

# [As economic and social circumstances in the past](https://assignbuster.com/as-economic-and-social-circumstances-in-the-past/)

As the fifth largest country onthe planet and one of the most renowned continental powers that contributes tothe functioning of the global economy, Brazil has withstood copious amounts ofstructural changes collectively with its economic and social circumstances inthe past thirty-seven years. The years following the 1980s are heavilycharacterized by economic volatility and social progress for Brazil, and itsrecent history proposes that the country assembles important institutionalinnovations at critical junctures in history. Despite being Latin America’slargest economy and one of the United States’ most important trading partners, Brazil maintains an inherent dependence on commodity exports from other countriesES1 , and extremeeconomic inequality and social division still pose a serious threat to further socioeconomicprogress for the country. While we focus on the forthcoming institutionalmechanisms Brazil has yet to implement, diverting our attentionto the past advancement the country has made and critically assessing ES2 the effectivenessof its previous economic and social development strategies are central to ensuringthe country’s capacity for advanced progress in the decades to come.             In an attempt to critically assess the country’s pastsocioeconomic progress and the functionality of its chosen trade and investmentstrategies with its record of gender and income inequalities, identifying thedistinct changes Brazil has withstood prior to the 1980s is essential to guaranteethat we connect its present successes to the ones of its history.

The BrazilianEconomy experienced a remarkable growth record from 1920 to 1980 when itachieved one of the highest rates of growth in the world. During this period, gross domestic product grew at an annual average rate of 6. 2%, while real GDP percapita increased at an annual rate of 3. 6%; in the 70s, the Brazilian economy enjoyedits best performance in this century (Barbosa). ES3 Throughoutthis 60-year period, the growth strategy adopted was based on the importsubstitution industrialization (ISI) policy. ISI encompassed incorporatedvery high tariffs and fiscal incentives for direct foreigninvestments alongside direct state intervention through state-owned enterprisesin a variety of sectors in an attempt to stimulate less dependency on commodityexports (Economics. com).

Despite theBrazilian military regime failing to create an institutional structure between1964 and 1985 in the nation that could endorse an ongoing transformation of theentire society, Brazil enjoyed very high rates of economic growth and madelarge scale investments in infrastructure and industry during the 1970s, enablingthe formation of new industries and diversification of the economy. Theeconomic development Brazil experienced during the 60-year period preceding the1980s was labelled the “ Brazilian miracle”, however, sizeable quantities of thepopulation were simultaneously being sidelined, further strengthening the historyof concentrated landownership and inequality the nation underwent prior to itsgrowth. Economic progress in Brazil often consisted of awarding privileges andprotection to sections of the political and business elite, provided that thedevelopment model they employed foundered in its unrefined social disparitiesand the lack of sustainable macroeconomic institutions, with repeated fiscaland foreign exchange crises punctuating episodes of high growth in Brazil (WB). The rapid industrialization andurbanization was built upon regional and socioeconomic inequalities, whichglaringly exposed the extent to which the country’s promise of relievinginequality remained unsatisfied, and thus necessitatedthe prioritization of inequality relief in future policiesES4 .

stimulatedthe necessity of future policies that would relieve these new inequalities. Followingeconomic success and its corresponding upsurge of socioeconomic disparities, Brazil experienced sluggish growth and economic crises throughout the 1980s and1990s described as the “ lost decades” for development. Brazil’s macroeconomiclandscape was dominated by unsustainable fiscal deficit, instability, hyperinflation, an exceptionally high cost of capital, allaccompanied by low savings and investment rates (ES). Beginning in the 1980s, Brazil’s economy had entered a periodof stagflation perpetuated by two factors: the ISI growth strategy had beenexhausted, and there was a deficit in institutional and political programs tosolve the onset of the Latin American debt crisis that had been overlooked. Inspite of Brazilian GDP being 21. 0 percent higher in 1993 than in 1980, GDP percapita was lower, and in accordance with the economic and debt emergencies, most Latin American countries embarked on monetary, fiscal, and financialreforms in the 1990s. In Brazil, these reforms have stabilized macroeconomicindicators, decreased rates of inflation, and allowed the country to return tointernational capital markets (UNDP). The reforms authorized throughout thistime period enabled encouraged effortstoward further social and economic progress to take place in the years thatfollowed.

Duringthe 1980s, the Federal Constitution of 1988 unveiled a critical breakthrough inthe country’s social protection system relative to the prevailing legislation: itguaranteed a broad range of social rights concerning pensions, socialassistance and universal coverage of care. In addition to establishing a web ofaccountable institutions with the formal intention of improving governance andreducing corruption, the economic modifications enacted before the 1980s withthe measures taken to reverse their effects during that time period made socialinclusion more viable for the people of Brazil. The 1990s are considered to bethe “ reform decade”; although initial actions such as foreign tradeliberalization and the first privatization operations were taken in the late1980s, the most significant stages only began to materialize following thebeginning of a new decade. The restoration of democracy in 1985 came with therecognition that a development model based on exclusion and inequality was notsustainable (E. S). From 1986 through 1994, a few heterodox plans were deployedfor Brazil. In 1987, the Bresser Plan (unnamedafter the Minister of Finances) sought to freeze prices and salaries aside fromeliminating budgetary investments; the outcome was accumulated inflation of 366%ES5 .

In1989, the Summer Plan once again froze prices and proposed the privatization ofstate companies and the dismissal of civil servants; in December alone, theinflation rate was over 50%. In 1990, the Collor Plan had been producedintroduced by President FernandoCollor in hopes of eliminating inflation; alternatively, the prices andsalaries were frozen, budget expenses were cut, and taxes were increased, bringing recession to Brazil instead of eliminating inflation. In 1991, theCollor Plan’s sequel Plan Color II sought to attack indexation, where all shortterm financial transactions were prohibited. This plan ultimately failed mostlyas a result of the weak political support Collor had prior to his impeachmentin 1992. Theintroduction of the Plano Real in 1994 designed to reduce inflation managed tobring inflation under control and restore macroeconomic balance. Designed byHenrique Cardoso, the Plano Real sought to improve fiscal strategies whilestimulating monetary reform and opening the economy.

Following four decades ofan economy that had been accompanied by the presence of the state as a producerof goods and services that was previously closed off and also inhibited by along period of high inflation with indexing, the end of the 1990s in Brazilbecame an economy with a degree of openness to merchandise trade and capital alongsidea reduced power of the state as a direct producer that facilitated furthersocioeconomic progress for the turn of the century. In the early 1990s, mostmanufacturing enterprises went through a process of rationing their production as one of the ways of opening up to thecompetition from imported products, enabling to increase factor productivity inindustry when returns on investment became relatively high and installation ofnew equipment occurred. Whilereform programs such as the Plano Real reversed the effects of inflation, thesereforms did not address the underlying structural problems of chronically lowsavings, high capital costs and an increasingly overextended and rigid publicsector. To counteract this, in the 1990s and the beginning of the 20th21ES6 st century, Brazil carried out significant reforms to social security and governmenttransfers to make them more focused on the poor.

These reforms includednoncontributory unconditional and conditional cash transfer programs targetedto low income families and older or disabled people (ES). These transferprograms are the Beneficio de Prestação Continuada (BPC), the CCT program, Programa Bolsa Família (PBF) and thesemi-contributory Rural Pension Program. Alongside higher economic growth, thisambitious redistribution policy helped shape the progress in poverty reductionand the promotion of shared prosperity in Brazil (ES).

In relation to the earlyeconomic policies implemented in Brazil, those that followed in the late 1990sare the most accountable for the success they enjoy today. Inlooking back before the turn of the century, the diverse institutional policiesenacted implemented byBrazil in the 1990s and early 2000s have demonstrated that a more equitableincome distribution is associated with about a third of the fall in moderatepoverty in the past decade, while two thirds of the fall are associated withgains from economic growth (ES). The introduction of the Fiscal ResponsibilityLaw in 2000 helped Brazil in controlling public spending. In the years thatfollowed, control over public spending has increasedsignificantly andallowed the government to achieve its target of running sizeable primarysurpluses. Brazil demonstrated its resilience when the 2008 global financialcrisis struck and the quick fall of commodity prices and the strain onfinancial markets struck the country. It was during this time that Brazil wasable to enact countercyclical policies during a global crisis, as it possessedenough buffers to counter the crisis by increasing public spending and loweringinterest rates instead of having to tighten fiscal and monetary policies. In2009 when the government took to significant fiscal stimulus, the governmenthad a 2% of GDP primary surplus.

Much of their success could be attributed totheir development in trading strategies, one of the primary ones being lessdependencyt onforeign trade. Themacroeconomic stability achieved since the late 1990s has facilitated economicgrowth in the decade leading up to 2013. In the past twodecades, Brazil has made significant progress in reducing gender inequality. According to the results of a 2010 study by the Brazilian Institute ofGeography and Statistics (IBGS), illiteracy rates for women aged 15 years andolder fell from 20. 3 in 1991 to 13.

5 percent in 2000, to 9. 8 percent in 2008(WB). The World Bank also states that as a result, the share of the femalelabor force with tertiary education increased from 7. 4 in 1992 to 8. 5 percentin 1999 and 11.

9 percent in 2007 compared to 5. 3, 6. 2 and 7. 3 for males, respectively.

Incorrespondence with the dramatic change in social inequality, 62 percent of thedecline in extreme poverty in Brazil between 2004 and 2013 was due to changesin non-labor income, mainly transfers from the aforementioned PBF/CCTprogram aforementioned. According to WorldBank date, relative poverty (based on purchasing power parity PPP US$2 perday metric) has fallen markedly, from 21 percent of the population in 2003 to11 percent in 2009. Extreme poverty, on the other hand, based on a PPP US $1.

25per day metric also dropped significantly, from 9. 8 percent in 2004 to 6. 1percent in 2009. Simultaneously with the fall in poverty was the decline inincome inequality; the income growth rate of the poorest sector of thepopulation between 2001 and 209 was 7 percent per year, while that of therichest sector was 1. 7 percent. As a result, income inequality (as measured bythe Gini index) fell significantly, from 0.

594 in 2001 to 0. 521 in 2011 – a50-year low. The primary drivers behind these achievements have been lowinflation, sustained economic growth, well-focused social programs and realincreases in the statutory minimum wage (WB). The federal government in Brazilrelied heavily on the Human Development Index as a targeting tool for socialprograms, specifically during the Cardoso administration from 1995 to 2003; Electricity for All provides electricityto poor communities selected on the basis of HDI and the Young Agents for Social Human Development Programme provides anallowance for adolescents between 15 and 17 years old to remain in school withthe intent on preventing violence, drug use and adolescent pregnancy thatapproximately $17 million. Because Human Development Programs began in Brazilwhen re-democratization was being consolidated, they were not constrained bypolitical issues. Furthermore, re-democratization was perceived as not only tore-construct political institutions, but also to address social demands; theinclusion of those of large segments of the population who were excluded fromthe economic gains of the previous regime was greatly emphasized. To alarge extent, the rapid decline in inequality over the past decade experiencedby Brazil was due to a policy of social inclusion in the context of a boomingeconomy, fueled by favorable external conditions. Nevertheless, despite areduction in poverty and inequality, Brazil remains one of the most unequalcountries in the world, with a Gini coefficient higher than in most countries.

Acase study published in Economic Developmentby Michael P. Todaro and Stephen C. Smith ES7 titled Progress in the Struggle for More MeaningfulDevelopment: Brazil identifies the two faces of development for the country: world-competitive industry that coexists with stagnant, protected sectors. Whilethe country has experienced advancement in economic growth and significantimprovements in health, education and inequality, the study maintains thatachieving genuine development for the country is still a long way ahead. Withthe end of the commodity boom, Brazil finds its social achievements challengedfrom two angles.

On one hand, to sustain the rise in incomes and job creation, Brazil needs to find new sources of growth; on the other hand, without therevenues associated with consumption growth and high product prices, fiscalspace has eroded rapidly, consequently placing Brazil’s economic feats at riskand raising concerns that the progressive social policies its enacted in past decadesmay no longer be affordable.