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NEOLIBERALISM TO SOCIAL-LIBERALISM: BRAZILIAN TRANSITION SAW THROUGH PUBLIC POLICIES EXPENSES

Lucas Trentin Rech¹; Uallace Moreira Lima²

ABSTRACT

The article brings to the reader analyzes of the last 16 years of public spending in Brazil. The mainly objective of the work is to demonstrate the government transition from neoliberalism to social-liberalism. To achieve that is used the public policies expenses to see how the distribution of the expenditure fit or not to the social-liberal theoretical concept. The conclusion is that Brazil really experienced a transition but, in the end, these did not means any permanent achievement to the subaltern classes.

Key-Words: Social-Liberalism; Brazil; Public Policies.

INTRODUCTION

Before start the debate about Brazilian transition from neoliberalism to social-liberalism is worth to point out some of the historical process involved in it. This historical process has to be viewed in its dialectical form, and the national occurrences have to be analyzed not isolated but in a global context. If we are going to discuss the transition from neoliberalism, it means that the ruling political-economic system before the transition was neoliberalism. Is important the reader to know that the neoliberalism arrived mostly clearly in Brazil in 1990, in the election of Fernando Color de Mello. Ironically in 1988, in the end of a dictatorial government that lasts 21 years, Brazil promulgate its constitution, known as “citizen constitution”. The irony is precise because the Constitution is, in the view of most social scientists, a social-democrat one.

Label the constitution as a social democrat is to include it in the global debate about the human rights and the universal scope of public policies. The most vigorous moment of the global debate happened at least 40 years before 1988 and had been exterminated in Brazil because of 1964 civilian-military coup. After the Second World War, in 1946, the social-democratic ideas presented its self as a way out of the barbarian that capitalist world was submerged. Not as radical as the Communism doctrine, that in this historical

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moment was governing around 50% of the world population; the social democrats defended a “more human” system where all individuals should have access to basic services: Health Care, Education, Transport, House, and Pensions. The debate was not homogeneous around the world. If in European countries the social democratic parties had an important role, in the United States the hegemony was conquest by the “new deal” – a political and economy program based mainly in Keynes ideas. So, if in one hand we could see the forming of Social Democratic States around Europe, on the other hand, this kind of State has never been formed in the US.

In Latin America, as in all capitalist third world, the idea of a Social Democratic State was far from be reached. The most expressive advance in Brazil happened during the 60's crises, where the President Jânio Quadros resigned and João Goulart takes his place. João Goulart was convinced that Brazil needed a set of basis reform - including land reform - to pursuit economic development and mitigate the social inequality. Cuban revolution in 1959 give to the Latin America subaltern classes a new vigor and hope that leads to a moment of social fights. As a collateral effect not only of the Cuban revolution but also in the reason of Cold War, we can say that Latin America ruling class and part of the petty bourgeoisie was submerged into a “communist paranoia”. Making use of this “paranoia” and supported by the United States, Brazilian landlords united with some major industrial capitalists resolve to carry out a coup d'état. As we said before, the coup exterminated any kind of public debate around social guaranties, and then during 21 years, the Brazilian State works precisely, without mediations, as the executive committee of the bourgeoisie.

In the military repression contest and the implacable communist hunt lead by the Military-State, in the of 70's emerged in São Paulo Province a massive worker's movement. The worker's movement hits the apex in 1979-1980 with massive strikes. Which played a major role in overthrowing the military regime. From this historical movement emerged the Brazilian Workers Party (PT).

With the end of the repression in 1985 and the return of political exiles, the country starts to debate the premises of the new constitution, finally promulgated in 1988. The main achievement of Brazilian subaltern classes in the constitution was universal

guarantees as education, health care and pensions. But, as we said, 2 years later we ironically choose a neoliberal president.

In the 80's with the election of Margaret Thatcher (UK) and Ronald Reagan (US), and the eminent collapse of Soviet Union, the neoliberalism as doctrine, created to solve the capital accumulation problems of the 70's, was a strong and dominant ideology. The foreign policies of the US were in the way to impose to its allies the adoption of financial markets deregulation, State companies privatization, and floating exchange rate regimes. The promulgation of a social democrat constitution in Brazil in the 80's was, no doubt, a point off the curve. So with the election of Collor de Mello in 1990, and then Fernando Henrique Cardoso in 1994 and 1998, the achievements of the constitution was never actually put into practice.

With the election of Luis Inácio Lula da Silva, leader of PT, in 2002, the hope of Brazilian people was a disruption with the neoliberal policies that was been taking a dominant role in Brazilian government agenda for bit more than a decade. One of the historical pleadings of PT was the revision, and why not the default, in the payment of the public debt, what already in the 2002 election was denied by Lula and had never been revised³ during the thirteen years that the party maintained the power. PT used to be not only a huge neoliberal critic but had a history of social fights, always attached to its beginning in the massive worker's strikes. As got to the government, we will try to show that, all of it disappears, and despite the party enthusiasts⁴, what we saw, was the neoliberal agenda in its social form, the Social-Liberalism, that we discuss in this article.

What we do in the next pages is the presentation of Brazilian annual budget, from 2001 to 2016, divided in expenses by public policy object. Through that, we intend to be able to present the Brazilian Government priority during these fifteen years. Not only we compare, mainly to the México's transition to see if there are common points between the two national moments. However, contextualizing our theoretical point of view, in the first section of the article we discuss the concept of Social-Liberalism and show how

³ Has just been rearranged, mostly, changed from Dolar Index deficit to pre-fixed interest index (NTN-F) and Inflation index + some fixed interest (NTN-B).

⁴ Some of them even wrote a book entitled *10 anos de governos pós-neoliberais no Brasil* (10 years of post-neoliberal governments in Brazil), Org. SADER, E., Boitempo Editorial, São Paulo, 2013.

this model intrinsic priority. Further, after showing the expenses ratio, we do little analyzes of the social-liberal wave in México and how this can be understood as the beginning of a bigger wave in Latin America.

SOCIAL-LIBERALISM

The social-liberalism as concept indicates not the attempt to alleviate the inequality affliction, as the name can suggest, but “instead it is a reflection of new forms of ideological and political domination targeted at preserving the hegemony of the ruling classes while excluding the majority [...] from participating in the formulation of state policy” (SOEDERBERG, 2001, p. 104), and a manifestation of bourgeois supremacy.

The social-liberalism is described by Castelo (2013) as a new consensus established, mostly after the decadence of the Soviet Union. The conjuncture after the end of Soviet Union was not favorable to State economic interventions in pursuit of equally rights an opportunities so, the emerge of Social-Liberalism is not in the way to mitigate inequality as the social democrats use to purpose. The intellectual group of this consensus is linked to mainstream economics, but the intellectuals shows then selves as deprived of ideology, or, real technocrats, who looks only to purpose, in the name of equality and efficiency, a “reforms” set to the state. In this set we see:

1) Social spending focuses on the “poorest of the poor”, the miserable; 2) Social policies impact evaluation; 3) Social Programs integration and coordination at all government levels and the private sector. (CASTELO, 2013, p. 351-352)⁵

An important element of the social-liberal thought is the ‘cheapest mystification’ of poverty. This mean, to legitimate the bourgeois social organization the ideology restrict their adepts to see the capitalist society structural problems, so, they attribute the pauperism to market failures, lack of capitalism⁶, and the good old working-class

⁵ In the original “1) Focalização dos gastos sociais nos “mais pobres dos pobres”, isto é, os miseráveis; 2) avaliação do impacto das políticas sociais; e 3) integração e coordenação dos programas sociais em todos os níveis governamentais – federal, estadual e municipal – e do setor privado. (CASTELO, 2013, p. 351-352)”

⁶ “Parodiando Mario Covas, é preciso um choque de capitalismo nos pobres brasileiros (...)” (Neri, 2005, p. 333 *apud* Castelo, 2013, p. 362)

laziness⁷. They not understand, as social-democrats, that poverty is inherent to capitalist production system.

Is important to notice that this thought is highly linked to the contemporary, so-called, new-Keynesian macroeconomic school. Authors like Joseph Stiglitz, Glenn Hubbard, Michael Burda, between others, like the former-*Fed* president Ben Bernanke, wrote enough to support the social-liberal ideology, and some key articles are worth to name: *Equilibrium unemployment as a worker discipline device*. From 1984 wrote by Shapiro e Stiglitz; *Capital Market Imperfections and Investment*. From 1998 wrote by Hubbard; *Not working at work: Loafing, unemployment and labor productivity*. Recently wrote, 2016, by Burda. As the names suggest, in Burda (2016) and Shapiro and Stiglitz (1984) articles, we find a homogenization of workers as people who tend to loaf. That's why Shapiro and Stiglitz (1984) defend the existence of a permanent unemployment rate and Burda (2016) suggest a better work environmental supervision. Yet Hubbard (1998) affirm in his article that the problem of investment allocation and the failures of the trickle-down effect is due to the capital market imperfection, a highly defended hypothesis by the others new-Keynesians, and with its origin in the market failures hypothesis.

From that, the social-liberal thought is not a critic of the capitalism as a system that generates inequality in the path it develops, the ideological block defends a kind of syncretism between Market and State, where the second should correct the failures of the first. This means that the Markets still being the best form to produce wealth, but the social-liberalism intellectuals accept that the markets can fail in the distribution of this wealth, and so, the trickle-down effect, as presented by the neoclassical school, is not *entirely* accepted. Castelo (2013) will call such revisionism a uncritical criticism.

This uncritical criticism is the extent to the new concept of equality, or, what can be called a fair inequality. Without totally abandon the liberal ideas expressed by John Locke, the social-liberal intellectuals explain the inequality from a supposed "human nature". According to a random nature distribution, each individual is born with innate

⁷ "Para que a pobreza seja realmente erradicada, é necessário que os pobres explorem as oportunidades disponíveis, no que precisam empenhar muito esforço. Em suma, a rota de saída da pobreza se baseia, necessariamente, no binômio oportunidade-esforço." (Barros e Carvalho, 2003, p. 4 *apud* Castelo, 2013, p. 362)

characteristics, which are: laziness, ignorance or intelligence, disposition and so on. Those characteristics, someone succeeds and have access to a bigger share of the wealth while the others will be destined to the poverty. Differently the social democrats do not attribute the poverty to individual caricaturists but instead, they defend, as said, that poverty is ingrained to capitalism.

A core element of the social-liberalism and that is fundamental to our argumentation in this paper, is making the separation between economy policies and social policies. This feature was presented in 1990 in the World Development Report, organized by the World Bank with the support of the United Nations. The report also focuses only on the extreme poverty, abandoning by side the inequality in income distribution. It is to say that the State should worry only with assistance policies, not with universal policies. It even means that the key elements of neoliberalism be all preserved by the social-liberalism, namely: Fiscal Balance, Privatizations, the Unstopped pursuit for a bigger profit rate, Integration of world markets, State without wealth production functions. It is a huge inflection if we consider the former social democrat thought where the policies should be universal and intrinsic linked with economic decisions.

Some authors call social-liberalism a right-wing system with leftist ethics. We do not agree with that, and it is because we might the leftist ethics far from the pursuit of another world. According to the Lenin, what is legal is not necessarily moral or ethical. Anyhow, in defense of the sentence, the authors may be looking to say that social-liberal thinkers do not, as the neo-liberal thinkers do, accept as normal the extreme poverty and some of the social problems.

One of the central problems of the ideology, highly linked to the new-Keynesian school, is to ignore that the State “is an integral moment of the capital relation, its particularized appearance is *fictitious*. Because the state reflects power relations that are inherently contradictory and dynamic, public policy will take on this quality as well” (SOEDERBERG, 2001, p. 106). The separation between state and civil society persists in the bourgeois philosophy of Hegel and looks like this metaphysical ditch will remain in the path of all the bourgeois society defenders, be in the center-left, be on the extreme right. This problem was partially solved in Marx, partially because in most of his

analysis the state was an abstracted category⁸, and then definitely solved in Gramsci. As Acanda (2010) pointed out:

“Contra la asunción difundida de la sociedad civil como esfera surgida de manera espontánea y en contraposición al Estado, es preciso destacar que tanto la idea de sociedad civil como su realidad estuvieron históricamente vinculadas al Estado y la centralización que este produjo. La interacción entre el Estado y la sociedad civil ha sido causal, y no se puede entender su decursar histórico fuera de este nexo. La sociedad civil surgió a la vida como parte de la construcción del Estado, y nunca ha sido simplemente un conjunto de instituciones localizadas fuera de éste” (ACANDA, 2010, p. 20)

In resume, social-liberalism is just a version of neoliberalism. If from the appearance, and especially in the speech, it looks to have substantive differences, essentially is a model sustained by the same ideology and the same philosophical vices. That in the end, stand up for the same thing, the market freedom to use, as it wants, the available working force. We got to remember that Marx in the *Critique of the Gotha Programme* makes explicit his position about the three key elements of a capitalist state: Private propriety; Waged work; and Freedom to accumulate wealth. So, if the state spends, as Hayek and Friedman highly suggested, a minimum part of the budget with the poor of the poorest, it doesn't mean that the state assumes a new form, like some ex-governess, can say in Brazil. It only means that the state, ruled by the bourgeoisie, had made some small exception to maintain their power in the long run⁹.

BUDGET DISTRIBUTION

In this section, through the data available in the Brazilian Senate website, we will show the evolution and the composition of Brazilian State expenses from 2001 to 2016. This means that we analyze the last two years of PSDB government, the 12 years and 4 months of PT administration, and the first 8 months of PMDB administration. Is important to remember that PT did not finish its fourth mandate because, in the

⁸ As Marx said, “the state is the bourgeoisie executive committee”.

⁹ Gramsci will call this exceptions from the dominated class ‘passive revolution’. As Losurdo (2011, p. 176) pointed out: “A partir da derrota operária e popular de junho de 1848 e de 1871 começa, segundo Gramsci, na França e na Europa, uma fase de revolução passiva, não identificável nem com a contrarrevolução, nem, menos ainda, com a ruína política e ideológica da classe dominante. A revolução passiva é uma categoria da qual os Cadernos do Cárcere se servem para mostrar a persistente capacidade de iniciativa da burguesia, que, também na fase histórica na qual deixou de ser uma classe propriamente revolucionária, consegue produzir transformações político-sociais bastante relevantes, conservando firmemente nas mãos o poder, a iniciativa e a hegemonia, e deixando as classes trabalhadoras em sua condição de subalternidade”.

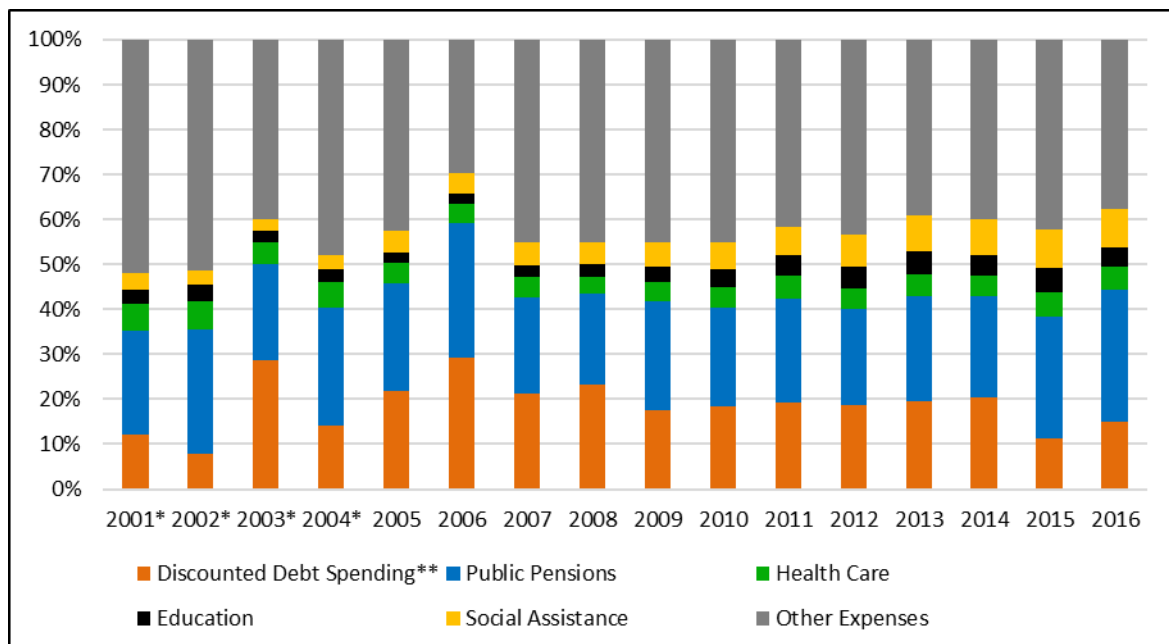
beginning of these, Dilma Rousseff (PT) suffered a juridical coup planned by her vice-president, Michel Temer (PMDB).

To examine the expenditure of Brazilian government we choose 5 categories of spending: Health Care; Education; Social Assistance; Public Pensions; and Interests of Public Debt. Is important to let the reader know that on the health care and education expenditures, we did not count that kind of expenses with military forces, that is, the costs of military health care improvement and education of military forces were left out of the aggregate data. Another thing that is important to point out is the respect of used methodology by the government to aggregate the data. We had two major changes, the first in 2004, second year of PT in government, and the other in 2012, in the second year of Dilma Rousseff in the presidential chair; the two changes were in the way of simplifying the exposition of data, that is, aggregate different policies in one generic name. For example, in 2011 we have 5 or 6 major policies in education, yet in 2012 the government let just one out and aggregate the rest as ministerial expenditure. If the changes in 2004 did not play a major role in the interpretation, we think that the changes occurred in 2012 were significant because from 2012 to 2016 we will include in educational expenditure the ministerial costs, and not only the ministerial direct expenditures. A similar movement occurred with health care data, in 2012 it has been all put in one major category, but different from education expenses, ministerial expenditures were not so representative.

As we expressed in the first section of this article, a social-liberal government tends to amplify the social assistance expenses without changing the general structure of the State expenditure. Is very different from a social-democrat government, this tends to amplify the universal policies in society, like the access and the quality of education and health care. Following the neoliberal recommendation, and we highlight Hayek and Friedman quires, a social-liberal government will not focus on universal policies, but, only in focused policies, like, food stamps in the United States, and Bolsa Família in Brazil. This kind of policies identifies a group of individual that faces an extremely privation of living elements. In the case of Bolsa Família the group includes families that, by their working income, cannot buy enough food to develop then selves as human

beings. Using the terms of Ricardo and Marx, the beneficiaries are people who receive an income below subsistence level.

Said that let's present the data. First, we show a general graphic representing 100% of public spending through all the 16 years of analyses, then, we show the individual evolution of each class of expenditure. Furthermore, we split the Social Assistance expenditure in two, taking off the general rubric working policies expenses; it is because we believe those are universal assistance policies. As exposition methodology, we will comment each set of data, and then, in the end, we will present more general analyses.



** Estimated refinancing income from category 2256 - National Treasury financial execution (Flows) - Revenue - u.m.c. (Millions) of the Central Bank of Brazil.

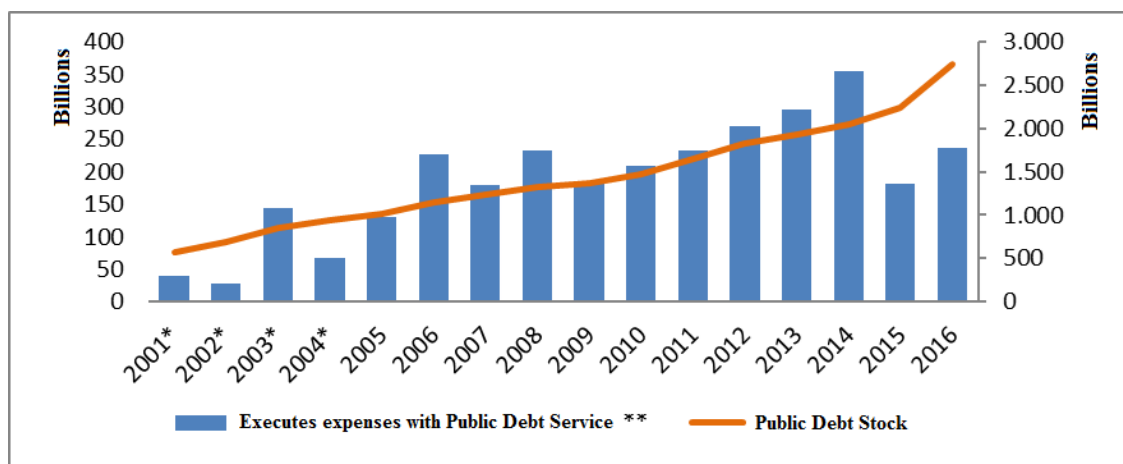
** Discounted expenses refer to expenses with the service and refinancing of domestic and foreign debt, net of revenues from refinancing domestic and foreign debt. Source: Portal Siga Brasil – Federal Senate; Secretary of the National Treasury and BCB – Own elaboration

Figure 1: Public Expenditure by Category of Expenses: 2001 - 2016

As we can see in figure 1, the Public Debt expenditure and the Public Pensions played a major role in the Brazilian budget during this first sixteen years of the twenty-first century. The smaller rubric with Public Debt, in 2001, 2002 and 2015 happened as consequence of a primary deficit in the national accounts¹⁰. This obviously results in the

¹⁰ It can sound wierd for a reader not familiarized with brazillian attached Budget. During FHC government, the fiscal budget and the financial budget were attached, this is, there is no major separation

growing of Public Debt amount. But, as the figure 2 show, this growing was uninterrupted during the whole time analyzed. Even during the 10 years when Brazilian government used more than 1/5 of the national budget in average to pay its debt.



** Estimated refinancing income from category 2256 - National Treasury financial execution (Flows) - Revenue - u.m.c. (Millions) of the Central Bank of Brazil.

** Discounted expenses refer to expenses with the service and refinancing of domestic and foreign debt, net of revenues from refinancing domestic and foreign debt. Source: Portal Siga Brasil – Federal Senate; Secretary of the National Treasury and BCB – Own elaboration

Figure 2: Executes expenses with Public Debt Service (left axes) x Public Debt Stock (right axes): 2001 - 2016

In numbers, between 2001 and 2016 Brazil spent R\$ 3 Trillion (something around USD 1 Trillion) between interests and amortizations. In the same time, the debt grew from R\$ 600 billion (around USD 200bi) to R\$ 2,8 Trillion (or USD 930bi) representing a nominal growth of 385% in the Public Debt Stock. Is not the object of this article, but is mandatory to alert, about the Public Debt System as a way to improve the capitalist profit in a way to avow the Marx's description *Tendential Law of Profit Rate Fall*, for the interested reader, we recommend the reading of *O Estágio ultimo do capital. A crise e a dominação do capital financeiro no mundo*¹¹, and *Financialised capitalism: Crisis and financial explotation*¹².

In all the period analyzed the Public Pensions expenses remained to detain the same part of the national budget, with a small deviation in 2016, the result of significant fall in the

between these two spheres of public administration. Because of that, Brazil, even one do not realize a primary surplus, pays interests and amortization.

¹¹ NOVOA, Jorge; BALANCO, Paulo A. F. *O Estágio último do capital. A crise e a dominação do capital financeiro no mundo*. Caderno CRH, Salvador, v. 26, pp 87-104, 2013.

¹² LAPAVITSAS, Costas. *Financialised capitalism: crisis and financial expropriation*. Department of Economics, School of Oriental and African Studies, 2009. (Discussion Paper n. 1)

government revenues. Is important to say that public pensions are the last barrier in the governmental budget in Brazil. That is, because the new law approved during Temer administration, ruled out of the budget the obligations with health care and education spending. To the not Brazilian reader understand, we have the 1988 Constitution, some obligated expenses in this areas, not only, the constitution predicts that health care and education should be universal, public and free. The law approved in December 2016, PEC (Constitution Amend Project) 55/2016, takes off the government obligation in improve expenses with this two sectors. In resume, it liberates the budget obligations, letting any elected, or not, government spend the Brazilians taxpayers' money in whatever it wants. The size of the spending with Public Pensions, around 30% of the budget, is the reason why all the governments, since FHC, tried to “reform” the pension system in the way to limit the universal access to it.

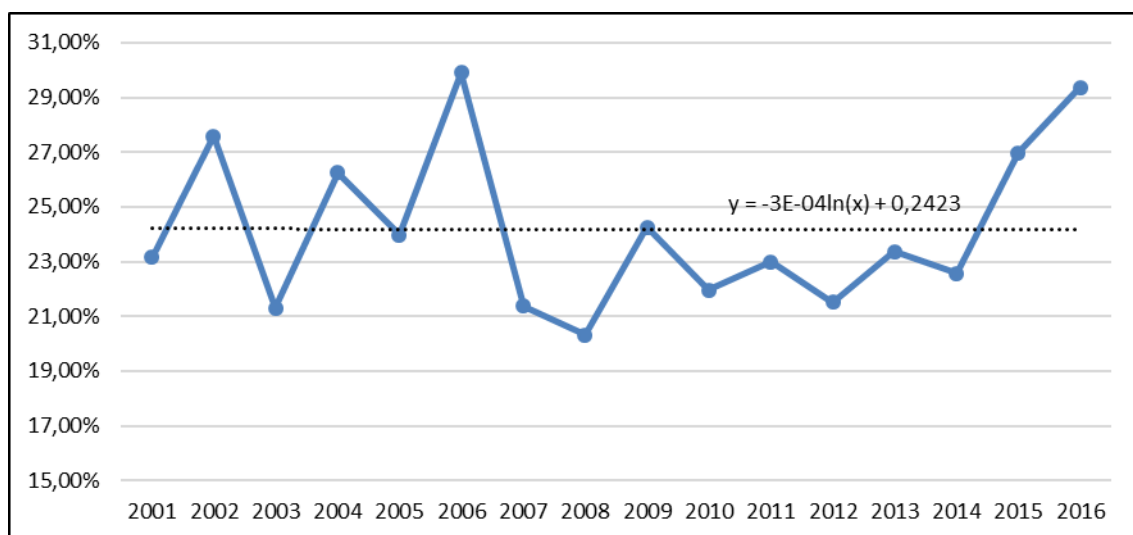


Figura 3: Public Pensions Expenses Rate: 2001 - 2016

The only significant change in the budget rate expenses was Social Assistance rubric. The role of health care and education stayed the same. If in one hand in 2011 the sum of health care and education expenditure represented 9,13%, in 2016 the same sum represented 9,68%. On the other hand, the significance of social assistance went from 3,66% to 8,43%.

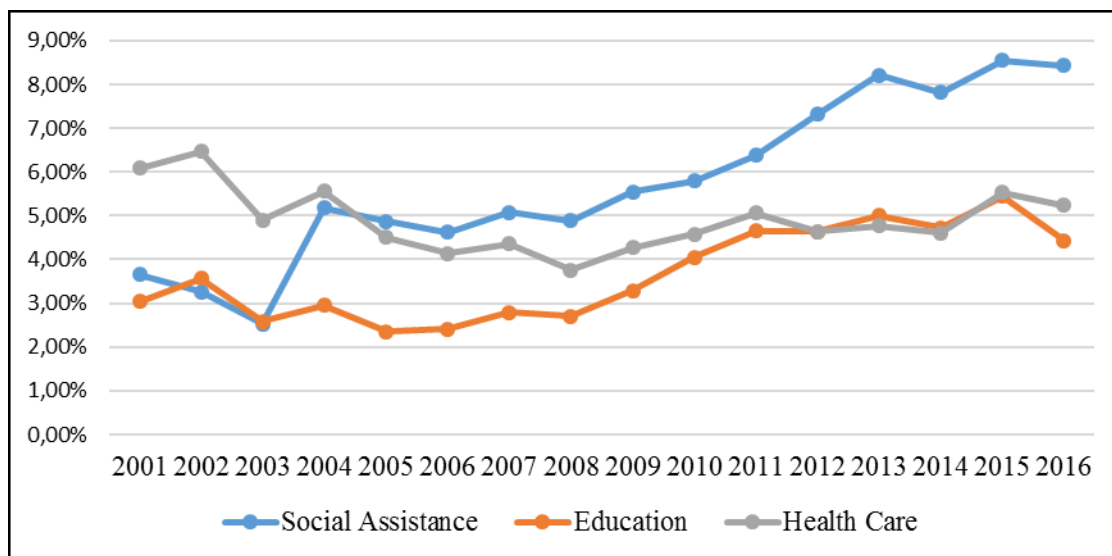
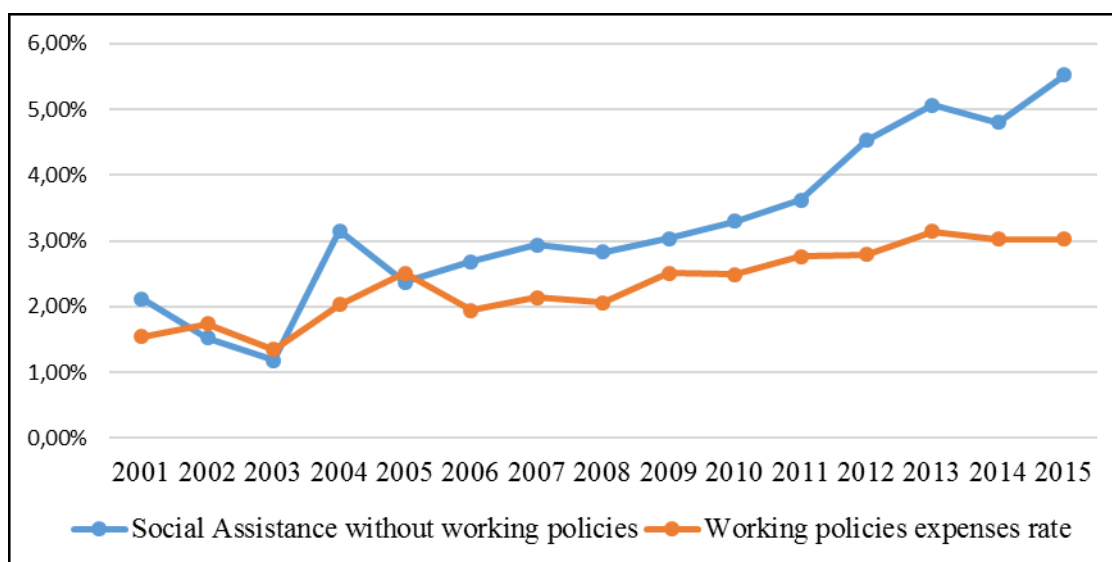


Figura 4: Public Expenses Rate by Categories: 2001 - 2016

As we can see, the retraction of government revenues in 2016 had an immediate impact in the universal policies expenses. That is, it only happened because it is not treated as universal policies, or even as assured citizens' rights¹³. And, as we said in the beginning of this section, to see the right picture of Social Assistance expenditure we split the category in two, the working universal policies and the localized policies.



*We excluded 2016 data because an aggregation changed that now, put solidary economic policies (mainly in agriculture) with working policies. As we did not include agriculture assistance in the hole data, we opt to exclude 2016.

¹³ An interesting reading about the State fiscal crisis and the impact on the expenses with universal policies is the text of Boaventura de Souza Santos, *O Estado a sociedade e as políticas sociais: O caso das políticas de saúde*. Revista Crítica de Ciências Sociais, n. 23, 1987.

Figure 5: Expenses with Social Assistance diminished in localized and universal: 2001-2016

As we can see from the figure 5, from 2005 to 2015 we did not have any significant improvement in the working universal assistance policies., the localized social assistance more than doubled its share during the same period. It is an unequivocal evidence of the Social-Liberal character of PT administration. If we take, the whole amount of universal policies, this is, health care, education, and working policies, we have an undeniable stagnation. The sum with these policies goes from 11% in 2011 from something around 12,5% in 2016 (trying to discount the solidary economy effect). This means, that during 13 years in power, a left self-called party improved the share of universal policies in the budget on just 1,5 p.p.

CONCLUSION

In the end of this paper, we have enough elements to affirm that during these first years of the 21st century, we saw in Brazil a supremacy of the neoliberal agenda. With the changes in administrations occurred in 2003, the country has passed for a transition, decided from the top. The transition undoubtedly amplified the role of social assistance in the budget. This movement, characterized in Gramscian literature as a movement to preserve the privileges, and hegemony, of the ruling class with some concession to the subalterns, the so-called passive revolution, put in function in Brazil a clearly social-liberal government.

The presence of a party that in the past represented the subaltern classes wishes, in the government was fundamental to solidify the historical block that was passing through a crisis in the end of FHC administration. The Brazilian society was not willing to accept anymore the high unemployment rates and the lower salary purchase power. The union of the bourgeoisie with PT, and mainly, with the iconic figure of Lula, gave to the historical block a new breath. Of course, the concessions made to the subaltern classes cannot be viewed as anything. The improvement in purchase power, the massive fall in unemployment rates and the redistribution of the budget to social assistance helped to took out from extreme poverty millions of Brazilians, and even, allowed some subalterns to improve their living standards.

Apart of it, the beginning of the fiscal crisis in 2015, and its deepening in 2016 showed that none of the concessions were permanent. The bourgeoisie quickly dispatched PT, putting in its place a president who promises to implement a harsh neoliberal agenda. This is, taking off constitutions social expenses obligations, reducing the access of the people to Social Pensions, and limiting the workers' rights ensured by the CLT (Working law consolidation). Nevertheless, what was not surprisingly is that the new government promises to maintain the mainly social assistance program, Bolsa Família. It cannot be viewed as a concession, as the working and salary policies of PT were, but, it is a recognition that without it, a bigger share of Brazilian population will not be able to live.

To conclude, we point out the insufficiencies of social-liberal policies, that, apparently improved the living standards of subalterns during 13 years, but now, in a bit more than two years of crisis all off that looks to be disappearing. So, if for one side the social-liberal represents a State transition, on the other side it is just another face of the old coin. As none of the modification is structural, the bourgeoisie has and easy job in return the thing to the stage before the transition.

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