

# Who Pays for Brazil's "Economic Miracle"?

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Although there are minor technical disagreements about the exact rate of economic growth in Brazil, few dispute that it has been very high, far above that of the years immediately before the 1964 coup and far above the average of other Latin American countries during the same period. The rate of growth, plus the political stability achieved by coercive and other means since 1969, has made Brazil something of a model for conservatives elsewhere. Before the September, 1973, coup I visited Chile twice and often heard the expression "the Brazilian miracle" or "the Brazilian model" used by the old Chilean élites dissatisfied with the equalitarian policies of Salvador Allende.

The criticisms of the Brazilian model are by now well defined:

First, the country is being denationalized. Critics use data to show that the proportion of the Brazilian production that is controlled by foreign enterprises has been increasing rapidly. Government officials argue that this proportion is still very small. The critics counter that although this is true, foreign ownership is heavily concentrated in key sectors, especially manufacturing, which makes the Brazilian economy extremely vulnerable.

Second, it is said, the Brazilian model has a high political cost in the sense that civil liberties as they are understood in the United States are meager. Freedom of the press is limited, trade unions and student organizations have been constricted, persons have been kept in jail without charges, torture has been employed, and so forth. Different administrations have varied in the degree to which they used violence and restricted freedom; recently these tactics were restricted by the Geisel Administration. Nevertheless, the country is a military dictatorship, and nobody seriously denies it.

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A third and economically sophisticated critique is that the present Brazilian model has narrow limits which are already in sight. The argument here is that this growth is largely dependent on the country's ability to increase its exports, thus keeping pace with fast-growing imports. As this has not occurred, it is argued that eventually Brazil will run into an impossible situation created by a bottleneck in its foreign trade. The arguments here have contradicted one another, with government spokesmen, on the one hand, claiming that Brazilian foreign exchange reserves have increased (at least until 1973), and the critics, on the other, emphasizing that the burden of repayment and servicing the foreign debt eats an increasing chunk of the country's hard-won foreign exchange.

A fourth criticism is that the Brazilian development is extremely unequal and has hindered the poor. Although everybody suspected that income inequality has increased in Brazil under the 1964 policies, for a long time nobody presented hard data to substantiate this point and give it the scientific status that could seriously challenge government policies. Brazilian scholars discussed privately the subject of income distribution, but few dared to write openly about it. The first evidence in this direction came in 1969, a year in which political liberties in Brazil were at a low, with the Congress under forced recess, purges going on, widespread arrests, and the such. Under these circumstances, evidence had to be produced outside Brazil. It was Albert Fishlow who brought the problem of income inequality in Brazil to public discussion. A reply was needed and was produced; comments appeared in the newspapers, censorship on the subject was eased, and Brazilian scholars were encouraged to publish their own research results on a subject which soon became "legitimate."

Today income inequality is frankly discussed in government circles, in Congress, and in academia.

The discussion, however, has taken a technical tone which is highly insensitive to the individuals actually involved. Statistical ritualism made it crucial to find out whether the absolute income of the poor went down, remained the same, or increased under the military regime. A 2 per cent difference, say, between an increase of 1 per cent and a decrease of 1 per cent, became symbolically crucial. The poor themselves do not share the emotional meanings of these statistical categories. The question, therefore, has been given undue significance. The Brazilian model should not be absolved of its faults if the "poor" increased their income by 1 per cent, nor should it be condemned if there was a reduction of 1 per cent. There are other analytical procedures which are far more important in evaluating the performance of the Brazilian economic policies from the standpoint of the poor.

First we must ask: Who are the poor? The poor in Brazil are unevenly distributed; they are concentrated in the primary sector, above all in agriculture. Of all Brazilian men, ten years and older, who were part of the labor force and made less than four dollars a month in 1970, 85.5 per cent worked in agriculture and 83.7 per cent were unskilled agricultural workers. These are the poor. Contrary to folklore, the metropolitan poor are far better off than the rural poor, and their real income is a multiple of the rural poor's. Also, their children have access to education which the rural children do not, and the housing conditions are better. In short, the urban poor have some prospects for advancement which are entirely out of reach of

the rural poor. The rural poor are mainly landless agricultural workers, sharecroppers, and *minifundistas*, who work a piece of land so small that it is insufficient to absorb their labor and that of their families. Although the very poor are concentrated in the Northeast, they are also found extensively in the rural areas of other states, such as Espírito Santo, Minas Gerais, Goiás, and Mato Grosso. Extreme poverty cannot be characterized as a regional phenomenon, but it gets close to being a rural-agricultural one. This, incidentally, is also valid for most of Latin America.

Many authors call the very poor, "marginal people," people who are at the margin of the system. Nothing could be farther from the truth. They are *essential* to the system. The urban industrial wages paid in Brazil and, for that matter, in most of Latin America are far below those of industrial countries. Studies of family budget, consumption, and expenditure patterns show that the share of food in a worker's budget is extremely high in Latin America, often above 60 per cent of the family's total expenditures. In the city of Recife, for instance, the lowest 20 per cent of the income distribution spent 68.1 per cent for food; in Sao Paulo the figure was 53.4 per cent and in the whole of Mexico 65.8 per cent. Even many routine nonmanual workers find it hard to get by with their present salary level, and food expenditures account for between 40 and 50 per cent of their total expenditures.

Food is comparatively cheap in Latin America precisely because the costs of agricultural labor are artificially compressed and reduced. It is also relatively cheap because the *demand* for both food of



certain types and for industrial products and services is artificially reduced by a highly concentrated income distribution. When there is a sudden improvement in the purchasing power of the poor there is often a demand crisis, above all in agricultural products, thus generating a scarcity of supplies in urban areas. This was clearly the case in Chile, where there was open scarcity of food in urban areas despite an *increase* in agricultural production. By keeping the agricultural poor very poor, the system reduces the demand for, and the costs of, food. These mechanisms allow the growing lower middle classes and the industrial workers, as well as other strata in society, to get by with low wages and salaries.

The same system also allows a larger market for domestic appliances and automobiles by an artificial increase in the purchasing power of these strata. Appliances and automobiles are called "dynamic industries," but the dynamism is not intrinsic to them but rather a result of political decisions. These policies also allow capitalists to have a greater capital accumulation and the system to have a heavily skewed industrial demand. The country thus industrializes in part at the expense of the rural poor. These considerations show that rural poverty is *not independent* from a policy of fast industrialization and that the fate of a type of economic growth based upon accelerated industrialization is to some extent dependent on the continuous exploitation of the rural poor.

In this light we can understand why governmental economists and technicians hesitate to touch the present income distribution in Brazil. Brazilian conservatives do not like poverty, but they are afraid to touch the income distribution and thus reduce the rate of industrialization and economic growth which has been the major source of legitimacy of the 1964 movement. An analysis of the presidential speeches up to 1972 shows clearly that the major theme has been economic growth and development. A recent public survey shows that a high degree of legitimacy is attributed to the Brazilian government—ironically, even by the Brazilian poor—and that this legitimacy is intimately connected with deep appreciation for the high rates of economic growth.

The Brazilian authorities are now entangled with the consequences of their own past deeds. They would like to alleviate the situation of the rural poor, but they are afraid of doing so. They are afraid of a demand crisis on agricultural products; they are also afraid that an increase in agricultural prices would bring about a drastic change in the attitudes of different urban sectors toward the regime.

How much of all this is the result of the actions of the military government? It is a difficult question to answer, but we can get some idea by looking at the situation in Brazil before the military took over and by looking at the situation in other countries with similar socioeconomic structures. Since 1964 there certainly was a sharp increase in relative income inequality, but this increase has led many analysts to underestimate the degree of inequality that was there before the military took over. The long-term trend before 1964 was toward a moderate increase in the already strong inequality level. The same has been found in Mexico, in pre-Allende Chile, and in other Latin American countries. The stagnation or actual worsening of the real income of the very poor is not a Brazilian phenomenon. It is a Latin American one. It has taken place in countries which have kept a system of electoral freedom, such as Colombia and Venezuela, and in those which have a myth of being revolutionary, such as Mexico. The isolated public indictment of the Brazilian military regime carries the danger of absolving without trial civilian and elective governments which are just as reactionary and whose policies have had similar effects.

The relevant lines for the analysis of living standards of the rural poor are not military versus civilian nor authoritarian versus democratic. The Peruvian military have clearly shown that a military regime can reduce rural poverty and income inequality. Totalitarian regimes such as Castro's Cuba have also shown that democracy is by no means a necessary condition for equalitarianism. What is peculiar to the Brazilian system is not that it has kept the agricultural poor at the misery level but that it has done so while being extremely successful in raising the country's GNP. During the same period the rural poor in other Latin American countries (such as Bolivia, Colombia, Ecuador, Nicaragua, Honduras, Guatemala, in large areas of Mexico, Haiti, the Dominican Republic, and Uruguay) have not fared much better. It is therefore obvious that Brazil is singled out for other reasons.

It is a liberal bias to believe that an elected civilian government is necessarily better for the very poor than a military or a civilian authoritarian regime. And it is a liberal bias to single out Brazil while forgetting that other Latin American countries are also keeping their rural poor at the misery level—or that elected civilian governments in developed countries, such as the United States, have done little or nothing to reduce rural misery. The humanistic citizen, well fed, well dressed, with two cars and European vacation plans, who reads liberal journals while doing nothing relevant about human misery, is, I believe, no better than the Brazilian general who tries to develop his country at the expense of the rural poor.