increased, but afterward there was an increase in unemployment while real wages decreased.

The real minimum wage raised 70% between 2004 and 2014, with an impact on the scale of salaries (because of the increase of formalization), retirements and pensions. Besides the unemployment insurance, the set of social transfers was broadened, notably BF, the continuing benefits delivery (Benefício de Prestação Continuada) and salary bonuses. The relation of forces became favorable to workers, leading to increases in the real wage and labor rights. Inequality reduction did not hamper growth, but instead stimulated it.

This is in line with world experiences: the increase of inequality and income and wealth concentration brought a reduction of growth rates and duration of expansive periods, as IMF studies have shown in the analyses of other countries (OSTRY; BERG; TSANGARIDES, 2014; OSTRY; LOUNGANI; FURCERI, 2016). Moreover, Peter Lindert (2004a, 2004b) carried out an outstanding historical study to show that, through time, the increase of social spending and redistributive policies did not hinder GDP growth, but instead may have accelerated it. Regarding IMF, because it shares many of the theoretical schemes of neoclassical and neoliberal authors who legitimate inequality, its studies only refuse the neoliberal hypothesis but are not able to explain why it is not verified (BASTOS; BELLUZZO, 2016). The crucial problem of neoclassic and neoliberal interpretation is theoretical, and it is this that explains its empirical failure[4].

What is the theoretical problem? For neoclassicals, economic agents have consumption (and not wealth accumulation as such) as their primary object. Present consumption, though, has preference over future consumption. The crucial economic decision is, thus, between current consumption or saving for future consumption in a higher amount as to compensate for the waiting. There are two primary forms of saving: capital investment or its lending, in this case for consumption or investment. Profits and interest rates would compensate the agent for the decision not to consume. In any case, saving would turn into a decision that would move the income circuit, i.e., would not sterilize resources except in a very temporary way. On the contrary, the higher the savings, the higher the investment, thus

[4] For what follows, see Bastos (2017d).

the higher the labor productivity and the future generation of wealth and income. Therefore, for neoclassicals, the interest rate is the price that equilibrates savings supply and demand.

The basic neoclassic model concludes that all economic resources will be used provided that market prices are flexible enough and that private decisions are not disturbed by external interferences from the government or labor unions. The base of this conclusion is the so-called Say's law, i.e., the hypothesis that scarcity of aggregate demand would be impossible because entrepreneurs would not be interested in selling goods and services to obtain money as such, but only to buy other merchandise, as fast as possible, to consume them.

Karl Marx and, later, John Maynard Keynes made devastating criticism of this hypothesis. According to the Say's law, the behavior of capitalists is described by what Marx calls the 'commodity-money-commodity' (G-M-G´) circuit, in which money is only a means of exchange between two different commodities. According to Marx, this hypothesis would violate the very definition of capitalism, in which the class that holds the control over the means of production and the capital-money wishes precisely to accumulate more wealth. Even if workers purchase goods with their salaries, because they tend to receive salaries that ensure an adequate subsistence for each skill, the behavior of capitalists is described by the 'money-commodity-money' (M-C-M´) circuit, in which the purchase of goods is only a way to accumulate more wealth. Salaries tend to be spent entirely, but profits are not entirely reinvested if the perspectives of generating new profits with the demand for new commodities are not attractive. Hence the possibility of vicious circles of spending reduction and monetary crises[5].

Marx's point undoubtedly had an influence on John Maynard Keynes. In the preparatory sketches for his General Theory, Keynes cited the distinction between the circuits of private consumers and capitalists made by Marx to emphasize the possibility of periodical crises. This passage was omitted from the final version[6].

What Keynes questioned was the notion that the effective demand would tend to an equilibrium that would ensure full employment of workers and fixed capital. Against the Say's law, supply would not generate its own demand. For Keynes, savings would not necessarily be

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[5] In 'Theories of Surplus Value', Marx criticizes Say: "One can never forget that in the capitalist production what matters is not the immediate use value, but the exchange value, particularly the expansion of surplus value. This is the prime mover of capitalist production, and it is a conception that – to eliminate from the thought the contradictions of capitalist production – abstracts from this very base and describes it with a production addressed to the direct satisfaction of producers' consumption" (MARX, 1968).

[6] In Keynes' terms: "The nature of production in the real world is not C-M-C´, i.e., exchange commodity (or effort) for money with the aim to obtain other commodity (or effort). This may be the private consumer's viewpoint. But it is not the entrepreneur's attitude, which is M-C-M´, i.e., exchange money for commodity (or effort) to obtain more money" (KEYNES, 1973, p. 81).

turned into spending, because currency (and its equivalents) may be permanently hoarded.

If savings may be retained in currency or other liquid assets, and not only immobilized on the long-term in productive investments, the rate of interest is not the price that equilibrates decisions of consumption and investment-savings. Simplifying the rationale considering only two types of assets (monetary and financial), the interest rate is the price that equilibrates decisions between two forms of savings: hoarding wealth in liquid monetary form (flexible in the short term) or abstaining from it for a more extended period by means of loans, i.e., by purchasing debt instruments[7].

For Keynes, this kind of choice only makes sense because the currency is not just a means of exchange between useful goods and their unit of account: as in Marx, currency is a kind of wealth, that Marx called money capital, and that Keynes called a liquid asset. The demand for this sort of asset does not depend only on the volume of transactions (given the speed of currency circulation) but on the uncertainty regarding the future. The higher the uncertainty about future profitability of investments, the more significant will the preference for liquidity be, i.e., the demand for liquid assets that confer security and flexibility in wealth management[8].

A monetary economy of production differs from a barter economy or simple monetary exchanges because entrepreneurs aim not only at consumption but at the maintenance and increase of wealth in an uncertain future, which depends on actions of various other decision-makers previously uncoordinated. When investment decisions addressed to wealth increase become uncertain, lacking to entrepreneurs the 'animal spirits' to risk, they hoard wealth in liquid ways and decelerate the spending flow and income generation. As there are no firm bases on which to predict the future, agents seek knowledge and support on the opinion of others to make their own decisions. When a pessimistic social

[7] In Keynes' words (1936, p. 172-4): "The […] 'propensity to consume' […] determines for each individual how much of his income he will consume and how much he will reserve in some form of command over future consumption. But this decision having been made, there is a further decision that awaits him, namely, in what form he will hold the command over future consumption which he has reserved, whether out of his current income or from previous savings. Does he want to hold it in the form of immediate, liquid command (i.e. in money or its equivalent)? Or is he prepared to part with immediate command for a specified or indefinite period, leaving it to future market conditions to determine in what terms he can, if necessary, convert deferred command over specific goods into immediate command over goods in general? In other words, what is the degree of liquidity preference […]? We shall find that the mistake in the accepted theories of the rate of interest lies in their attempting to derive the rate of interest from the first of these two constituents psychological time-preference to neglect the second […] It should be obvious that the rate of interest cannot be a return to saving waiting as such. For if a man hoards his savings in cash, he earns no interest, though he saves just as much as before. On the contrary, the mere definition of rate of interest tells us in so many words that the rate of interest is the reward for parting

'convention' is installed, inducing individual agents to prefer more liquidity and fewer investments, it becomes a self-fulfilling prophecy: the fall of spending reduces income and jobs, and dispirits more entrepreneurs, moving the economy away from full employment, i.e., creating involuntary unemployment.

The interest rate is thus the prize for renouncing to liquidity; it is not the prize for relinquishing consumption. If all the rest is constant, the higher the uncertainty regarding the future, the higher the preference for liquidity will be, and the lower the credit and higher its cost, i.e., the interest rate, will be. Lower investment, higher unemployment. Contrary to the 'classics', savings does not necessarily animate investment, because it can be hoarded in liquid forms.

Keynes criticized not only the 'classics' (Adam Smith, David Ricardo and Say) but also neoclassicals and Austrians, who proposed the theory of 'loanable funds'. There is a slight difference from the 'classics' (who abstracted the banking system) to neoclassicals and Austrians: the latter admit a temporary hoarding and mention the existence of banks that can 'anticipate' real resources to investors. However, they also draw on a predetermined maximum level of product and income that should be used for consumption and investment purposes, since resources are fully used. The banking system can only anticipate (but not create) real resources using monetary anticipation for investments before the 'savings intention' of other agents. As real resources are finite, though, the pressure on existing resources from the investment financed by banking credit would produce the rise of prices that would reduce consumers' real income, generating the 'forced savings' that would finance investment.

For Keynes, though, income is not predetermined before investment, even less predetermined on the maximum level of the use of existing real resources. On the contrary,

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with liquidity for a specified period. For the rate of interest rate is, in itself, nothing more than the inverse proportion between a sum of money and what can be obtained for parting with control over the money in exchange for a debt for a stated period of time. […] Thus the rate of interest at any time, being the reward for parting with liquidity, is a measure of the unwillingness of those who possess money to part with their liquid control over it. The rate of interest is not the 'price' which brings to equilibrium the demand for resources to invest with the readiness to abstain from present consumption".

[8] For Keynes (1936, p. 176-7), the demand for currency had three specific motives: "(i) the transactions-motive, i.e., the need of cash for the current transaction of personal and business exchanges; (ii) the precautionary-motive, i.e., the desire for security as to the future cash equivalent of a certain proportion of total resources; and (iii) the speculative-motive, i.e., the object of securing profit from knowing better than the market what the future will bring forth". Later, Keynes (1937) added the demand for cash from the finance-motive, i.e., the need to realize discretionary expenditure (especially investments) planned into the future (instead of current expenditure related to production and transactions).

the variation of income level is what is determined by the variation of investment. It is spending that determines income, and not the opposite: investment is determined by future expectations and is independent both from current income and from a voluntary decision or a forced imposition to save part of the current income. It is the current income that varies because of the autonomous decisions of investment. Investment can be financed, much beyond the current income, either by the accumulated wealth stock (only at the margin added by a current flow of saved income), or by the creation by banks of deposits on behalf of those who take loans. Investment is not financed by savings: neither by the planned current savings (*ex-ante*) of the 'classics' nor by the forced savings (*ex-post*) of the neoclassicals. When there are labor and productive capacity idleness, real income increases (or decreases) with the increase (or decrease) of autonomous spending (regardless of what will happen with prices).

Given the state of expectations regarding the rentability of investments, that Keynes called 'marginal efficiency of capital', the investment in new capacity will increase as much as there is a decrease in the rentability of financial instruments with similar maturity as investments, i.e., the instruments' rate of interest. For each decision on wealth allocation, the investment in new capacity will be made if the marginal efficiency of capital is higher than that of the interest rate.

Besides the investment, autonomous spending in relation to the current income, and that determines it, are both exports (minus imports) and public expenditure (minus tax revenues). Given the current consumption, it is the variation of investment (and other autonomous spending) that determines the variation of income above consumption. Thus it determines savings. The amount of '*ex-post*' savings in each period is known only when aggregate income is known at the end of the period, and this is determined by the investment (and other autonomous spending), and not the other way around.

Therefore, microeconomic savings decisions of each income flow, in a given period, may be higher or lower than the microeconomic investment decisions on fixed capital in the same period. Macroeconomically, however, Keynes alleges that there is an equality between investment flow (and other autonomous spending) and the actual savings flow in each period. There is nothing that can guarantee that the planned microeconomic savings (*ex-ante*, economists say) will be the same as the actual macroeconomic savings (*ex-post*) in each period. Actual savings is not the same as 'forced' savings of neoclassicals, because it does not finance investment (*ex-post*): it is only an accounting residue that measures all earned income in a particular period that was not consumed. Actual savings result from decisions of autonomous spending which are neither determined nor financed by current income flows, i.e., by microeconomic choices (voluntary or forced) to save part of the current income flow.

For Keynes, consumption is determined by the income level, being dependent (and not autonomous) to it. The proportion of income that is consumed (the reverse of the ratio saved) is called by Keynes the propensity to consume. Considering individual agents of different income levels, Keynes alleges that there is a conventional norm that determines an increasing level of consumption in absolute terms as the income increases, but decreasing as a proportion of the income. A billionaire indeed consumes more than a laborer but consumes a smaller percentage of his/her income than an industrial laborer.

In the short term, the existence of this conventional pattern implies a certain stability of consumption decisions regarding circumstantial income fluctuations. If income variation is lasting, though, the consumption pattern will adjust after the necessary time for habits to be changed. The higher the income, the higher the level of consumption, but the lower the propensity to consume. The poorer the person is, i.e., more tied to basic needs satisfaction, the lower his/her savings capacity is, the higher will the propensity be to spend his/her earned income on consumption[9].

If consumption is directly influenced by income, then autonomous spending that increases income tends to induce new expenditure on consumption. In other words, income is equal to spending, but autonomous expenditures determine a variation of final income that is greater than its immediate unitary effect because it induces new spending on consumption. This is called by Keynes 'multiplier effect'. Therefore, Keynes proposes an increase in public expenditures to recover the growth of aggregate income when private investments are dispirited.

Beyond the short term, income growth will tend to occupy idle capacity and, if it is perceived as lasting to the point of stimulating entrepreneurs, it may also induce investment to adjust the productive capacity to the level and rate of the demand's growth. This is called the 'acceleration effect'. It is more uncertain than the multiplier effect because an investment requires the entrepreneur's commitment to a decision of long-term wealth immobilization, depending on expectations and financing conditions that are more complex than the decision to consume.

If the decision to consume is sensitive to income variation, the higher the propensity to consume is, the higher will the multiplier effect be. A change in the propensity to consume will alter the multiplier of autonomous spending. Therefore, the multiplier effect depends on the distribution of income generated by autonomous spending: the more

[9] Skidelsky and Skidelsky (2012) discuss theoretical influences on Keynes' understanding of the relation between consumption and income.

miserable the consumers with increased income, the more significant will be the propensity to consume, and the multiplier effect. The greater the multiplier effect is, the higher and faster will the income growth be: when all the rest is constant, the swift occupation of idle capacity will stimulate new investments that will 'endogenously' increase the economic growth tendency[10].

Keynes reverses, thus, Adam Smith's argument that income concentration stimulates capitalists' savings and, therefore, investment, generating the wealth of nations. The increase of the desired savings is not necessarily translated into fixed capital investment. On the contrary, income concentration may reduce the multiplier effect and the growth of demand and, thus, the stimulus to enact investments.

Except for some utterly rare situation in which all existing resources are entirely used, the increase of the demand for consumer goods also raises the need for laborers, inputs and capital goods for investment. In other words, the market for 'production factors' tends to follow the same direction of the current demand that stimulates production. As current effective demand raises (decreases), the production growth (reduction) uses (vacate) the idle capacity of firms and incentivizes (discourages) investments. Neoclassics, on the contrary, draw on a fixed 'cake' in which one slice (investment) could only grow if another (consumption) would be reduced, but there is no empirical base to affirm that the capitalist economy is always in a situation of full employment of resources, entirely on the contrary.

Thus, a reduction of the propensity to consume (the increase of the propensity to save) is not a pre-condition to the rise in investment. On the contrary, it tends to hinder it. This is also the reason why wage reduction does not induce an employment reduction. Keynes shows that the circumstances in which wage reduction can stimulate employment (by means of deflation of prices and wages) are rare, uncertain and even unlikely, but can be advantageously substituted by monetary and fiscal policies without incurring a much more likely risk that the wage reduction depresses the effective demand.

The most probable is that the reduction of nominal wages has a negative impact on the effective demand: the decrease in laborers consumption capacity if prices do not decrease in the same proportion of nominal wages reduction. Supposing that the aggregate income initially remains stable, and all that is lost by workers is gained by entrepreneurs, the secondary effect is adverse over the aggregate income. Income concentration tends to

[10] Thus, a greater increase of demand tends to increase the tendency of economic growth on the long term, by increasing the productive capacity and workers' productivity thanks to the stimulus to capital accumulation. This is the basic idea of Keynesian growth models; we did not have the space to discuss it here: see Thirlwall (2005).

affect decisions in a negative way for the aggregate level of income and employment since the propensity of workers to consume is higher than that of entrepreneurs.

Moreover, the reduction of prices and wages would distribute income from entrepreneurs to rentiers (financial instruments holders), potentially having a negative impact on the propensity to consume as well. Even worse, deflation of wages and prices could increase the real cost of the payment of private and public debts, since business and fiscal revenues vary according to prices, but financial instruments and their rates of interest have fixed nominal values. Increasing financial difficulties of enterprises may hamper their investment capacity and possibly drive some of them to insolvency, thus reducing prices even further and deepening the crisis[11].

The worsening of public finances, on its turn, may force the reduction of public spending and produce the expectation of tax increases. Moreover, wage reduction could cause popular discontent and create a political atmosphere that is unfavorable to private enterprises. In both cases, Keynes alleges that the consequences would be an increase of liquidity preference and it "might shatter confidence" (KEYNES, 1936, p. 252).

The Polish economist Michel Kalecki (1939, 1977a) also investigated the impact of wage variations over the level of employment, reaching similar conclusions to those of Keynes. Kalecki divides the productive system into three departments: the production of capital goods (D_1), consumption goods for capitalists (D_2), and consumption goods for workers (D_3). In each of them, the generated income is distributed between capitalists and workers. As income is determined by spending, capitalists spending in investment and consumption goods determines the total revenue of departments 1 and 2[12].

By subtracting the wages paid in these departments, the result is the profit. Hence, it is the actual capitalists spending that generates their profit. What entrepreneurs of department 1 and 2 pay their workers are transformed into the profits of department 3 if we suppose that workers spend what they earn[13]. Wages paid in department 3 are spent in the department. Thus, the sum of capitalists profits does not depend on what they pay

[11] In this aspect, Keynes comes close to arguments on debt-deflation announced by Irving Fisher (1933) and deepened, in the Keynesian tradition, by Hyman Minsky (1975, 1986).

[12] To simplify the understanding, Kalecki abstracts liquid exports of services and goods, and government's operational surplus (including transfers and interests), which are items of autonomous expenditure that, as we have seen, also determine income.

[13] This is a simplification, because workers can spend 1) more than what they earn, if they have monetary reserves, investment with liquidity, or make debts; 2) less than what they earn, if they want to invest or pay debts. Of course, this must be analyzed in each context.

workers (which becomes income and profit in D_3), but instead on what they spend on capital goods and consumption.

Therefore, in a way that is simpler than Keynes, Kalecki shows that wage increase (reduction) tends to indirectly increase (reduce) aggregate profits if workers spend what they earn. This occurs because of the impact that the increase (decrease) of production and the higher (lower) use of the idle capacity in department 3 has on the decisions of investments by their capitalists.

At first, a rise of real wages does not reduce or increase aggregate profits. In the short term, total profits are kept on the same level, even if profit margins fall in the departments that produce capital goods and consumption goods for capitalists. This happens because, as seen above, the extra wage spending of entrepreneurs of departments that provide capital goods (D_1) and consumption goods for capitalists (D_2) is transformed into profits of entrepreneurs of the department that delivers consumption goods for workers (D_3), maintaining the total amount of aggregate profits.

Further, as usually there is idle capacity, increasing sales raise production and employment in D_3 after stocks are sold, without a reduction in output and jobs in the other two departments. If the process leads to a reduction of idle capacity beyond the desired by some enterprises of D_3, there will be an increase of investments (induced by the rise of workers consumption) and, thus, an increase of aggregate profits. At first, there is an increase in profits at the capital goods department, and then there is an increase in sales and profits at the department that produces consumption goods for capitalists. In sum, the rise in workers consumption leads to an increase of the level of capacity utilization, and not to a fall of aggregate profits; then it may induce a growth of profits if there is more investment. The opposite happens when there is wage reduction[14].

This is how Keynes and Kalecki question the existence of an automatic mechanism that guarantees full employment by means of the reduction of wages and prices. Even if wages and prices fall with the aggregate income reduction, this may produce a deepening of the effective demand reduction, and not a compensatory increase that restores full employment. This is also the way to justify the realization of monetary and fiscal policies to increase the level of jobs and income.

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[14] Moreover, investment increase may lead to a higher growth tendency when increasing productivity. Together with growth in the scale of production, this may favor international competitiveness and compensate for the increasing costs and prices produced by the wage raise. There is no space to address the issue here, sufficing to state that the liquid impact over income and employment will depend on 1) the relative significance to firms of domestic and foreign markets, 2) the difference between the increase of productivity and wages raise, 3) the evolution of foreign exchange, and 4) price elasticity of exports (if there is a higher increase of domestic prices than foreign prices).

STATE ACTIVISM AND THE STRUGGLE AGAINST INEQUALITY IN THE CAPITALIST GLOBALIZATION ERA

The central point of Keynes and Kalecki on the impacts of income distribution over economic growth is that as workers tend to spend what they earn, their salaries are cost items for some entrepreneurs, but they are a source of revenues for others. What is valid for a firm is not valid for macroeconomics.

When a firm pays fewer salaries, on its turn, the demand for goods and services sold by other entrepreneurs decreases. This may raise the idle capacity of businesses and, thus, reduce the need for investments. When entrepreneurs invest less, they have fewer profits as a class and may have problems to pay their debts to banks.

Therefore, what seems to be good for an egotistic entrepreneur is not necessarily good for all entrepreneurs. This is also the reason why economists who defended wages reduction to ensure a fast recovery in 2015 showed their little knowledge of economics and their social prejudices.

In October 2015, Samuel Pessôa stated in a debate that *"the more real wages fall, the faster and painless will the adjustment be. In May, June, I was super-happy because expectations were showing a reduction of real wages of 5%"*. Beyond the confusion between micro and macroeconomics, is there anything that explains the fetish of entrepreneurs – and that of economists, who can better elaborate their prejudices – for lower wages?

In a famous text of 1977a, Kalecki argued that the maintenance of a full employment situation would ensure high aggregate profits for capitalists, but would put social discipline at risk by increasing the bargaining power of workers and reducing their fear of dismissal. Hence, against the maintenance of full employment, capitalists would tend to align with rentiers and press the government to implement austere policies that would drive to the recession, emphasizing the disinflation of prices and wages.

This helps to explain why Minister Joaquim Levy stated in June 2015 that there were people who no longer wished to enter the labor market, but due to recession would apply for jobs again, and this would be positive, because *"there is no growth without an increase of labor supply"*.

As we have stated, policies that reduce workers and State demand in the name of an increase of capitalist 'savings' (i.e., profits) do not stimulate productive private investment, but rather depress it. This is a compelling motive because neoliberalism and the deepening of inequality legitimated by it did not bring more economic growth, on the contrary, and not only in Brazil, but worldwide.

In fact, the increase of the portion of national income appropriated by capitalists did not imply the acceleration of investments in new capacity of goods and services supply, whose growth rate fell compared to the epoch of mixed economies capitalism. Even in the US, with all its financial innovation, the vast leverage raise and the expansion of credit at low interest rates as from 1990, the proportion of investment in GDP dropped, instead of rising, from 20.5% in the 1980s to 18.7% between 1990 and 2009 (CHANG, 2011). Where did the profits go?

To answer this question, we must understand the concept of financialization of capitalism: the significance assumed by financial markets to macroeconomic dynamics and to the microeconomic strategy of conglomerate groups and large investors (institutional and individuals). Nowadays, financial markets are less critical in their primary role (allocate resources for new productive investments) than in the secondary markets (transact rights over existing wealth). Neoclassic authors who suppose that the increase of 'savings', or rather the portion of profits in the aggregate income, will necessarily foster productive investments disregard not only fundamental theoretical problems associated to the concept of savings that were pointed by Keynes and Kalecki. They also have no notion about institutional changes in the way of organizing capitalist wealth and financial markets in the past decades[15].

Besides merges and acquision of existing wealth (amounting to over half of the Foreign Direct Investment – FDI since 1990) and hoarding in public debt instruments, the expansion of profits inflated speculation with assets purchased in the expectation of reselling at higher prices. Hence, it brougth no increase of the rate of productive investment growth, let alone of the proportion of productive investment in GDP. The property of corporations became more concentrated in institutional investors with a shorter term of shares retention since the aim is to seek short-term patrimonial gains. On the other hand, seeking short-term gains with financial assets, instead of the patient accumulation of productive capital, became the drive of assets accumulation of 'productive' corporations. In fact, the ratio between financial assets/non-financial assets of non-financial companies in the US raised from a relatively stable level of 38% (between 1971 and 1982) to 57% in 1989, 73% in 1997, over 100% in 2001, falling to 82% in 2007, and stabilizing around 100% between 2009 and 2011[16].

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[15] For a brief discussion on financialization that follows, see Bastos (2015a).

[16] The calculation of the ratio between financial and non-financial assets was based on gross data of the Flow of Funds Accounts of the United States. Available at: <http://www.federalreserve.gov/releases/z1/Current/data.htm>.

The financialization of icon corporations as General Electric (GE), General Motors (MG) and Ford is significant: in 2003, 45% of GE profits came from GE Capital; in 2004, 80% of GM profits came from General Motors Acceptance Corporation (GMAC); while Ford made all its earnings with Ford Finance between 2001 and 2003 (BLACKBURN, 2006; FROUD *et al.*, 2006). Financialization naturally raised even further the profit rate of financial firms compared to non-financial companies. In France, the profit rate of financial corporations was negative between the beginning of the 1970s and the mid-1980s, but it reached the rate of non-financial firms at the beginning of the 1990s in approximately 5%, rising to over 10% in 2001, while the profitability of non-financial firms dropped to 3%. In the US, the profit rate of financial companies was lower in the 1960s and 1970s, but after 1980 it varied between 4% and 12%, while it ranged from 2% to 5% in non-financial firms (DUMÉNIL; LÉVY, 2005). Therefore, the amount of profits from financial companies reached 50% of the profits of non-financial firms in the 2000s, from 20% in the 1970s and 1980s (GLYN, 2006). The comparison underestimates the significance of the financial sector in the overall profitability because, as we have seen, the profit of non-financial corporations included an increasing proportion of profits generated from financial operations.

Macroeconomically, the growth of the financial sector was much larger than that of the 'subjacent' economy, an indicator that the increase of 'savings' was not channeled to new productive investments. The stock of financial assets compared to the world production raised from 120% to 440% between 1980 and 2007, reaching 700% in highly financialized economies like Great Britain (PALMA, 2009). In the US, it varied from 400% to 500% between 1950 and 1980 and reached 900% in the early 2000s (CROTTY, 2007). Obviously, financialization only temporarily reversed the tendency to a lower dynamism in relation to the Golden Age of mixed economies, by creating 'bubbles'. These bubbles, at first, stimulated consumption and the investment in real estate and fixed capital, but eventually resulted in financial crises that led to the contraction of spending of the State, workers, and firms. When the bubbles have national currencies as objects, they result in speculative attacks and crises in the balance of payments that subtract demand from the global economy.

Except for a few tiny countries or those with vast mineral wealth, the cases that raised the average of the rate of world economic growth in the neoliberal epoch preserved the State's active role in the productive change and global insertion, regardless of the posture about social inequality. In fact, the most significant advances occurred while the States controlled the rhythm and scope of liberalization and financialization, and where they influenced industrial and infrastructure investment, regulated capital flows, maintained large public enterprises and banks, low interest rates and competitive foreign exchange rate for private firms (as in Eastern Asia and notably in India and China).

There are of course differences in the ways of insertion in the productive globalization, which implies different types of industrial policies in each case. The United States, Japan, and the European Union concentrated the centers of command, financing, research and development of multinational corporations, which maintained in their countries the higher technology-intensive and complex final-assembly productive activities. Their states offered advanced scientific and technological infrastructure and fiscal and credit subsidies to support and reduce the risks of cutting-edge research.

The labor-intensive and inputs-intensive activities of those corporations were transferred to regional peripheral networks (Mexico and Central America, Eastern Europe, South-Eastern Asia), which offered cheap labor for assembly activities and favorable general conditions (as fiscal treatment, trade facilities, and basic infrastructure) to foreign affiliates that often operated as enclaves, with little local connections and little need of technological skills, prescinding of more elaborate industrial policies. Therefore, these peripheral economies remained little diversified and complex, very heterogeneous and unequal, and with a national market with limited endogenous growth capacity.

Some Asian countries, like South Korea, Taiwan and, partially, India, besides participating with subcontracted firms in technology and qualified services, achieved to become inserted at the top of the value chains. They were home to 'system integrator' firms strongly supported by their States, or even as regional headquarters of control centers of foreign affiliates (Singapore); and the 'Asian geese' have received the outsourcing of labor- and input-intensive activities, thus becoming export platforms with low aggregate value.

China is a particular case: it combined the three Asian strategies, beginning with labor-intensive activities. Then, gradually drove towards higher aggregate value linkages with substantial state intervention, either through negotiations with foreign affiliates (political request of local suppliers, technology transfer, and joint ventures) or providing financial and technological capacity to national state and private enterprises. Furthermore, China was fundamental as an 'Asian industry' axis, incurring in deficit with developing Asian countries (import of capital goods and specialized inputs) and surplus with developed countries (CEPAL, 2010 MEDEIROS; CINTRA, 2015).

In Latin America, Brazil functioned as operation center of foreign affiliates directed to the regional market until the 2008 financial crisis (BASTOS, 2012a, 2012b, 2015a; BASTOS; HIRATUKA, 2017). After 2008, however, the global financial crisis drastically reduced growth rates in developed countries. The outcome was an overproduction of idle capacity. The so-called Great Recession increased global competition, accelerated the fall of industrial prices, depressed profitability, and produced structural changes in the distribution

of production and trade worldwide. Developing Asia and particularly China, until 2014, virtually doubled the industrial output and significantly increased their participation in the global market, while the industrial production in the US only recovered the pre-crisis level in the mid-2013, whereas it has not yet reached this level in Japan and Europe. The US and the European countries also increased their export efforts as they worked on overcoming the crisis by reaching expanding markets in the peripheral world, particularly in Latin America, which was also invaded by Asian industrial exports fleeing the deceleration of demand in the developed world.

Partly because of the decision of global corporations that dominate the Brazilian industry to reallocate production away, and partly because of import incentives represented by the foreign exchange rate, the dynamism of the internal market suffered the impact of a clear leakage to imports of part of the local demand. Without the emergence of a new block of investments and with the implementation of a pro-cyclical policy in 2015, the Brazilian growth model is being ruthlessly destroyed in the name of its approximation to the model of foreign investment attraction followed by peripheral countries that operate as foreign affiliates enclaves. Investment attraction and the increase of competition in the global economy are, therefore, pretexts for policies that are oriented to a severe reduction of direct and indirect wages[17].

This occurs worldwide, and it is not the first time it happens in Brazil. In the way it occurred, globalization increased the international mobility of capital and reduced the protection of national markets against foreign competition. Therefore, institutions were modified in the process of asymmetric globalization to the liking of entrepreneurs: by increasing the number of workers that internationally dispute the labor market (especially industry jobs) and facilitating capital delocalization to areas with lower wage and labor costs. This generates pressure for competitive deregulation of the labor market and reduction of wages, rights, and working conditions.

[17] In an interview to 'Revista Brasileiros' on April 2016, I explained this issue: "If there is political stability to build the so-called Bridge to the Future, its crucial aim is to replace the domestic market-oriented growth model for another that is mainly oriented to the international market. For this purpose, cost reduction of direct and indirect wages is considered crucial. It is supposed that the achievement of transcontinental commercial treaties, with the US as axis, would attract large corporations. This did not occur in the 1990s. As it always happens with neoliberal proposals in peripheral countries, only a minority of the population is ensured the inclusion in the global market and great economic, political and social instability is installed. Given Brazil's continental characteristics and the size of its domestic market, there is no technical need to follow this line of subordinate global integration: it is merely a political option" (PULS, 2016).

Capitalists, on their side, have also put pressure, by menacing to move out, for competitive deregulation in the field of social and environmental protection, for example, and by inducing fiscal war between countries, demanding taxes reduction. The easiness to evade taxes and transfer resources to fiscal paradises also increased, pressing the tax base that finances indirect wages and social and labor rights. International migration of workers searching for better wages and working conditions, however, continued to be severely restrained, while the regulation of minimum levels of labor, social, and environmental protection did not advance in the economic and social agencies of the United Nations (UN)[18].

It was the discourse of the need to reduce the so-called 'Brazil cost' due to global competition that led, for example, to the abolition, in 1995, of income tax over profits and dividends of firms' owners and shareholders, which put Brazil in the company of Estonia in this issue. With the argument that it was necessary to stimulate the rich to save and invest (while laborers should make more effort with more competition and less social protection), this also led to the reduction of maximum aliquots of income tax and the floor in real terms. This tax reform captured more workers into the base and less high-income at the top, thus contributing to the increase of tax regressivity in Brazil. Despite the 'adaptation' to globalization, or better, because of the type of adaptation achieved, Brazil experienced high trade deficits, external indebtedness, and went through several crises of balance of payments that produced recession and involuntary unemployment, even if labor cost dropped (contrary to the expectation of neoclassicals).

It was, partially, unemployment and the disappointment with neoliberal globalization promises that led to the victory of Luís Inácio Lula da Silva in the 2002 presidential election. The political commitments of the Workers' Party (Partido dos Trabalhadores – PT) and the labor unions pressure (particularly the main labor union federation, Central Única dos Trabalhadores – CUT) created a correlation of forces favorable to the policy of real minimum wage rise and to greater control of labor formalization by the Ministry of Labor. It also came from labor unions the proposal to reduce interest rates to workers via payroll loans (in which the loan repayment installments are deducted from the worker's payroll check). This produced the reverse of what neoliberal reforms and asymmetric globalization engendered worldwide: greater participation of laborers in the national income.

It is essential to understand that as much as the decrease of labor cost did not result in more growth in the 1990s, the increase of direct and indirect salaries had a substan-

[18] About the impact of globalization on the labor market, see Standing (1999) and Stiglitz (2012).

tial impact on the distributive profile and a definite positive effect on the rate and type of growth. The amplification of laborers participation in the national income fostered the enlargement of the consumers market of durable goods, services and real estate. This raised the national income, profits, and capitalist investments, in a process theoretically explained by Keynes and Kalecki, and not understood by neoclassicals. In the long growth cycle initiated in 2004, investment and private consumption first reacted to the expansion of exports determined by the global recovery, then followed the total amount of wages, social transfers, payroll loans, and infrastructure programs. In the period, the reduction of idle capacity and the perspectives of the internal market growth produced a higher increase of investment rates than consumption rates; therefore, one thing does not exclude the other (CARNEIRO, 2010; SERRANO; SUMMA, 2012; BIELSCHOWSKY; SQUEFF; VASCONCELLOS, 2014; MEDEIROS, 2015).

It is necessary to recognize that, particularly after 2008, industrial, trade and foreign exchange policies (having contradictions among them) did not suffice, in the sense that the stimulus of the domestic market growth didn´t imply diversification and complexity gains of the investments in the industrial and service sectors. This helps to explain the deceleration that occurred until 2014, although the depression that followed in 2015 was an effect of neoliberal policies implemented thereof.

The Brazilian experience between 2004 and 2014 shows that industrial, trade and foreign exchange policies are essential for economic dynamism, but that other forms of state policies are also relevant not only for the economic vitality but also for its quality. Social spending and inequality reduction foster at least five types of stimuli to economic growth, that also influence its quality. First, they ensure greater social cohesion and provide more incentives to labor and social cooperation, even when they do not directly address active laborers, but rather children and elderly people of their families. Without disregarding that social solidarity is an end in itself, it also stimulates economic growth (STIGLITZ, 2012). Second, they offer laborers and small entrepreneurs a protection network that reduces risk and innovation costs (CHANG, 2011). Third, they protect health, improve housing, and enhance laborers' skills through education, which neoclassicals (erroneously) call 'human capital' favorable to economic growth.[19] Fourth, the reduction of social and regional heterogeneity in infrastructure and public services supply generates effective demand, which drives the domestic market growth toward the induction and diversity of private investments. It also offers externalities that enable new investments and increase competition between private firms (HIRSCHMAN, 1961; MYRDAL, 1957; PERROUX, 1955).

[19] For a devastating theoretical critic on the concept of human capital, see Bowles and Gintis (1975); for questionings on the historical experience, see Pritchett (2001); Wolf (2002) and Chang (2011).

Finally, income redistribution through the taxation of wealth owners and high-income individuals, to finance monetary transfer for poverty alleviation and social services to citizens that are incapable of paying for private services, expands the aggregate income even when the public budget is equilibrated. This was demonstrated by Trygve Haavelmo (1945), based on the difference between the propensity to consume among citizens who pay taxes, whose taxed income would not be entirely spent (neither on consumption nor on productive investment, because it would be partially hoarded), and the propensity to consume among citizens whose income raises as an effect of social spending. It is vital to ensure the distributive impact of tax collection and the public spending financed by it: if the government collects taxes from those who consume a smaller portion of their income, and spends only what is collected, it will already have increased the aggregate demand. If besides this, the government stimulates the income of the most deprived citizens (who consume proportionally more of their income), it not only favors social cohesion but also encourages even further economic growth. Therefore, even the public spending with no fiscal deficit has a multiplier effect favorable to the aggregate demand growth, which might then have an acceleration effect over private investment, as the idle capacity decreases.

In the Brazilian case, researchers of the Institute for Applied Economic Research (Ipea) used advanced econometric techniques to estimate the public spending multiplier. The conclusion is that social spending has a high power to stimulate national income and, thus, future tax revenue. In Brazil, social spending is an investment in the country and its people with no economic cost through time, but instead quantitative economic benefits, not to mention the economic growth quality improvement[20].

On the contrary, the neoliberal proposal materialized in the EC nr 95/2016, which cuts social spending *per capita* in real terms to prioritize the payment of public debt with stratospheric interest rates, concentrates the national income on holders of financial wealth sterilized in public instruments, and it discourages economic growth. The interest rates on the public debt are the federal spending item with the lower multiplier effect, estimated in merely 0,71.

Therefore, the neoliberal reforms implemented by the Temer administration will not only make the country more unequal but will also limit economic growth and employment creation. To avoid such destruction, and constructively channelize the reaction of Brazilian society, we must reflect about the elements of a new national program. The following session briefly presents its basic outline.

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[20] Estimates for the multiplier, i.e., the variation of aggregate income generated by a monetary unit of autonomous public expenditure were the following: education 1.85; health 1.7; Bolsa-Família 1.44; Benefício de Prestação Continuada, 1.38; General Social Security Regime 1.2. In comparison, the Public Social Security Regime has a multiplier of only 0.88, due to existing pensions higher than public servants legal ceiling. See Ipea (2010, 2011); Castro (2012a, 2012b). For new estimates in the same direction, see Orair, Siqueira and Gobrtti (2016).

THE BASES OF A NATIONAL PROJECT

The bases of a national project include the debate of emergency policies to avoid the deepening of the crisis and ensure its overcoming. It is also necessary to retrieve the paralyzed legacy of programs that responded to significant social demands and have great multiplier effect, besides designing new projects with the same characteristics. Finally, it is crucial to outline the principles and imagine the means to finance the program with fiscal justice.

Renegotiation and rescheduling of private debts

The overcoming of the crisis depends on specific emergency policies. As firms are indebted and have idle capacity, the recovery does not tend to start from private investment and credit expansion. Thus, credit mechanisms basically need to renegotiate and reschedule the payment of debts. A pool of public banks should be mobilized and attract private banks to evaluate and reschedule debts together (technically, syndicated loans).

The renegotiation of debts, especially of contractors and construction companies, is a high priority because their bankruptcy will produce new ruins of smaller suppliers, unemployment increase, and denationalization. This implies speeding up leniency agreements and reversing the anti-national character of the so-called *Lava Jato* operation.

As families are also indebted, the joint action of public banks is necessary to reduce interest rates and facilitate consumer debt renegotiation. Furthermore, it is crucial to elongate the duration of unemployment insurance, which since 2015 is limited to four or five months, in the first application; four more in the second; and three more in the third. However, long-term unemployment is installed in the country, and we cannot produce beggars or something worse for lack of option.

Finally, renegotiation of debts with states and municipalities is crucial. It is necessary to ensure current expenditure and the conclusion of paralyzed construction works, by reversing the constitutional amendment of federal spending ceiling and its imposition on contracts with states.

The retrieval of the paralyzed legacy and the debate of new projects

Considering that the maturation of new long-term projects (and banners) is slow (for reasons of technical, financial and environmental engineering), they can be planned while several programs deactivated by Temer administration are reactivated. As stated before, the political strategy of Temer's government was to paralyze the institutional and programmatic legacy built as from the 1988 Constitution and retrieved in Lula's government.

If there were an economic recovery, the population would forget this heritage and it would not be possible to use it as a trump in the 2018 election campaign.

As the economic recovery did not happen, the population's nostalgia for Lula's legacy has increased. The deliberate paralysis of programs that had great multiplier effect has its share of responsibility in the recession's prolongation, and its reactivation will not only respond to popular demands, but it is also a secure mechanism to accelerate economic recovery. Among these legacies, eight are mentioned here:

1) Policy of public purchases with local technological content, including in Petrobras;

2) Restart of infrastructure works of high impact (transposition of São Francisco river with irrigation projects, conclusion of railways) and in large cities (especially urban mobility);

3) My House, My Life program (Minha Casa, Minha Vida), linked to urbanization of slums, illegal settlements and land parceling, and energy substitution program;

4) Federal support to Primary Health Care, Basic Health Units, Popular Pharmacy, and More Doctors programs;

5) Expansion of Federal Education Institutes and National Program of Access to Technical Education and Employment (Pronatec), and later university campuses;

6) Raise of minimum wage;

7) Expansion of cash transfer program Bolsa Família and of poverty line, including the thirteenth salary;

8) Strengthening of family agriculture, with support to agrarian reform and creation of cooperatives.

The core principle is to reverse social marginalization and, by universalizing infrastructure and public services, channelize the domestic market growth to the induction and diversification of private investments. Which new projects and banners, in the same direction, can be planned?

1) The program Sanitation for All should become a national priority, and possibly be turned into the program Water for All to mark the priority and coordinate it with the reuse;

2) Employment for All: have full employment as a goal and provide unemployment insurance to everyone who needs it until the achievement of the goal;

3) Broadband for All: universalize the access to internet and democratize the production of contents;

4) Sunshine for All: universalize Solar Panels and Wind Power Plants, starting with a pilot program in the Semi-Arid region, later in hospitals, schools, and universities; and then expanding to slums and illegal land parceling, hence replacing illegal electric connections so that nobody loses, and everyone wins.

Public investments in the oil and gas sector, health, urban mobility, broadband and new forms of energy should be related to the induction of private investments and the gain of local technological training. This would increase the complexity, the interconnection and reciprocal stimuli of investments in the Brazilian economy, thus recovering part of the diversity lost during decades of neoliberalism. This may develop the necessary capacity for a later increase of exports, based on a dynamic domestic market and supported by appropriate trade and foreign exchange policies.

Despite the significant increase of the economic complexity involved in these sectors, it is relevant to consider that Brazil is such a heterogeneous country (in social, regional and urban aspects) that combating this heterogeneity is also the base of a reformist program, with the capacity to obtain political support and produce economic dynamism.

Given the structural heterogeneity of Brazil, the extension of traditional infrastructure with already known technologies has excellent economic growth potentiality. It is crucial to have commercial, industrial and foreign exchange policies that ensure that the incentives generated by the domestic market expansion, either by heterogeneity reduction or by complexity increase, may be captured domestically, hence stimulating diversity and amplifying growth potentiality and inequality reduction (BASTOS, 2012b).

The point is not only to substitute local production for imports already stimulated by aspects of competitiveness-price (relation wage/foreign exchange rate and tariffs) and lack of local productive skills, but rather to create new demands and sectoral linkages that would not be captured by future imports. In sum, it is about protecting the capacity of further diversification of the Brazilian economy and its domestic market so that it responds to new demands. Hence, imports would not be determined by uncompetitive exchange rate or lack of skills at reach of the potentiality of the country's productive and technological system, but rather by foreign trade complementarities that stimulate national development.

How to finance?

The fundamental principle is that it is not necessary to cut rights to finance public investment. The rejection to Temer's reforms (Social Security, Labor, Spending Ceiling) must consider the amount of the annual tax evasion (R$ 500 billion), the Union's claims against debtors (R$ 1.8 trillion), the Union's claims of immediate collection (R$ 260 bil-

lion), and the Social Security System´s claims against debtors (R$ 426 billion). However, enforcing cash collection due to tax evasion and other debts should be complemented with the enforcement of the law of public servant's wage ceiling, which is an object of several distortions that disfigure it[21].

Besides a task-force to combat tax evasion and debt collection, there are three emergency tax and financial initiatives that can be proposed:

1) Provisional Contribution over Financial Movement (Contribuição Provisória sobre Movimentação Financeira – CPMF) starting with an aliquot of 0.01% or, in case of resistance, on the limit up to 0.001% (to attack tax evasion: who will say no?);

2) Accelerate the release of the Worked Period Insurance Fund (Fundo de Garantia do Tempo de Serviço – FGTS) for sanitation works, reinforce it with public banks and, if wished, start with the Water for All program;

3) Use part of the foreign exchange reserves to create a Development Social Fund (Fundo Social de Desenvolvimento), and the other part as a guarantee for long-term loans at the BRICS Bank, hence stimulating competition of the Inter-American Development Bank (IDB) and the World Bank.

The fundamental principle is that development should be financed with tax progressiveness. As outlined in the document 'Austerity and Retrocession', it should begin with the immediate collection (the year following legal approval) of the tax over interests and dividends distributed by firms to individuals and, two years later, end the tax deduction of interests over equity capital.

It is possible to exchange the increase of direct taxes progressivity (taxes over income, heritage, rural, fortune) and the elimination of regressive exemptions (social contributions; health; enterprises subsidies) for an increase of the Income Tax exemption range and the unification/reduction of cascading taxes aliquots.

Moreover, it is possible to request international cooperation. For example, why not propose a global environmental fund to support the Sunshine for All program, with pilot-programs of solar panels and wind power plants in the Brazilian Semi-Arid region and in Africa? In Brazil, the initial aim would be to support irrigation and family agriculture in the Semi-Arid, reduce the Energy Development Account and the energy bill of public agencies offices, besides stimulating a new branch of green and technologically advanced

[21] See especially the studies of Sinprofaz (2017a, 2017b) and Inesc (2016).

activity. For this and other activities, the financing potential of the Brazilian public banking system should be mobilized with intelligence and selectivity.

These are some ideas that we must develop to restore hope in the future and ensure the development of a country for all. As much as we must think big in the purposes, action should also prioritize the Big Politics, inspiring large masses. There is no point in self-limitation, avoiding policies that are dislikeable to ideologized and radical portions of the middle classes and entrepreneurs; part of them will only be politically gained with the resumption of growth, another part not even with this. It is vital to meet external limits, and not self-imposed limits. The search for unanimity paralyzes. Let's fight for a better Brazil for all but from the bottom up.

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