



BRAZIL: AN AGENDA FOR THE DECADE

LADISLAV DOWBOR

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BRAZIL: AN AGENDA FOR THE DECADE

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In this second decade of the millennium, Brazil is taking off from a new level. In a most impressive way it withstood the worst economic crisis since 1929 and is pointing toward a course essentially based on common sense and a balanced outlook of economic interests, social needs and environmental requirements. The traditional economic standpoint tied to the simplifications of the Washington Consensus, aged suddenly and is no longer capable of meeting the challenges of a modern and complex society that must look for new expressions of economic, social and environmental policies.

We believe today that the presence of a strong public sector is not a hindrance but an essential support. Regulation of finance does not imply bureaucratization, it is a safeguard needed against irresponsibility. To warrant workers better wages and rights is not demagoguery, it is a more simple and straightforward way of generating demand and stimulating the economy. To support the bottom of the pyramid is not charity, it is justice, as well as common sense since it also stimulates the economy at the base. To invest in the poorer regions is not a sacrifice, it generates new opportunities for future investments through external economies. Expanding social social policies is not a giving up a greater slice of the economic pie to less productive sectors, it is an investment in people, and this enhances economic development as Amarty Sen has already analyzed. To support social movements is not to distribute benefits, but to provide working instruments for organizations that have a much deeper knowledge of their economic, social and cultural environment, and are flexible and efficient in their specific domains. To determine environmental policies does not “retard” progress, since energy alternatives and family farming generate more jobs than to drill for oil and to deforest in quest of short term profits. To maintain a solid tax basis is not “to take away from the people” it means to assure indispensable counterweights for the country’s balanced development. Brazil is working on solid ground.

Evidence of improvement does not imply underestimating challenges. The international context continues to be unstable, with a good part of the imbalances of the private financial system in developed countries simply transformed into public deficit. Social advances notwithstanding, the major challenges remain impressive, requiring more comprehensive initiatives. The whole tax system still awaits a comprehensive appraisal, for greater rationality, fairer distribution of the tax burden, and better efficiency and redistribution in budget allocation. The modernization and reconstruction of the public dimension of the State are still waiting for an increasingly urgent political reform. Environmental policies need to be strengthened and assimilated by the cultures of government and corporations as well as consumer behavior. In some ways, the course to steer has become clearer and society, seeing the evident results, has become more confident. However, these are stages of a construction demanding constant rethinking of strategies.

A key point to be considered is the rational use of the country's most impressive potentials and their articulation with new environmental challenges. We have the largest reserve of idle agricultural land on the planet, one of the largest reserves of fresh water, we have climate and labor, this at a time when pressures for food and biofuels increase throughout the world and Brazil masters cutting edge technologies in this area. It has an enviable energy matrix, based on hydroelectricity, at a time when mastering the transition to a new paradigm in energy and production technologies is becoming the key for building the future. In the medium term it has international events – the Olympics, the World Cup - that attract even more attention on the global scenario. Increased availability of oil with the Pre-Sal fields opens new perspectives. Adding up all these and other factors, if the country can avoid the temptation of one more cycle of agro-exports, or the hasty use of new resources and is able to protect the environment and promote construction of a new social equilibrium, continuation of the virtuous circle enjoys good prospects. Much of the future will depend on how Brazil manages the equation of production, employment, income and environment. Brazil has opened new paths, but the past, and particularly the huge inherited inequality, weighs heavily on the present options.

To pursue a course does not suffice, results must be achieved. The slow construction of more democratic ways of decision making is immensely important. Faced with the political influence of large economic groups and traditional elite allied to them, the government has followed a policy of balance, maintaining privileges of the rich, while stimulating the economy and ensuring counterparts in social, and increasingly in environmental terms. Programs just work and they do so because they are negotiated, ensuring a reasonable basis of political support. Furthermore, they also work, in the case of major social programs, because the first and second echelon technicians, those who actually carry the weight of management of the main programs, are generally people who come from social movements and indeed are familiar with the issues, know what type of partnerships must be organized and are knowledgeable about mobilization for the programs. Social movements play a vital role in these processes, and will grow in the future. With all the difficulties in the various sectors, a culture of negotiation, of agreement, of respect towards the interest of diverse segments has been obtained.

The outlooks formulated in this text meets certain conceptual definitions considered to be part of the basic set of ideas that is taking shape in the country. As such, first of all, we shall differentiate the concept of economic growth, in a narrow standpoint of boosting gross domestic product, from the concept of development which involves balanced progress on the economic, social, environmental and cultural levels. The concept of sustainability used here,

refers to environmental sustainability, in the classic definition of the Brundtland Report, meeting present needs without jeopardizing those of future generations. The concept of local or regional development does not refer to a choice of a particular unit such as the municipality, but to the complex territorial articulations the programs require, and ultimately exert their impact on specific geographic spaces. The concept of planning does not refer to any type of authoritarian central planning, but to procedures agreed upon to define structural programs that will encourage government management to have a systemic outlook beyond sectorial reductions and a long term outlook that ensures continuity between cycles of government elections. The concept of governance is used here in the broad meaning of management involving the government itself as well as the set of organized social actors involved in decision making.

This study does not aim to devise a plan in the traditional sense, which would lead us to present proposals for all sectors including a policy for all the different sectors of activity. It is a short paper, and seeks to outline in broad strokes the key issues, both nationally and internationally, the country will have to face in the course of this decade. In its guidelines and seeking to capitalize on previous accruals, the axes that may be considered “structuring” due to their weight on the systemic changes occurring in the country were favored. This involves looking further to the future, as in the case of technology that is gaining significant prevalence on the planet, as well as the redressing of inherited social imbalances such as productive inclusion. Priorities and tensions have to be clearly stated, and no text with such a scope can attempt agreement of all sectors, nor meet so many specific interests. The list of things to do is extensive. What is sought here is a selection of priorities, the initiatives that can have the greater systemic effect in advancing the whole.

The following text summarizes a wide range of discussions that have been taking place in the Conselho de Desenvolvimento Econômico e Social (CDES), the economic and social development council linked to the Presidency, during the last five years, reflecting the broad spectrum of participants and also the many documents, proposals and rulings that have been discussed with the most varied sectors of society, in addition to consultations with experts of the main fields of action. There is a strong convergence of the overall outlooks notwithstanding the great diversity in proposals. We collected here those which seemed to contribute most to a systemic coherent outlook, stressing the overall picture. We also sought to avoid the temptation of a text that by being so general and prudent would say very little, as it often happens with official papers. This, fortunately, is not an official paper.

In order to avoid an excessively bureaucratic text we divided the presentation into two parts: the first deals with the new developments that somehow constitute a different starting point for Brazil, demanding some inflections in comparison with the last decade. The second focuses on 11 key issues that should contribute to the definition of an overall development strategy.

I - A NEW STARTING POINT

1 - The new international context: risks and opportunities

2 - A new model: the path of common sense

3 - Macroeconomic policy: pragmatism and flexibility

4 - Results: groundwork for further expansion

Unquestionably, favorable winds are blowing. A climate of trust is blossoming. Here there are neither winners nor losers. The best image is that of a high tide that floats all boats. Beyond detail of proposals for the country's various sectors, this is the standpoint: a Brazil that is developing with broader participation in the results, in a sustainable way and by means of democratically negotiated decisions.

1 - THE NEW INTERNATIONAL CONTEXT: RISKS AND OPPORTUNITIES

The international financial crisis of 2008 signaled a turning point. Major simplifications concerning the dichotomy between state and market, with their ideological weight, gave way to an attitude of common sense, pragmatism of results, a search for balance. Somehow, to innovate in politics has become legitimate again. Today, this innovative way of thinking is essential. Internationally, the crisis does not disappear. A global GDP of 60 trillion dollars and 860 trillion dollars of issued derivatives generate volatility. Speculative private sector deficits were turned into public debt, loss of pensions and unemployment. The cost of saving speculators without penalizing them results in new tensions with those that are being called to pay, in the U.S. and in Europe. New regulation mechanisms are being sought, but not implemented. A stable and balanced horizon is not taking shape for the planet. For Brazil, the diversification of foreign relations, with emphasis on South-South and Latin American integration will continue as a priority.

Financially, Brazil today is at a radically different level. With 35 billion dollars in reserves in 2002, the country was at the mercy of speculative attacks. Today, with 250 billion in reserves, creditor and no longer debtor of the IMF - which financially is not essential albeit significant in symbolic terms - commercial diversification and better balance between domestic and foreign markets, the country has become an international benchmark. The way Brazil maneuvered among the pitfalls of the 2008 financial crisis, including multinationals repatriating extensive funds from subsidiaries to save their headquarters, was obvious worldwide as proof that common sense and pragmatism are more profitable than ideological simplifications. This trust generated allows Brazil today to even make demands on incoming capital. Success breeds success.

Commercially, a world population which increases by 70 million per annum with expanded consumption, further enhanced by the biofuels options, should sustain the trend of strong demand for commodities. Brazil, with the largest world reserve of idle agricultural

land and 12% of world fresh water reserves is bestowed with exceptionally strong assets. However, the issue of international regulation of commodity prices, now more dependent on speculative capital movements than on the balance of supply and demand is bound to come into foreground. As an example, global trade of oil reaches 85 million barrels per day, and daily speculative trading reaches 3,000 million barrels. In this respect, Brazil has a place in promoting regulatory mechanisms.

In geo-economic terms, the trend is towards a shift from the Atlantic basin to the Pacific, with outstanding advances by China and India that represent 40% of world population and other countries, very dynamic today, such as South Korea and Vietnam, or simply as strong as Japan. This poses structural challenges for Brazil. It should be remembered here that while the United States carried out the Atlantic-Pacific railroad connection in 1890, now we still do not even have a decent highway link. The shift will facilitate a more integrated infrastructure in Latin America, as well as a better balance of occupation and use of the territory in Brazil, still heavily Atlantic oriented in demographics and economic activities. For us, the West acquires new importance.

Another key feature of the new international context is the growing presence of environmental challenges on the planet. While the international financial crisis has migrated from the banks to the ministries, no longer in the headlines, the reality of climate change, extinction of life in the oceans by industrial over fishing, the destruction of forests (particularly important in Brazil and Indonesia), soil erosion, widespread pollution of rivers, groundwater and seas are a matter for concern that, regardless of the Copenhagen stalemate, require added emphasis on the environmental sustainability standpoint in all decisions on development policies, in both the public and private sectors. Brazil holds an advantageous position in this matter and should play a significant role at the 2012 World Summit on the Environment "Rio+ 20".

Socially, there is also increasing concern. With the speculative surge in the area of grains, world hunger went from 900 million to 1020 million people. Due to starvation and other absurd causes 10 million children die. AIDS has already killed 25 million people. The World Bank estimates that 4 billion people in the world has no access to what they call "the benefits of globalization." These situations are untenable. The social balance of economic policies is becoming more and more of a central issue on the planet and Brazil, that for the last years has proven the feasibility of policies that balance economic and social objectives, possesses at this point, exceptional legitimacy.

Politically, while the economy that has become largely globalized, only now spaces for international concertation are being devised. In a certain sense, this is the end of the power monopoly by the United States and by developed countries in general. The BRICs have started to occupy an international political position, the G-20 begins to open a space for regular negotiation and Brazil, in particular took on an expressive international presence, largely due to the innovative and well-balanced economic, social and environmental model implemented and that is simply working. An expansion of these policies, whose organizational technology made great strides, should be the hallmark of the coming years and strengthen the international role of the country.

In terms of new international context, Latin American integration is increasingly gain-

ing momentum. In the past this policy was characterized by creating more acronyms than facts, while the articulation of each country with private groups of North-American interests prevailed. Today progress in terms of institutions, financing mechanisms, infrastructure (still fledgling), migration mechanisms, the academia itself, is quite evident. Brazil has a key role to perform because of its specific weight, as well as because of the political innovations developed and of the many things in common in terms of inherited social dramas. Latin America is acquiring an identity.

A final key point stems from technological advances, particularly in the area of information and communication technologies. The role of access to knowledge, lower cost of infrastructure and of individual equipment, spreading of global connectivity, expansion of access to knowledge of the entire planet, emergence of numerous economic activities in so-called society of knowledge - all these changes are taking place at a much faster pace than was expected. Where in the past century major political clashes were over ownership of production means, in the era of the new economy access to knowledge and definition of the new legal framework have become central issues. In Brazil's case, the leap to the knowledge economy by dissemination of broadband and other forms of access to knowledge present great opportunities for productive inclusion and improved quality of life. The challenge is to bridge the gap between technological challenges and domestic educational backwardness.

Overall, on the international scene, Brazil has today a strong role as a key partner, not merely on the basis of its economic strength and cultural wealth but also of practical and common sense proposals in dealing with major social and environmental challenges, as well as solidarity with struggling countries. The reliability and respect conquered, not only expand the country's leeway, but are intensely reflected as noted in the case of approval of the World Cup and the Olympic Games, in the feeling of self-assurance of the overall population. At this stage, the country really takes off from another level.

2 - A NEW MODEL: THE PATH OF COMMON SENSE

As the primary strategic axis, Brazil elected to confront inequalities. This strategy evolved through extended mass consumption. At first, this standpoint faced strong resistance, but multiplier effects were soon perceived in the expansion process of policies. From the standpoint of common sense that the main challenge faced by Brazil, the economic and social exclusion of almost half its population, could be an asset, the country found a new horizon for a growing domestic market. The increasing pressure from the base of the Brazilian social pyramid for better living conditions, combined with Government determination to encourage change, created a virtuous circle in which the economic, social and environmental aspects found their common ground.

In Brazil, social advances have always been presented as costs, a burden on productive sectors. Policies have traditionally been based upon the standpoint that greater competitiveness of the enterprise results from cost reduction. Reducing costs by rationalizing use of inputs and by taking advantage of innovation and technology is indeed essential. On the other hand, cost reduction through cheaper labor reduces the consumer market as a whole and tends to have the opposite effect. Shrinking the consumer market reduces the scale of production, and keeps

the economy in the so-called “narrow base”, producing little, for a few at high prices.

It must be recalled, that for an individual enterprise fewer social rights and lower wages do reduce their costs, thereby making it even more competitive in the marketplace. However, to implement this standpoint in all enterprises reduces mass demand and brings about stagnation in general. In practical terms, what makes sense at the microeconomic level thus becomes an obstacle in broader terms at the macroeconomic level. Redistributive policies applied to the whole economy, such as the raising of the minimum salary in the last few years, affects all companies, generating a larger markets for all, and reducing unit production costs through economies of scale. This in turn allows the expansion of mass consumption, gradually creating a virtuous circle of growth. If sustained for a longer time, this policy fosters production capacity by stimulating investments, which in turn will generate more jobs and increased consumption. Simultaneous expansion of demand and production capacity prompts development without surges of inflationary pressures. The growth spiral becomes balanced. As a matter of fact, sectors that stagnate in wages and social rights also tend to become accommodated in terms of innovation in general.

This understanding seldom becomes accepted by theoretical explanations alone. However, when this policy is applied, and the results can be seen, as in Brazil today, many people who were opposed and claimed that favoring the poor was political opportunism, the moods tend to change. In fact, the policy works, and is facilitating everyone’s business. Up to a certain point, Brazil has found its course by turning the biggest challenge, poverty and lack of purchasing power that accompanies it, into a vector for expansion of the economy in general. For a long time, it has been said in Brazil that we must make the cake grow bigger, and distribute is later. What we are seeing, is that distribution is what makes the cake rise.

Beyond distribution, a second line of change concerns the expansion of social policies in general, involving education, health, vocational training, access to culture and the Internet, more dignified housing. Here too a traditional outlook is being reversed. The theoretical heritage of neoliberal simplifications is of those who produce goods and services, that is to say the private productive sectors, generate wealth. Payment of taxes on the generated product makes social policies feasible. Thus the corporation generates wealth, while social policies would represent a cost. Therefore, from this standpoint we should maximize interests of producers, the private sector, and reduce the size of the State, the spender. The real situation is different. When an enterprise hires a young 25 year old engineer, this graduated person represents a formidable asset, who has cost years of care, training, access to general knowledge, family sacrifice, use of the most diverse public infrastructure, profiting from the overall technological level found in society. Social policies are not costs but investments in people. And in view of the current progress towards an increasingly knowledge-intensive society, investing in people is what yields the most. The understanding that production processes of goods and services and social policies, in general are like hand and glove in the development dynamics as a whole, one financing the other, all being at the same time cost and product, points towards a balanced outlook of economic dynamics.

A third key element is the environmental policy. The traditional widely disseminated outlook presents requirements of sustainability as a brake on the economy, an obstacle for investment, an impediment to employment as a result of higher entrepreneurial costs. This is simply the case of a mistaken calculation and already widely discussed at international level, by

refuting the argument of externality. Carrying out pre-treatment of emissions in the enterprise where the waste is concentrated is much cheaper than to be burdened later by polluted rivers and groundwater, respiratory diseases and loss of quality of life. For the enterprise it actually comes out cheaper to dump waste into the river; however, the cost to society is incomparably higher. To deforest the Amazon creates jobs for a while, but can only maintain them with ongoing senseless destruction. Stepping up investment in sanitation, in turn, creates jobs, reduces healthcare costs and increases systemic productivity. Investing in clean technologies tends to promote sectors that will be more dynamic in the future and improves international competitiveness. To manage our natural resources in a sustainable way, capitalizes the country for future generations, rather than de-capitalizing it. Equally important, in the modern global economy a coherent environmental policy generates credibility and respect at domestic and international levels, which in turn opens markets. The truth is that environmental policy has in recent years achieved a different stature and become part of the new economic policy outlined in the country.

A fourth aspect of economic policy relates to reconstruction of the country's capability to plan infrastructure. Good infrastructure, by making access to transport, communications, energy, water and sanitation less expensive, generates external economies for all and enhances the territory's systemic productivity. The cost of freight transport in Brazil is prohibitive, since transporting soybeans and other products of a rather low value to weight ratio, over large distances by truck, generates additional costs for all producers. Rescue of the railways, to rebuild the capacity of shipyards and coastal navigation, the prioritization of public transport in cities, less expensive access to telecom services and broadband Internet, the search for productivity in the distribution and use of water and especially sewage disposal, the strengthening of renewable energy sources – are initiatives that bring about a huge forward thrust for all economic activities. Planning and the presence of a solid public administration are essential. Infrastructure provides large networks that interlink the territory. In this sense they are one of the main channels for the reduction of regional imbalances in the country. As an example, expansion in the poorest regions is needed to energize and attract new activities. Public policies can support this type of long term investment in regions where immediate profits are not realized. This involves planning capacity and a long term systemic outlook. Brazilian metropolises are coming to a standstill with an excess of transportation means and lack of planning. This broader look at the structural needs of the economy is essential for the systemic coherence of infrastructure investments, and should play an essential role in this decade.

Thus, distributive policies rooted in an outlook of social justice and economic rationality, expansion of investment in people by means of focused social policies, gradual assimilation of environmental sustainability in all decision making processes of economic impact, and dynamics of investments in infrastructure that greatly reduce the Brazilian cost structure by means of external economies leads to improved international competitiveness, and gradually gives shape to a model that, in an environment of democracy and social peace, is opening new paths. Having a model that not only makes theoretical sense, but that works and convinces many of the economic and social actors in the country is an important asset.

3 - MACROECONOMIC POLICY: PRAGMATISM AND FLEXIBILITY

Stabilization of a model of macroeconomic management is one of the mainstays of better perspectives for development. At this point we are also working on a new level. This is a matter of balanced wage policies, prices, credit, foreign exchange, social security, investment and tax collection. Technically complex and subject to constant pressures, macroeconomic policy in Brazil used to follow a neoliberal path that was presented with complex theoretical arguments, but when all is said and done brought about low growth and deeper inequality, always with a semblance of seriousness and austerity. The wage restraint and high interest rates would thus be justified as a means of protecting people against inflation. This area of the economy suffers from an original sin: few people understand how it works, and therefore it is not subject to democratic scrutiny. And the inflationary past left an imprint on the collective unconscious.

In synthesis, the policy adopted may be summarized as expansion of the economy by a progressive inclusion of the social pyramid's base, which increases aggregate demand, generating jobs and investment, leading to a virtuous spiral of development. The key element of macroeconomic policy is the balance of the different variables, in terms of amount and timing. The policy adopted was characterized by great flexibility and responsiveness to changing national and international trends, a good dose of pragmatism and the search for balance between interests involved.

In practical terms, the initial phase from 2003 to 2005 was characterized by orthodox macroeconomic adjustments aiming to reassure economic agents that the rules of the game were stable, financial commitments were being met, inflationary pressures were being restrained. In parallel, instruments for management of social policies were being devised, which have as the scarce resource not money but administrative capacity, which develops more slowly. The tax and social security mini-reforms permitted in turn to stabilize accounts. The good price of commodities and diversification of trade agreements reduced external vulnerability.

The second phase, from 2006 to 2008, is characterized by articulation of policies related to the dynamics of accelerated growth due to inclusion, laying the foundations of current actions. The unified register of poor families, unification of social programs in the "Bolsa Família" (Family Grant), the sharp increase in the minimum wage (therefore also an increase in pensions), support to family agriculture (PRONAF), expansion of credit (payroll loans, financing by BNDES and other state banks), the gradual expansion of investments, led to strong consumption at the base of society and strengthening of private sector investments. The outcome was an expressive expansion of formal employment with increased demand. In other words, the public administration effectively took over its role of promoting development. Greater demand has not sparked inflation, since the idle productive capacity allowed rapid expansion of supply. Expansion of public expenditures was covered by higher revenues derived from economic growth (over 5% in 2008) and expansion of the formal economy, allowing the government to simultaneously meet the debt commitments and expand social policies.

The financial crisis of 2008 submitted this policy to a severe test. The extent of the crisis and international panic generated, caused a stall in domestic credit, disruption of private investment, transfer of resources from Brazilian subsidiaries of foreign groups to save

headquarters (35 billion dollars in 2008 alone) and an overall climate of insecurity. Faced by falling State revenues, the orthodox standpoint would be to restrain public expenditure with a contractionary fiscal adjustment. The government decided on a set of counter-cyclical actions, responding in a rapid and diversified way to the various emerging imbalances. Expansion of the minimum wage was continued (12% in 2009) generating a positive expectation in the market; critical sectors were stimulated by tax exonerations and incentives; foreign exchange reserves were used to finance exports (foreign funding had dried up completely); public debt financing was reduced to prioritize support for productive activities; state banks were used to stimulate the economy with a broad spectrum of credit lines; for the lower middle-class sectors income tax rates were subdivided. Instead of being reduced, social programs were increased, and a large housing program, "Minha Casa Minha Vida" (My Home My Life), aiming at one million houses, was launched, thereby generating activities and jobs in a capillary mode for the overall economy.

Bleak forecasts at the time did not materialize. This multifaceted macroeconomic pragmatic policy, based on the understanding that a broader domestic market supports all sectors, simply worked. Even big exporters, like the soybeans and meat producers, found it interesting to be able to compensate the weakness of foreign markets with enhanced domestic consumption. Furthermore, the idea that an active State is needed was endorsed. Today the country continues to face structural challenges, but feels confident in its capacity for macroeconomic management. The private sector feels more secure as to the rules of the game. This decade is starting at a new level.

Regardless of the financial crisis, another vector of economic policy has taken shape and is becoming central, the large infrastructure investments delayed for so long. The Program of Growth Acceleration, the Productive Development Program, expansion of investments by Petrobras, the PAC II and also the Education Development Plan, plans for widespread access to broadband, the planning of water use and many others are at the same time stimulating investment and maintaining this active scenario. This facilitates all adjustments and introduces in various sectors a structural, systemic outlook, rebuilding planning capacity and long term strategy definitions. On the other hand, this generates broader pressure on the slim management capacity of the public administration, which had become used to managing privilege rather than promoting development. We are thus facing new challenges concerning administrative modernization.

If a theoretical outlook should be rescued, it is that macroeconomic balances are dynamic, that it is possible to create demand without excessive inflationary pressure, to increase State initiative without bringing about irresponsible deficit, to find a new balance between domestic and foreign market without exchange dramas, that it is possible to set conditions for entry of speculative capital without being declared a "non-market friendly" by the international speculative market and so on. Above all, it is possible to reduce social and regional imbalances without jeopardizing the more affluent sectors and the wealthiest regions to ensure that everyone benefits, however the poorer at a faster pace. Common sense works. Just as a high tide floats all the boats, the State may be providential, ensuring that the tide continues favorable.

4 - RESULTS: GROUNDWORK FOR FURTHER EXPANSION

Results are now tangible and highly visible. In the words of Nelson Barbosa, a key promoter of these policies, “the facts are screaming”. In round numbers the level of formal employment has increased by 12 million since 2002. The formalization generates more revenue, which finances much of the support policy. The minimum wage has increased in real purchasing power by 53.67% in the period¹, which affects about 26 million people. Increased minimum wages further enhance the negotiating power of workers. Indirectly favored by this increase are retirees, some 18 million people. The “Bolsa Família” has reached 12.4 million families, improving the living conditions of around 48 million people. Actually, this means fewer hungry children and certainly less distress in low income families. Between 2003 and 2008, 19.5 million people crossed the poverty threshold². Pronaf resources were increased from 2.5 billion reais in 2002 to 13 billion in 2009, boosting production of about 2 million farmers. The program “Territórios de Cidadania” (Territories of Citizenship), is investing some 20 billion reais in the country’s most backward regions. The “Luz para Todos” (Light for All) program is reaching millions of people now with access to basic domestic equipment. The Prouni, which already has more than half a million students from poor families in universities, also showed impressive results. They do better than others in university, rebutting the argument of down leveling.

The argument that distribution is a kind of unsustainable charity simply does not correspond to reality. Only the “Bolsa Família” is a simple transfer of resources and is relatively a very small portion of the whole. Even so, since it is tied to health and school attendance, it is considered as a social investment³. Income at the roots of society leads to immediate consumption of basic consumer goods that improve nutrition, hygiene as well as small family investments that can be verified in each “addition” to modest homes, stimulating production of building materials and basic household equipment. The truth is that the multiplier effect of resources is very large when directed to the roots of society. And in terms of quality of life, every dollar available to the poorest families generates an incomparably greater improvement than with the wealthier. Social productivity of money, the real usefulness, falls rapidly as income rises.

The fact is that due to the immense legacy of backwardness, inequality is diminishing in Brazil steadily but still very slowly. The Gini index fell from 0.53 to 0.49⁴. This compares to 0.46 in the United States, 0.33 in Italy and 0.26 in Germany⁵. In Brazil all incomes are rising, and faster for the poor than the rich. But, since the starting point is very low for the poor, even a higher percentage here represents small changes in absolute terms. In regional terms, a much faster growth is perceivable in the Northeast and other poorer regions, but here too inequality is falling very slowly.

1 DIEESE –Job Market in Brazil: Recent evolution and challenges , DIEESE, March 10, 2010
<http://www.dieese.org.br/ped/mercadoTrabalhoEvolucaoDesafioStexto2010.pdf>

2 Marcelo Neri, Brazilian Institute of Economics FGV, information ensp, March 26, 2010
<http://www.ensp.fiocruz.br/portal-ensp/informe/materia/index.php?origem=3&matid=20887>

3 See the article on the first page of the newspaper “Folha de São Paulo” April 18, 2010, pg. A13 – “It was a small great decade” said Marcelo Neri, head of the “Centro de Políticas Sociais of FGV-Rio. “ And indeed the improvement is today much more sustainable because it is endorsed by the revenues of workers”. In the average of the decade, revenue of work explains 67% of decrease of inequalities. The “Bolsa Família”, some 17%; social security expenses, 15.7%. Since 2003 about 12.2 million formal jobs were created”.

4 Ipea Inequality and Poverty in Metropolitan Brazil – Statement from the Presidency n. 25, pg. 3 http://www.ipea.gov.br/sites/000/2/comunicado_presidencia/comunicado_da_presidencia_n25_2.pdf

5 Ipea – Poverty Inequality and Social Policies –January 12, 2010, pg. 9. Statement from the Presidency n. 38 - <http://www.ipea.gov.br/default.jsp>

A central point is that preconceived ideas that effectively fueled opposition against programs aimed at the base of the social ladder are gradually dismantled. Far from “leaning on”, the poor are demonstrating an impressively positive ability to use resources. They are poor not because of lack of initiative or creativity, but for lack of opportunity. And indeed the tendency to “lean on” is democratically manifested at various social levels.

Organization of policies for the poorest sector of the population encounters a major hurdle, not lack of resources, but difficulty to manage an extremely capillary support system, for those who often have no mailing address, SSN, bank account or even a birth certificate. In a way, the State did not exist for this 25% of the population. To carry out the registers, implement communication channels and mechanisms for managing this segment of the population required a huge administrative effort still underway. Thus, an indirect impact of inclusion policies was the implementation of transmission belts between the State machine, local authorities, social movements and ultimately the families. The organizational learning by “Bolsa Familia”, expanded PRONAF, management committees of the “Territorios de Cidadania” program, numerous national and regional conferences have created more effective forms of interaction between the State and society, a vector of better management practices for the future.

In this slow transition to an economically but also socially fair and environmentally sustainable Brazil, progress is undeniable, but social liabilities inherited from centuries of imbalance are large. The country continues with an obvious dramatic inequality⁶. Deforestation in the Amazon has been reduced from 28,000 to 7,000 square kilometers per year, which is a great victory, but it is still a disaster. The metropolitan outskirts are still explosive and require radically larger supportive policies. Backwardness in the quality of education, access to more decent health, generalization of environmental policies, democratized access to credit are some of the manifold challenges. The country is facing the strengthening of inclusion policies, as well as the adjustment of the public management capacity and the decision making processes of society in general. The course to be taken is much clearer today, the basic management instruments are becoming structured. Results achieved and experience gained open a new agenda with new challenges.

⁶ The above mentioned article of the “Folha de São Paulo” comments: “Brazil has today 30 million of wretched surviving on R\$ 137 per month. But they would add to more than 50 million if reducing poverty had not gained speed in the last years”. FSP, April 18, 2010, pg. A13

II - STRATEGIC AXES FOR A NATIONAL DEVELOPMENT AGENDA

- 1 - Role of the State: challenges of democratic management**
- 2 - Role of technology: transition to a knowledge economy**
- 3 - New horizons in education**
- 4 - Decent work and productive inclusion**
- 5 - A national policy to support local development**
- 6 - Role of infrastructure: transport, energy, communication, water**
- 7 - The potential of agriculture**
- 8 - Financial intermediation: credit as furtherance**
- 9 - Tax Policy**
- 10 - Environmental policies**
- 11 - Social policies**

There is no intention to detail sectorial plans or insist on the importance of education, healthcare, culture, transportation and the like, which would be a long list of needs. The endeavor is to identify the main challenges or strategic axes that would have a greater multiplier effect on all our activities. In a way, to seek initiatives that release latent potentials. Modernization of public administration, with its extensive ramifications can serve here as example of a strategic axis. In terms of goals, clearly the standpoint is not limited to accelerating growth, since besides economic efficiency, broader results in terms of quality of life and sustainable development are part of the quest. Quantity is not sufficient, because more and more qualitative development is becoming central on the Brazilian horizon. The overall goal is a society that functions better, where improvements are felt by everyone without burdening future generations.

1 – ROLE OF THE STATE: CHALLENGES OF DEMOCRATIC MANAGEMENT

Excessively ideological concerns have held back changes needed for a more efficient public administration. The financial crisis of 2008 helped to convince society that the State must be actively present not only as a regulator as was the case for finance, but also to promote development. It has a major role in promoting social and regional balance, and is instrumental

in building infrastructure, as executor or contractor. Importance of the State as a planner is similarly being rescued. Planning has been shunned during a long time as centralized decision making: we presently see that it allows wide debate with different stakeholders before the decisions are made. Planning implies long term vision and a systemic approach, and hearing everyone who should be heard, which is not the case for corporate decisions at present.

The role of the public administration is being enhanced for practical reasons, by the evolution of the of economic activities. The country's widespread urbanization makes most of today's activities comprise social consumer goods such as water supply, sewerage systems, urban development, security, planning of the territory and so on. Expansion of the public dimension of activities is therefore natural. Brazil has a degree of urbanization of around 85%, similar to developed countries, where the weight of the State in the GDP ranges between 40 and 60%. This implies a more decentralized State with more organizational functions and stronger local democratic decision making.

Another key factor of the expanded role of the public sector is due to the growing presence of social policies in all the country's activities: health, education, culture, leisure, information and others are crucial for investment in the human being, and rely on the presence of the public decision making to warrant democratic access for all, since the private sector, which sees social policies as business, is concentrated in the wealthier segments of society. Dissemination of such services and a sharp rise in terms of quality require expansion of the means.

The financial crisis of 2008 disclosed the fragility of international governance mechanisms. The limited operability of multilateral bodies, including the IMF, became obvious. Effective measures taken remained in the ambit of the national States. With the expansion of speculative activities, that affect not only derivatives (863 trillion, 15 times world GDP), but also grain, oil, and other commodities, and in the face of the limits of global governance, the role of State is reinforced. Furthermore, at international level the regulatory capacity will dominantly result from agreements between States.

Modernization of public administration, not the neoliberal standpoint of a minimalist State, appears therefore as a strategic axis of primary importance. The course of change is also becoming clear. The new model that emerges is essentially centered on a more democratic, more representative citizenship, greater transparency, with a strong opening for new information and communication technologies and organizational solutions to ensure interaction between government and citizenry.

A key point is public funding of campaigns. The race to get the most money for election generates huge campaigns every two years, high costs and predominant representation of large corporate backers, including large transnational groups. In financial terms this generates costs for everyone, insofar as campaign contributions are passed on to business costs and transferred to the consumer. In terms of quality, the dispute disqualifies proposals and stresses aggressive propaganda of all kinds. As an essential point, the outcome is strong representation of economic groups to the detriment of those of citizens. The candidate must obtain the vote because of personal capacity of representation, not because he will serve well the corporations that gavemost money.

To achieve transparency and informed citizenship the entire public administration need to invest heavily in information technology. The impressive advances in information and com-

munication technologies in recent years are causing a qualitative change in administration, but must become generalized to reach all sectors of activity and the three levels of Brazilian government. A technological shock, particularly in the legal sector, as well as integration with state and municipal systems, should contribute to rationalize the whole system.

The building blocs of the country are made up by 5,565 municipalities that can achieve advanced information management and informed citizenry. The municipality is where the citizen lives, takes part, knows the reality better, may become organized to participate. The State as a whole will function poorly if municipalities, the basic building blocks do not evolve towards a more effective and transparent administration. Help for managerial modernization at the basis of society constitutes a most important axis and can be emphasized as a counterpart of support and funding.

Special attention should be given to comprehensive development of more appropriate information systems. We must go beyond GDP, organizing more comprehensive indicators that effectively reflect the population's quality of life, at national, state and local levels. Much methodological progress has been made, the numbers are available and need only better organization of public accounts to ensure an informed citizenry. As such, a joint effort of IBGE, IPEA, SEADE, DIEESE and other institutions is necessary.

The systematic organization of transmission belts between the public machine at the various levels and all segments of society is now essential to expand the participatory dimension of public administration. The highly positive contribution of the CDES experience is being capitalized by a similar institution in the States of Bahia, Pernambuco, and many municipalities like Guarulhos have adopted local or intermunicipal councils for development. Legislative capacity is essential to enforce policy proposals; however the policies must be regularly discussed directly with the various segments, unions, business and organized civil society in order to add greater agility, transparency and civic dimension to public decisions. Building consensus and reconciling different interests that councils allow - as well as industry conferences and other forms of consultation - have already confirmed their important role in the making of more democratic governance processes. Building consensus may be difficult, however thereupon the policies function.

Generally, it is a matter of stressing evolution from a State traditionally administering privileges, to a State effectively articulating society interests, more democratic in decision making with improved balance between representative and participatory dimensions. Brazil needs to position itself at various levels of public administration to support the economic, social and environmental results attained.

2 - THE ROLE OF TECHNOLOGY: TRANSITION TO A KNOWLEDGE ECONOMY

If in the economic cycle of the 20th Century development was calculated by the number of machines and volume of physical goods, today the increased value of production is assessed much more by knowledge incorporated. Education plays a key role, but in a broader sense the issue is a national policy for development, promotion and dissemination of knowledge at

all levels. Brazil has inherited a technological duality, where cutting edge sectors coexist with huge retardation in major economic sectors and regions. The homogenization of development by broad, free and even encouraged access to every kind of knowledge is fundamental, aiming at a technologically more balanced country. Considering great efforts undertaken in this direction by a number of countries, current international competitiveness of Brazil requires radically broader dynamics and greater centrality in long term options. The issue is to expand and organize initiatives in leading areas, while expanding appropriation of elementary technological knowledge at the basis of society.

The most significant technological advances are taking place in areas where sustainability is threatened: clean energy alternatives, where Brazil has great advantages at the outset; alternative means of transport with less climate impacts (electric and hybrid vehicles), production technologies directed to reducing consumption of raw materials, construction technologies that reduce energy consumption (showers, air conditioning, materials); intercropping and other advances that reduce the ecological footprint; biotreatment of sewage and sanitation techniques; organizational technologies for network management of integrated transmission of electricity. The list is long and the array opened is a hallmark of modern economy. Much more can be done with less impact, less stress, better living conditions and extensive productive inclusion.

In terms of generalized appropriation of simple technology, the current administration paved the way and gained experience with the vector of democratization of access by the Ministry of Science and Technology, involving joint initiatives such as the Network of Social Technologies (RTS, Redes de Tecnologias Sociais), with the experiences of social technologies within the Fundação Bando do Brasil, the development of support experiences for family farming in the Ministério de Desenvolvimento Agrário, civil society initiatives such as the One Million Cisterns Program from the (ASA – Articulação do Semi-Árido), the wider availability of Embrapa technologies for small family farming among others. These initiatives brought about a significant accretion of experience, but they must become a thorough and articulated movement for general dissemination of technology. The example of India, that created a special training program for 1.2 million technicians to set up centers of technological development in every village of the country, working in network, spurring the more backward bases of production, is inspiring.

The National Broadband Plan acquires central importance. Knowledge is less found in libraries and minds of experts and increasingly available online throughout the planet. In economic terms, knowledge is a non-rival asset: consumption does not reduce its stock. It can be made freely accessible practically everywhere, and intelligence is a democratically distributed capital regardless of social class. It is therefore a privileged vector for reduction of social and indirectly, environmental imbalances. Transit in the street is a free activity, but it allows commercial activities. Likewise, open access to knowledge and circulation on the info ways should be general to encourage a number of applications in economic, social and cultural activities. Technology instigates people to generate more innovations, tending to generate dynamics that expand in line with the so-called open innovation.

In cities where it has been implemented, open access to broadband has generated many economic activities, by simplifying direct contact between producers and consumers, cutting red tape, reducing the control of middlemen over commercial and financial activities, promoting complementarities between economic activities of the region. Where access has

become mainstream, people do not need to move physically to resolve problems; it is the bits that move around with a radical reduction in cost. In this sense, broadband is a major vector to promote external economies and reduce costs in the country.

Overall, as equipment becomes less expensive, generalized introduction of internet access via mobile phone, advancement of technologies in urban wi-fi and the like, the axis of information and communication technologies is becoming an important vector of economic democracy. In terms of cost-effectiveness and speed of deployment, it is a privileged starting point of change, merging economic, environmental, social and cultural objectives. Since this is a system of universal access, it enables people to take charge of their own development.

3 - NEW HORIZONS OF EDUCATION

The move towards a knowledge society, the escalation of technology in all productive processes, planetary connectivity communication technologies make possible, online availability of all human knowledge, radically less expensive hardware, all this is redesigning the horizons of education. There is extensive agreement on the strategic importance of education. But there is one basic problem, which is boredom of students, who at home or at a LAN-house have access to the world while at school they learn by heart the length of the Nile and the like. In other words, there is a growing gap between the present concept of education and knowledge society that is proceeding at a rapid pace. The fact that a multitude of students are quitting school must be given special attention. Education must, at least, be interesting. Not only for the student, but also for the teacher.

There is a set of measures to improve the currently existing system. They involve better pay for teachers, drastic reduction in the number of students per class, generalization of teacher qualification, online systems of technical support and expertise for curricula updating, much more dynamic school material than the present textbooks. Compilation and dissemination of school management software such as those developed by SPB (Brazilian Public Software) is also essential to free school boards to think of education. Broadband access in all schools is advancing rapidly, electrification is now reaching almost all, and the spreading of urban wi-fi should allow youths to compare what was seen in the class with other sources of knowledge.

However, we must remember that all knowledge that the child is currently acquiring at school will be at his fingertips tomorrow at work and what should actually be assimilated are working methodologies, somehow learn to navigate, organize, quantify, cross check knowledge in a creative way. We are in the times of a well shaped head yet not a very full one and even the speed at which knowledge becomes obsolete no longer allows the storage.

Knowledge of mankind is increasingly less in the textbook and teacher's head and more online, freely available, released from the narrow channel of "discipline", permitting interdisciplinary studies, multimedia presentations, effectively creative dynamics. Children and adolescents have an overwhelming curiosity to know things and an immense stubbornness in refusing what is simply pushed on to them. To oblige children to spend hours sitting, immobilized, copying things from the blackboard, unquestionably produces disciplined but not creative people.

It is important to remember that each professional adult today spends hours each week, if not each day, studying, updating, because this is the course of things. In other words, education is no longer just a stage of preparation for life, but training for permanent interaction, which will last a lifetime, with systems of knowledge requiring much more open systems.

In Parana, the experience of Local Arrangements for Education (Arranjos Educativos Locais) is being developed. They aim to articulate, in each municipality, the various subsystems of organized information seeking less lecturing at school and more articulation of all the knowledge necessary for local development. Today knowledge is found not only in school but in enterprises, cultural centers, television, computers everywhere, scientific journals, surveys conducted by regional colleges. The standpoint is to ensure that students learn to appropriate information for transformation into knowledge, not only individually, but in collaboration.

At the university, students work with photocopies of single chapters. Thirty percent of the recommended books are sold out and are not reissued, but photocopies are forbidden. MIT, in the United States created the OCW (Open Course Ware) making all courses and articles by teachers available free online. In only a few years, 50 million scientific texts have been downloaded worldwide. The impact of planetary scientific enrichment is enormous. There is a profound contradiction between investing so much in education and restricting access to contents, for the profit of a few intermediaries.

Education is an immense universe. Students, teachers and administrators add up to 60 million people, nearly a third of the population. And we are entering the knowledge society in which creative ability will be more important than physical effort. We must give strategic priority to this area, investing heavily in modernizing what we have and especially in preparing the new dimensions of the school as a space for creation and knowledge articulation.

4 - DECENT WORK AND PRODUCTIVE INCLUSION

Income inequality is directly tied to imbalanced productive inclusion. The country has an active population of 100 million people. Formal private employment reaches only 31 million (2008). These numbers bring to light unemployment and especially a huge informal sector. According to IBGE, informality decreased across the board from 46.5% in 2002 to 42.7% in 2008⁷. The evolution is positive, nevertheless the volume inherited is a heavy burden, The size of the informal sector means that underutilization of this labor is a huge liability, albeit at the same time a vector of opportunities through productive inclusion. For the country's systemic productivity, better use of these people by means of decent jobs is vital.

To a large extent this means expanding ongoing policies. Advances in the minimum wage are very significant. This should continue to reach a remuneration that will effectively allow a dignified life. This is unquestionably one of the mainstays to achieve social equilibrium.

Length of the working day is another essential vector for improving the quality of life on the job. Two days of rest are now viewed internationally as a minimum. Within the framework

7 DIEESE – Brazilian Job Market: recent evolution and challenges , DIEESE, March 10 2010 - <http://www.dieese.org.br/ped/mercadoTrabalhoEvolucaoDesafiostexto2010.pdf>

of economic activities that increasingly require more mental than physical strength, productivity proceeds through a better distributed effort. And the increase in labor productivity over the last years due to incorporation of technologies ensures that with a better distribution of results of such productivity, working hours can be reduced keeping wages steady. In the longer term, with increasing input of technology, the tendency is simply inevitable. It makes no sense at all that one part of the population is desperate because of too much work, while the other has no dignified way to join the productive process.

Employment guarantee policies, allowing everyone to earn a livelihood, is another aspect that should have a positive impact on development in various dimensions. Every municipality in the country has endless needs to enhance urban quality of life, which involve minor drainage systems, sanitation, urban maintenance, tree planting, green belts for supply of fruit, vegetables and poultry, better housing and so forth. These activities are simple, not capital intensive but labor intensive. To ensure a minimum wage and a job contract, to engage the unemployed in the set of improvements required by each municipality is a matter of common sense and the outcome are better urban infrastructure, environmental improvements, boosting the overall economy by the flow of generated income, drastic reduction of the despair of not having a source of income. Everyone should have the right to earn a living for the family when there is so much to be done. These are activities of immediate return, due to the benefits generated and do not necessarily replace larger undertakings by contractors. And to say that there are no jobs when there is so much work to be done means that the main issue is an inadequate form of social organization.

Support to the micro and small enterprise is another vector for productive inclusion. With respect to advances in the simplification of bureaucratic life of these enterprises, this sector of activities requires more dynamic qualification systems, online commercial information systems, dissemination of broadband connection, technological support, opening the bidding laws to facilitate access, legal conditions enabling municipal governments to favor purchase from local producers and so forth.

With the evolution towards greater technological density of all production processes, even for the most simple such as building houses, access to a variety of forms of qualification and re-qualification is becoming essential. The various efforts of the Ministério de Ciência e Tecnologia, Sebrae (small enterprise support system) and other institutions must reach each municipality of a certain size, or group of smaller municipalities in nodes of integrated promotion. Gone are the days when a person takes a course and already knows it all. With the constant changes of production processes, interaction between the world of production and qualification or re-qualification must be ongoing.

It is important to remember that financing of productive activities of micro and small enterprises continues to be bureaucratically burdensome, difficult and above all extremely expensive. The initiatives of the Bank of the Northeast and more recently the Bank of Brazil with the DRS program (Regional Sustainable Development) reveal new paths that need to be taken. In particular, programs of the BNB (Banco do Nordeste do Brasil) support small farmers bundling together credit, commercial information, management qualification and other forms of assistance, according to the circumstances. Financing is not just money, it is to make business viable. Local collaboration between different support institutions is essential.

A special program must be developed for the poor peripheries around large urban centers. The survey by Fase and Polis shows that 27% of those from 15 to 24 years of age in the metropolitan outskirts are out of school and jobless. The social cost is massive. Indeed, a kind of urban Pronaf (Programa Nacional para Agricultura Familiar), will be needed to systematically promote and foster economic activities. Open access to broadband is crucial since it enables people to take their own initiatives.

As a whole, productive inclusion is not achieved by a single measure, it involves a coordinated set of initiatives with qualification, debureaucratization, broadband access, intelligent channeling of procurement, financing and other diversified initiatives according to the local reality, with strong municipal and inter-municipal participation.

5 - A NATIONAL POLICY TO SUPPORT LOCAL DEVELOPMENT

Integrated local development is one of the most underutilized resources of the country. Today, 5565 municipalities must be better managed. This axis is fundamental because ultimately, it is at this level that policies must function, where investments materialize, where people are able to state if they are living better or not. When making international comparisons people tend to look at countries, without seeing the more detailed framework. Local management systems typical of many advanced economies are very sophisticated. To use an image, an industrial economy will not function properly if the units that comprise it, the enterprises, are not well managed. Similarly, the "blocks" that build the country are municipalities, the basic units. Good local management is not sufficient, but certainly necessary.

Attempts and advances in good local management are numerous, but fragmented. There is the movement of educating cities, Parana is innovating with Local Education Arrangements, Santa Catarina with Regional Development Councils, the program "Territórios de Cidadania" is innovating with local and regional management committees, there are further many sectorial attempts seeking environmental excellence, such as the local Agenda XXI, or better health with the Healthy Cities movement. More recently, movements such as "Nossa Sao Paulo" are emerging, where civil society bodies are organizing with other local social actors to promote balanced local development. An integrated support policy for local development is necessary, since a sound management at the basis of society tends to improve the productivity of all initiatives at various levels of government, enterprises or social movements.

Investment in local governance is essential for the productivity of a group of supporting institutions such as Sebrae, Senac, Sesi, Embrapa, DRS and others to reach a higher level. Synergy is essential. At present we have barely adjustable fragments of support. Integrated support is also fundamental for the efficiency of social programs, of private investment. It must be recalled that in Brazil, training in local management, planning of the territory or comprehensive local management policies is practically nonexistent. There are many innovative municipalities, but learning acquired is not generalized. To speed up governance in the basic unit of the nation can be a significant force to rationalize the whole.

Finally, it is important to remember that to live well in our city or rural environment is

basically what we want from life. Several cities have already set up the instruments to assess the local quality of life, showing from year to year, if things are improving, which are the main shortcomings, the proposals. Dimensions of participatory governance can be best assessed at this level, because it is where the weight of problems and benefit of solutions are directly felt. It is in the best sense, the basis of democracy.

6 - THE ROLE OF INFRASTRUCTURE: TRANSPORT, ENERGY, COMMUNICATION, WATER AND SANITATION

Considering the size of Brazil, the role of infrastructure is essential. An entrepreneurial unit can be efficient in its form of management, but if it has large expenditures with transportation, shortages of energy or water and an inefficient communication system it fails to take advantage of external economies that a good network of infrastructure could provide. This involves initiatives that go beyond the enterprise's decision making since they require large investments. They must be organized in coherent networks, generate pervasive effects: it is a privileged area for the public administration initiatives both in planning and investment, even if management are entrusted to private enterprises. As such, due to its structuring effect and impact that reaches all activities, this area should be seen as a major strategic axis. Traditionally, the sectors of transportation, energy, communications and water/sanitation, are networks that have to reach each one from their main lines to the final capillarity.

Brazil is essentially Atlantic oriented in its economic centers and the main poles are ports or semi-ports from Manaus to Porto Alegre, including the Sao Paulo / Santos axis and with the notable exception of Belo Horizonte. Since the ton-kilometer freight cost increases dramatically as it passes from water to rail, road and air transport, definition of the matrix of intermodal transportation in the country becomes essential. With two thirds of the goods consuming tires and fossil fuel on the highway option, the over costs for the entire production become very heavy. Renewal of shipyards, stimulation of cabotage transport, and intermodal articulation with major railway lines of integration with the interior and use of trucks only with the so-called "fishbone" final distribution over short trips with partial loads is the evident matrix. The issue is to systemically change the combination of infrastructures. These are large and long term investments that however should yield reduction of Brazil-cost for all sectors of activity and improve the country's systemic productivity.

Readjustment of the passenger transportation matrix demands a similar reformulation, particularly in large cities. Dictated more by commercial interests than those of the people, the choices led to an overdimensioning of individual transportation. In São Paulo the average cruising speed is 14 kilometers per hour, vehicles move in first and second gear. If we estimate that a vehicle is worth 15,000 reais, then six million vehicles are 90 billion reais in transportation means virtually immobilized, with large expenses in fuel, respiratory diseases, and an average of 2:40 hours lost per day, when the citizen neither works nor rests. Motorcycle fatalities are on an average of 1.5 per day. And the subway boasts a meager 60 kilometers. Transportation requires the presence of strong planning and organization of the matrix related to quality of life. Solutions are known and it is essential to go back to the subject of public financing of election campaigns for public authorities to represent the citizens'

interests. The matrix of medium or long distance transportation should also be reconsidered, since air transportation entails huge costs and little sense for short or medium distances. High-speed trains, powered by hydroelectric energy improve mobility, passenger comfort and the climate.

In terms of energy, it is known that Brazil is well favored. With an immense hydroelectric base, it does not face the same difficulties as China or the United States, heavily reliant on coal. On the supply side, the potential of bioenergy from sugar cane can also be greatly expanded, with the reserves of underused land as well as the availability of water. Know-how from the previous cycle of Proalcool still ensures a most efficient process. Today, the challenge is the race for technologies to use byproducts, such as cellulosic ethanol, alternatives to traditional plastic and others in the line of biotechnology in general. With the discovery of the Pre-Sal oil, the already favorable Brazilian situation is becoming still more comfortable. If we manage to take advantage of these opportunities, from a coherent and long term standpoint, without yielding to pressures for immediate spending or export, the environmental, social and economic goals can converge.

As such, in terms of energy, major challenges are more related to demand and rational use than to supply. The transportation matrix, for example, freight and people, is profoundly irrational and entails great waste. Technologies available today can also dramatically reduce domestic energy consumption, particularly for use of the air conditioner and electric shower, with more intelligent construction, photoelectric cells, solar heating among others. These changes in the culture of energy use have several positive impacts, simultaneously reducing the ecological footprint, creating green jobs through investment and maintenance services, and by furthering technological research and encouraging more intelligent lifestyles.

Pre-Sal oil naturally deserves a strategy by itself. After several analyses it was heartening to observe that many people are at the same time thrilled by the opportunities and aware of the threats. Temptation to spend an unexpected wealth is evidently strong. But it should be noted that the government's overall standpoint is consistent. It is a Brazilian wealth, which should not be subject to mere concessions, belonging to the entire nation and not to the territory where it is located; it is a long term wealth for moderate use. And results should primarily be used for science and technology, education, health and redemption of the country's social debt. To resist the temptation of easy and fast profit, will avoid the fate of so many countries that are selling the present without organizing the future.

Communications are beginning to play a central role in the rational organization of the territory in general. Small municipalities or small enterprises, until a short time ago paying the price of isolation, have become economically more viable by connecting with wider networks. The changes encompass from improved inventory management to reduction of transportation costs: the bits are speeding along, not the people. Universal access to communications is now vital. The prices presently charged by communications corporations have at present little in common with actual costs, and the tendency to set "tolls" on the circulation of information and knowledge will have to be overcome. This area is undergoing a growing technological revolution and constitutes one of the main roads for the democratization of society. Regulation of the sector therefore has to be democratized and transparency is vital. In terms of cost-benefit, as we have seen, it is one of the activities that best generate external economies both for enterprises and families. Rates charged today are inadmissible. The strategy emerging in

many countries is to ensure open traffic on the internet infoways (including mobile phones). Just as we do not pay to walk or drive along the streets, which does not keep business to strive along them, information should flow freely, in order to facilitate other initiatives. Communication itself, as a generator of creative capacity of all social actors, must be open. The National Broadband Plan should ensure a regulatory framework for the sector's activities.

Water in Brazil suffers largely from the same drama as other riches: since Brazil has such abundance, the tendency is toward waste. Water demands collaborative management systems, because it is so multifunctional. It is a transportation means (even if subutilized in the country), a strategic input for agriculture which consumes about 70% of the total, a source of hydroelectric power, a source of protein from fish, an essential input for a number of industrial sectors, an important quality of life factor in the cities, a tourist attraction, besides, of course, human consumption. Overall, to sell water is profitable, but to build sewer and treatment is not so apparent. Thus, the major issue in Brazil is not of supply, but of final destination.

A great part of the water is being used to just physically push away what we want to get rid of. Contaminated water in the enterprise can be treated at low costs. Once diluted in rivers, pollution is disseminated and cleansing is far more expensive. The approximately thousand tons of feces produced daily, to a great extent have the same destination, spreading bacteria and multiplying costs. Excessive use of chemicals in agriculture, combined with intensive irrigation, contaminates groundwater as well as rivers and sea shores. Water management involves innovative dynamics, such as watershed committees and above all a change in the handling of an essential asset that is presently being mistreated. Many measures can be taken at the municipal level, but the impacts are regional and water governance demands collaboration between the different stake holders and tiers of government. Sanitation and rational use of water in general are today unquestionably among the strategic axes of the agenda. The positive impact to the environment is central, but it is also economic, social and cultural.

As a whole, infrastructure today follows a broad and long term outlook, under the "Programa de Aceleração do Crescimento – PAC" (Growth Acceleration Program), supplemented by PAC II. Both programs belong to an integrated development initiative, as they incorporate investment plans in different sectors, such as the National Logistics and Transportation Plan, the National Plan for Water Resources Development, the National Energy Plan 2030, the "More Health" program, the urban development plans, in an array of articulated actions. Thereby not only planning, but inter-sectorial approach are rescued. Combining PAC and PAC II, the added financial input that will come from the Pre-Sal, the dynamics that generate the prospects for the World Cup and Olympic Games and the current sound financial management in the country, the outlooks are positive. Impacts will be felt at the economic level by the external economies generated and the induced demand for investment; at the environmental level through the rationalization of resource use (especially water resources and the energy matrix), at the social level by the improvement of living conditions for the poorest segments of population. Management capacity and the various obstacles created by private interests continue to be the weak link in the system and this takes us back to the issue of rationalizing public administration. The positive fact is that the development surge is bringing strong pressure on the traditional public management culture, bringing about a gradual streamlining of procedures, reducing bureaucracy and generating more efficient management.

7 - THE POTENTIAL OF AGRICULTURE

Brazil has more than 150 million hectares of good land to be included in the production process, more than double of that now used for temporary and permanent crops combined. This is the biggest reserve of idle land on the planet. And water resources are also among the most abundant in both surface water and the Guarani aquifer. With such availability of land and water and a mild climate, in addition to the accumulation of technological capacity, diversification of export markets and a growing domestic market, agriculture should be viewed as a strategic area of prime importance for the country's development. And not only as a source of products: according to PNAD 2008, 30 million people live in the interior. Family agriculture employs 10 million people⁸. The living and working conditions of this population also represent a strategic objective.

It has been correctly stated that with planetary evolution towards biocivilization, Brazil has strong assets. It comfortably dominates biodiesel technology and sugar cane has by far the best relation between energy consumed and produced. Grain production, in the past stabilized around 100 million tons, today reaches almost 150 million, with a very strong potential for a global market that has a growing need for the product, in view of the burgeoning population, shortage of land and water and increased demand for biofuel. Research advances in the use of residues for production of cellulose biofuel, biodegradable plastics and other byproducts, are no longer at the stage of basic research, but at that of reducing costs. We are clearly approaching a profound change as recently reported by the International Assessment of Agriculture, Science and Technology for Development (IAASTD)⁹.

Quantitative expansion today is no longer sufficient. Rationalized use of water resources, avoiding waste as well as pesticide pollution and excess chemicalization is an important goal, in line with increased systemic productivity of the territory involving all resources. Decreasing dollar cost of the unit of product by reducing the imported component of inputs is another. Reducing the ecological footprint of agricultural production, by moving towards renewable fuels and more rational use of resources, is important for the penetration in international markets that have more stringent environmental constraints. Labor relations, often medieval, must evolve to ensure decent employment standards. And of course, illegal agriculture, both by deforestation in the Amazon and the Cerrado, destruction of riparian forests, use of slave labor, application of chemicals without adequate worker protection and other such practices must be contested in production units as well as in the entire chain, from the sale of inputs to credit access and the distribution chain. International market is evolving rapidly to the general tagging of products. Changes in the agricultural sector towards excellence, not only in production but also socially and environmentally will help strengthen the country's economy. Environmental concerns do not hamper production and investments, they are a jumping board for new technologies and decent jobs.

Family farming, in turn, accounts for 70% of the production of our food and engages 10 million people. Being small is not a problem, if there is an integrated system of support services. Small scale mixed farming is extremely productive, but it needs technical assistance, support for trading, access to market information, facility to rent machines because the scale does not permit nor require purchase, credit systems and other so-called networks of support services. Revitalization can take place by integrated centers of support in each municipality.

8 IPEA – PNAD 2008, Primeiras análises, Setor Rural– March 29, 2010 – Comunicados, n. 42

9 IAASTD - <http://dowbor.org/wp/?p=1147>

It also involves the experience of buying local products for school lunches, development of green belts surrounding the cities for vegetable, fruit and poultry supply, urban agriculture itself that is becoming an important source of jobs and high quality products. While agribusiness works with its own machines and maintenance workshops, networks for trade, technical consulting, financing, the small farmers need the same inputs but available collectively in the form of cooperatives or similar services. Here, advances have been very significant, particularly with Pronaf which grew from about 2 to 13 billion reais. However, funding is only a part of the cycle, as shown by the experiences of the Banco do Nordeste Bank in rural financing coupled with other rural development activities, especially taking advantage of the bank network with commercial information to free the producer from middlemen¹⁰.

In strategic terms, the outlook that small scale family farming represents the past and mechanized monoculture the future is losing ground. Growing sugar cane and soybeans is different from producing tomatoes and beans. Europe, with its small farms, limited land and high population density, today has to subsidize farms to produce less food, less milk. What lies ahead is less conflict and more collaboration between the two rural agricultural worlds. The small producer has his own turf, and may well enter into symbiosis with the large one, by taking advantage of by-products, better use of the potential for intercropping and others.

At a third level is the population deprived of land or having insufficient land for a virtuous process of improving quantity and quality of the product. Criminalization of the landless movement MST, in a country with the largest global reserves of idle land is simply absurd. The social function of land is clearly stipulated in the Constitution and people looking for land must not be viewed as a threat, but as a productive potential. Access to land, in this so well endowed country must be guaranteed, but in the rural productive cycle land is just one of the inputs.

It is important to remember that with online connectivity provided by modern technologies, being small no longer implies the handicaps of the past. Small producers of tilapia in Pirai are connected and sell skin directly to Japan, because they are on the net. This technification of the small is advancing very rapidly in all parts of the world, from India to Kenya. Efficiency is no longer a matter of size. This trend applies not only to the small rural farmer, but also to cattle breeding, fisheries and other activities traditionally separated into large and small producers.

Overall, the evolution to higher quality production processes, greater respect in labor relationships, effective incorporation of environmental dimensions into the activities, better balance of technical level between the various types of agriculture, joint circular use of products and byproducts in the territory form a new trend for in this absolutely strategic axis for the country.

8 - FINANCIAL INTERMEDIATION: CREDIT AS A DEVELOPMENT TOOL

Commercial banks in Brazil are a very small group that works with credit for few and with extremely high interest rates. The high basic interest rate (Selic) is the most commented in

¹⁰ About the experiences of the BNB, see particularly the study by Clarício dos Santos Filho, <http://criseoportunidade.wordpress.com/2010/01/22/fundos-rotativos-solidarios-dilemas-avancos-e-esperancas-de-uma-politica-publica-inclusiva-no-marco-da-economia-solidaria-no-nordeste-do-brasil-claricio-dos-santos/>

the media, but at about 10% it is still high but no longer a key factor. Now commercial banks' interest rates and fees charged to the final borrower are the main issue. ANEFAC which publishes a monthly survey on interest rates presents the following scenario for February 2010: for private persons, 6.92% a month, i.e. 123% per annum. For legal entities, 3.65% per month, which represents 54% per annum. These are absolutely prohibitive interests, so much so that it is estimated that here in Brazil the rate per month is that paid in Europe per annum. This does not include fees.

With another method, but as a direct comparison with banks abroad, the IPEA finds that "for loans to individuals, the difference is almost 10 times higher for a Brazilian in relation to equivalent credit abroad"¹¹.

Real annual total* interest rates on personal loans in banking institutions of selected countries in the first week of April 2009

Institution	Country*	Real interest rate (%)
HSBC	United Kingdom	6.60
	Brazil	63.42
Santander	Spain	10.81
	Brazil	55.74
Citibank	USA	7.28
	Brazil	60.84
Banco do Brasil	Brazil	25.05
Itaú	Brazil	63.25

Source: Data provided by banking institutions for interest and inflation from OECD and BCB in selected countries and Brazil

* Interest added to the administrative services, default risks, profit and taxation.

We find for example, that in the case of HSBC, the same credit line will cost 6.60% per annum in the UK and 63.42% in Brazil, at the same institution. This has strong implications. It means that these institutions capitalize here to redress imbalances at headquarters, i.e. we partly finance costs of the crisis of developed countries. It also means that they practice interest rates that block economic activities in the country more than they foster it. And more broadly, it means that large profits have shifted from production to financial intermediation. Commercial intermediation, which operates with interest on installments generally above 100%, also started to prioritize financial gain. Instead of intermediaries, in this case they are middlemen.

In terms of Brazilian producer competitiveness, the loss is evident. Here, the producer is competing with foreign producers who face incomparably lower financial costs. In Brazil, the major international groups that have direct access to money abroad also have advantages. In terms of the small enterprise, the situation simply becomes difficult. In the Northeast, a

¹¹ IPEA – Statement from the Presidency n. 20, *Transformations in the Brazilian banking industry and scenario of crisis*, pg. 15, table 2, April 7, 2009; survey by the "Associação Nacional dos Executivos de Finanças, Administração e Contabilidade (Anefac)" is available on <http://www.anefac.com.br/pesquisajuros/2010/fevereiro2010.pdf>

survey of financial flows conducted by the BNB shows that branches of commercial banks in the region have a negative balance, i.e. they withdraw more from the region than they finance¹². Financial intermediation has thus led to an increase of the so-called Brazil-cost and an important vector of income concentration and therefore reduced demand. It is noteworthy that with reduction of compulsory reserve requirements at the worst time of the financial crisis, commercial banks just invested in government securities, instead of stimulating the economy through private loans.

Brazil evidently has a major asset, which is the possibility of using official banks to reintroduce competition in the cartelized market, while at the same time boosting the economy by stimulating consumption and investment. This mechanism, it seems, is being gradually implemented. The system of financial intermediation of large groups will have to evolve into competitive mechanisms. A second major asset is the possibility to continue reducing the Selic rate, which has a double impact: by cutting down gains of the rentier who apply in government securities, mainly banks, financial intermediaries are forced to seek alternatives in the productive sector, a measure equivalent to injecting money into the real economy; on the other hand, by reducing interest on the public debt, resources are freed for public investment. Let us recall that with a debt of around 1.5 trillion reais and a debt service of around 180 billion reais per annum, this is a powerful instrument, even if necessarily progressive in application.

When profit moves in an unbalanced manner to large groups of financial and commercial intermediation, producers are burdened with higher costs. And consumers will have to face these costs, plus pay interest again when purchasing products on the installment plans. The first are harmed in their investment and production capacity, the latter in their capacity to consume.

A series of initiatives has appeared in recent years, mainly through state banks. The DRS (Desenvolvimento Regional Sustentável) program of Banco do Brasil is expanding, credits of the "Banco do Nordeste" have already reached 18 billion, primarily for small producers, many municipalities are creating community development banks, with support from the Banco Central as from 2010. Also multiplying are credit cooperatives and even Oscips (Civil Society of Public Interest Organizations) of financial intermediation. Those initiatives are needed to escape the commercial banks' interest rates. Rationalization of financial intermediation is an important vector for streamlining the country's economic activities. In particular, opening access to credit at the bottom of the pyramid, the so-called banking inclusion, with capillarity, flexibility in products and warranties, and interest rates minimally compatible with needs is on the agenda as a key factor for productive inclusion.

9 - TAX POLICY

In general, criteria regarding use of public resources for social policies, as well as for counter-cyclical measures, management of macroeconomic imbalances and investment policy have improved very significantly in recent years. This approach was complemented by credit policies of public banks, CEF, BB, BNB and BNDES that today are responsible for half the credit granted and increasingly include in their financing criteria the stimulation of productive activities,

¹² Airton Saboya – Semiárido em Transformação, março de 2010, disponível em <http://criseoportunidade.wordpress.com/category/airton-saboya/>

social advancement and environmental sustainability. The major challenge in this area is not the general criteria of allocation, but in the end quality of public services, mainly in education and health, a quality directly affected by the general poverty of the population that most uses these services. Quality will improve with the overall living conditions at the base of the social pyramid. The second challenge is in the volume of transfers through the public debt service, which fell sharply in terms of percentage of GDP, but which continues to drain a large part of public resources to feed a basically sterile rentierism.

Greater consistency in the allocation of public resources was not accompanied, however, by comparable advances in tax policy. The political deadlock is central in this domain, which causes emotional and ideological reactions and directly affects interests crystallized over the years. The practical result is generalized paralysis. Hence, any proposal must not only evidence technical feasibility, but also political viability.

It is noteworthy that this does not deal with the general level of taxes. With 35% of tax burden in relation to GDP, Brazil is on the average, reasonable for an emerging country and well below the tax burden of the United States, in the range of 40% - a country with a strong tradition of privatizing also in health and education and even in security - or European countries where the State administers around half of the country's resources. In the Nordic countries, this percentage is above 60%. The problem is not size, but what the tax is levied on.

The focus of tax incidence is in the first place correction of inequality. Highlighted here is the tax on large fortunes and inheritance, the change of income tax rates, a better balance between direct and indirect taxes.

Looking at the overall result sought, once again, the central problem of Brazilian society is inequality. Redistribution must be the fundamental axis. This implies relieving the base of the pyramid, facilitating life for producers, particularly the small enterprises, and charging more from the great fortunes and high incomes of the more privileged segments, particularly from non-productive financial gains. In this sense, progressive income tax rates already in force are an advance, however, there is a clear need of steeper rates for the much higher income levels. For comparison, the maximum rate in Brazil, 27.5%, is obviously low. Direct taxes, where progressiveness can be applied, should also be privileged in relation to indirect taxes, which are proportional and in the end regressive for the low income population.

Further, the environmental issue is becoming an important vector of change in tax policy. Many countries, in view of the relative ineffectiveness of carbon markets are directly taxing emissions. In line with the polluter-payer principle, it is natural that charges be levied on those who create costs or decapitalize the country by appropriating non-renewable resources. In this sense there is an ample review of the concept of externalities. Pollution of a river generates a far greater cost to society in general than the cost of treatment in an enterprise. For improving the cost / benefit relation to society, this process must be essentially rational.

But the basic outlook is that a country with this inequality cannot continue with a regressive tax burden. Progressive taxing will have the same impact as the redistributive mechanisms adopted by the government, boosting demand at the base of society and expanding business, with lower unit profit but on a larger number of products. This brings about growth of the economy, which in turn generates political feasibility of reforms, insofar as redistribution is politically more viable when growth is strong and the gains are general.

10 - ENVIRONMENTAL POLICIES

The major shift in the axis of environmental policies is that they permeate all decisions within the State, enterprises, social movements, the population's very style of life. Notwithstanding the difficulty of presenting a systemic and long term outlook, the fact is that while people as well as enterprises are more concerned with immediate problems and governments with the short horizon of their administration, the overall result is that humanity is facing urgent challenges.

It is not just global warming, which in itself is a huge planetary challenge. There are contaminated rivers, forest clearing, urban outskirts with substandard living, prosperous cities living together with open sewers, metropolises paralyzed by an excess of vehicles, food contaminated by pesticides, open dumps that generate more pollution, more diseases and more costs. It is a society of waste of water in precarious pipelines, in wasted byproducts, in irresponsible packaging, in garbage of over a kilo per person in urban centers. And on a planetary level, there is depletion of resources, overfishing in the seas, irresponsible use of our limited oil reserves, loss of rare metals. Water is already called "blue gold". These dramas occur when with new technologies the rational use of resources becomes increasingly feasible.

The issue is to promote the needed cultural change, for environment policies cannot be reduced to bureaucratic control of economic activities. This major shift of how we relate to the planet and the future generations requires the convergence all social actors, with environmental education, adequacy of university curricula, enhanced research, change in the outlook of media and advertising, generation of complementarities in production processes, adjustment of procedures by the large monoculture enterprises, reorientation of cattle breeding, dissemination of less aggressive technologies.

On this level, the world is changing. The linear outlook that goes from raw materials extracted from nature to the production line, then to consumption and the garbage dump, with resource depletion on the one side and contamination on the other, is giving way to a circular outlook where what is extracted is replaced at the end of the cycle. The level of awareness is shifting rapidly. We must learn to live within the narrow limits that this small and fragile planet permits.

In this challenge there are immense opportunities for those who can see into the future that is taking shape and will redress the course on time as required. Government papers document an increase in private investment in R&D of 0.51% of GDP in 2005 to 0.65% by 2010, from 12 to 18 billion reaos. Those figures are radically insufficient when considering the importance of technological change needed and the role that Brazil can play in this domain.

In this sense, the environmental challenge is an opportunity for progress. It requires changes in the energy matrix, in urban organization, in sewage treatment, in the use of raw materials, in organizational technologies such as decentralized and integrated development in local management. Business as usual is just not the right solution for business, nor for anyone else.

Environmental conditioning, generation of green jobs, use of alternative technologies and the like should become part of any funding, waiver or grant. The environment concern is not an impediment, it is a condition for accelerated progress towards the future. It aims at waste reduction, more rational use of resources, green jobs generation, adoption of new high performance technologies. It tends to promote collaborative processes between enterprises.

The environmental challenge must be viewed as a major axis for transformation of the next and future decades.

11 - SOCIAL POLICIES

Just as one can present impressive progress in social policies in the country, as we saw at the beginning of the document, with the minimum wage, the “Bolsa Familia” and so many other programs, one can also register the tragedies of 30 million people living in critical conditions, the vast shantytowns that surround our cities, widespread crime, unequal access to basic services, the more than 40% of the population in the informal economy. In other words, although progress is great, the accumulated social debt is immense. It is vital to ensure that the policy adopted by government in the last few years becomes state policy on the long run.

The economic dimension of poverty evidently has a central role, but is far from being the only one. Recent projections by IPEA present an optimistic view about the leading role of social policies. “If the best performances achieved recently in Brazil in terms of reducing poverty and inequality (2003-2008) were projected for the year 2016, the result would be a very positive social framework. Brazil can practically overcome the problem of extreme poverty and reach a national rate of absolute poverty of only 4%, which means almost eradicating it”¹³. The income level in the most critical segments progresses. Income inequality, however, evolves much more slowly because of the extremely low starting point at the base of the social pyramid, therefore it is now essential to maintain and expand the set of policies that favor social and regional balance. Here, inequalities accumulate between segments of society, across regions, gender, race and between rural and urban areas.

Since Amartya Sen, we started to consider systematically the non-economic dimensions of poverty. In this sense, social policies should facilitate democratic and quality access to basic services. Here, the challenge is to reduce the polarization crystallized by inequality in all areas, with a gap between education of poor and rich and the equivalent in health, leisure, culture and so on. This vector implies a generalized effort of universalization but also of qualification of all public services. Affirmative action policies are not privileges, and the state plays a fundamental role in this process.

As is the case of environmental policies, social policies present a strong social dimension of transversality. Social policies are at the same time sectors of activity, such as health, education, culture, sports, information, leisure, security – the array of investments directly targeted to valorization of people - and a dimension of all other activities, such as labor relations, quality of infrastructure, organizational forms of agricultural production and so forth. In this sense they are policies that involve all sectors of society. Public administration undoubtedly plays a central role, particularly in ensuring access to key public services. The non-profit sector and community-based organizations are largely concentrated in social policies, and are more efficient since usually these are activities that require direct and concrete relationships with persons, neighborhoods and communities. And enterprises today are going far beyond the cosmetics in terms of social responsibility. A comparative study of social policies in the Public

13 Ipea – Pobreza, Desigualdade e Políticas Públicas – January 12, 2010, Statement by the residency n. 38 – pg. 8

Management and Citizenship Program at FGV-SP shows that the common denominator of social policies that have proven to be highly efficient in different regions of the country, is that they are carried out in partnership involving the public sector, enterprises and organizations of civil society. Thereby they become more sustainable and permanent.

Social inclusion involves not only access to income and public services. It also involves the right to take over the construction of such policies, to be a citizen. Therefore, decentralized policies, administered at the level of the territory where people can participate directly is the privileged form of organization. At the same time, partnerships, intermunicipal consortia, joint funding of programs, cross control of management and results, shared information systems and other mechanisms allow gradual democratization of decision making without fragmenting the policies.

It is important to emphasize the dimension of social policies. In the United States, health alone represents 17% of GDP, and is presently the largest economic sector in the country. We saw above that education in Brazil involves more than one quarter of the population if we include students, teachers and administrators. Security is becoming an area of great social weight. Cultural activities are increasingly extensive. Indeed the array that can be characterized as social policy tends to turn into the focal axis of activities in modern society. It is not a complement to production processes; it is the central process for the transformation of society. And the greater presence of the state in most progressive countries is directly linked to the expansion of these policies, which do not generate bloating of public administration with bureaucrats, but provides better coverage of educators, physicians, nurses, social workers.

A special comment about security policies. The traditional polarization of the outlooks presents repressive proposals on the one hand and social needs on the other. And with reciprocal accusations of harshness or leniency. In fact, if we consider the figure seen above, that 27% of youths between the ages of 15 and 24 years in Brazilian cities are neither at school nor employed, the social basis for insecurity becomes evident. And organized crime has an unlimited supply of labor. In this sense, in line with the works of Luis Eduardo Soares, today we understand the need for a combined policy of a strong repressive apparatus against organized crime and a strong progression of social inclusion policies for small crime. As long as there is a mass of young people with no place in society and without prospects, building more prisons and buying more patrol cars will continue to address only the short term.

Social policies, such as specific sectors and as transversal issues, appear in reality in different parts of this agenda, in the proposals for a policy of guaranteed employment, reduced working hours, access to broadband, strengthened education universe, support for family farming and still others. In general terms, going beyond GDP and the narrow standpoint of economic growth, the issue is to assure the basic quality of life for all.

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