

**INSTITUTE OF APPLIED RESEARCH IN SUSTAINABLE ECONOMIC  
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**THE ECONOMY, POLITICS AND EDUCATION IN BRAZIL 2014: FUTURE  
REFLECTIONS**

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Due to the complexity of the theme is a high-risk exercise want to accurately determine what are the all the variables involved in the process of development of a society. However, despite the challenge, it is highly probable that cite economics, politics and education as three variables required, though not sufficient, for the development of a society is a successful attempt.

These three important variables of development economics, politics and education, in this election year for President, Governors, federal and state legislative, in Brazil, must earn the Brazilian society, especially of the electors, moments of reflection and analysis. After all it is not just the calendar from 2015, but how will the national development.

On the economy, the year 2014, for Brazil, it must be hard. This finding doesn't just come from analysts and the market, but the statement by the Minister of Finance, Guido Mantega, for whom *"the Brazilian economy is growing with two lame legs: on the one hand, consumer financing, which is scarce, and, on the other hand, the international crisis, which steals a portion of our possibility of growth."* By the current national and international situation, it is important that he make that analysis, however difficult it is to know if the Government has the same vision and go find a new direction for the Brazilian economy; in election year?

In fact, Brazil is with legs limp for a long time. It just wasn't obvious before, because the country was supported on the crutches of easy credit and international

economy that helped a lot. Set aside his crutches and it has been seen that the economic model is indeed lame.

Some numbers illustrate the dependence of those crutches, based on storm the past twelve months until November 2013. The free credit to individuals increased by 1.8%, discounted for inflation, against an average of 10.9 percent annually in the five previous years. That explains, in part, the slower expansion of retail sales-2.2% in the 12 months to October, against 8.4% a year in the previous five-year period – and the household consumption – 2.3% in four quarters to September, against 4.9% per year in the previous polishing.

Consumer credit is scarcer, because the actual payrolls are growing less: 2.4% in the twelve months to November, against a yearly average of 6.0% in the five previous years. In addition, families are indebting to buy housing, leaving less room for loans for consumption. The loans directed to individuals increased by 26.9% in real terms.

The sharply higher on home loans has made the total lending to individuals grew 10.0 percent in the 12 months up to November. It's still a very big increase. Given the level we've reached household debt can't continue to grow so far ahead of the payrolls, especially now that interest, instead of falling, are rising. It is unrealistic to believe that consumer credit may grow back as before. This crutch is finished.

As the world economy she helped least Brazil in 2013 than they had been doing until then. According to the IMF, in 2013 the world GDP grew 2.9 percent, 0.3 percentage point less than in 2012. Emerging Asia, in particular, rose just 6.3%, against an average of 7.8% per annum in the five previous years. That helps explain why the price of exports fell 12% in 24 months until October, after rising 14 percent a year in the five previous years, mainly exports of agribusiness and mining commodities.

Brazil also suffered with the prospect that the Fed, the USA central bank would reduce the issuance of dollars to buy government bonds and mortgage-backed securities. Since the Fed Chairman touched on that theme for the first time, the interest and the dollar skyrocketed in Brazil. High interest increased the public and corporate funding cost. The devaluation of the real has threatened companies indebted in foreign currency, forcing the Central Bank to provide hedge in derivatives market.

But these developments in Asia and the United States are nothing more than the beginning of a return to normality. It was a mistake to bet on an economic policy that

assumed that the world would never come back to normalcy. How to believe that the export price would continue rising 14% annually forever or that the Fed would print indefinitely a trillion dollars per year? This crutch is finished also.

Because not prepared for that, Brazil is suffering more than most emerging countries with external standards. According to the IMF, after growing at an average rate of 4.5% per year during the period from 2006 to 2010, Brazil had negligible growth in the period 2011 and 2012: 2.7% and 0.9% respectively. The slowdown in the rest of Latin America was far more lenient, 3.9% to 3.8%. That is to say, the external scenario much more impacted the Brazil than the rest of the region.

The causes are in the external deficit; the fiscal situation deteriorated markedly; and inflation follows near the ceiling of the band, in spite of all the tax exemptions and Government-controlled prices have gone up only 1.0 percent in the 12 months up to November. Not to mention the high and complex tax burden, poor business environment, the lack of infrastructure and skilled labor, and the high legal uncertainty.

With the weakest job market in 2014, higher interest rates, and the preference for real estate loans, consumer credit will still be scarce next year. With Emerging Asia growing 6.5% in 2014, the Fed starting to dismantle quantitative relaxation policy, the worsening economic fundamentals, and the external environment isn't going to help much.

The market predicts that the country, with the legs and walk without crutches, will grow just 2.0% in 2014. The Brazilian Institute of Economics (IBRE), published by the Getúlio Vargas Foundation, designs only 1.8% high. The question that arises is whether, after the elections, the necessary reforms are made, allowing the country to grow with strong legs and less dependence on credit, consumption and over strong winds in benefit of global climate, or if the economic policy will continue seeking other crutches.

In politics, continues to answer: there's a chance the following Brazil for a Bolivarian path, like the one in Argentina and Venezuela. The question generally translates certain anxiety with the country's economy, on account of bad indicators of growth and inflation.

Part of the difficulty in dealing with this question is that not everyone has the same vision of what is Bolivarian model. Many seem concerned about the risk of high

inflation, with the concomitant intervention in pricing research institutes, as occurred in Argentina with the Indec, the IBGE there.

As we all know, in Argentina's official inflation of 10%, while the actual inflation exceeds 25%. This does not occur in Brazil, but here too there is a distance between the free price inflation (7.3% in recent months) and the Government-controlled prices (1.0%), which also masks the real inflation. This will continue in 2014, with the decision to postpone the increase in electricity from the beginning of 2014 for after the election.

Also in the public accounts for the official number and that the market uses. Even in the external accounts there is difficulty of knowing the actual number, because only in 2013 register imports occurring in 2012.

Also concerned about the growing divide between a Pacific Latin America and another of the Atlantic and the perception that Brazil is increasingly aligned with the latter. The Pacific Alliance, a trade agreement which participate in Chile, Colombia, Mexico and Peru, and to which they must join Costa Rica and Panama understands the first group. These countries have open economies, low inflation, a good business environment, a friendly attitude towards foreign capital, and that GDP growth is double ours.

The Atlantic part Latin America brings together the countries of Mercosul, which includes Venezuela and in which you can enter Bolivia, Ecuador and Nicaragua as well. Are countries with shoddy economic policies, closed economies, high inflation, high state interventionism, and low economic growth.

Many people associate the bolivarianism a ideological option, based on State intervention in the economy. The bolivarianism is, however, above all pragmatic. Its essence lies in the willingness of the Government of sacrificing the economic and institutional foundations of the country to preserve power. In this sense, the bolivarianism is a contemporary version of Latin American populism from the middle of the last century.

The central element is to generate an increase in private consumption, via transfers, public spending, subsidized prices, real wage increases above productivity etc. On the other hand, it is popular. On the other hand, presses the inflation, worsening public accounts, increases the external deficit, and compromises the assets and liabilities of the public sector and a worsening business environment.

There are no illusions that such policies lead to a deterioration of the country's economy, history and economic theory confirms this hypothesis. They are not chosen because they are good, but by generating votes in the short term. And with the ballots and the lack of alternation in power dominates government institutions and win control over the narrative of what happens with the country. For no other reason, the media control is an element so central of bolivarianism.

This control is indispensable for the maintenance of the model when the welfare of the population begins to fall as a result of bad policies. An example is the narrative of the Venezuelan Government that high inflation in the country is the fault of opposition and of speculators, who threatens to jail if rising prices. There are other examples in Argentina, Bolivia and Ecuador.

It is believed that Brazil won't follow that route for economy and stronger institutions, and a freer press and active that those countries. That's a good point. But he ignores it when the press began in those countries bolivarianism was also freer and active and the institutions, starting with the judiciary, stronger than they are currently. It was not weakened the bolivarianism your weakness that brought the bolivarianism.

If Brazil someday follow a path, the first sign that Bolivarian won't come from the economy. The warning that this is happening will come from the effort to control the narrative about the causes of a bad economic performance of the country, in order to prevent this leading to a natural political alternation.

Finally education, which without a doubt affects directly the two other variables here cited. It is important to keep in mind that education is not a magic pill to be ingested solves all problems of mankind. Actually she's not even necessary for the process of accumulation of wealth, highly necessary for the improvement of the level of a society, to occur. For example, although Germany (16th placed) got 20 positions ahead of the United States of America (36th place) in the last evaluation of the PISA (Programme for International Student Assessment) its GDP is only 1/5 of American GDP. Just for comparison the Brazil came in 58th place. So why consider it? The answer is simple: although it is not essential to the generation and accumulation of wealth, education is crucial in the quality with which this wealth is generated and distributed.

A society made up of skilled people has a greater ability to absorb the Windows of opportunity linked to technological innovations. It is for this reason that the formation

of a minimum number of professionals in the area of exact and engineering is variable so crucial to the development process. Are these professional people capable of mastering the technological knowledge and generate innovations in the area. The question for us is: Brazil is prepared for the new challenges of the 21st century with regard to the domain and the generation of new technologies? The answer is: No. We're nowhere near the minimum number of mathematicians, physicists, chemists and engineers needed to compete with the so-called developed countries. On the contrary, prevails in the country a culture of lawyers with very interesting numbers. For example: while Brazil has almost twice as many lawyers that the United States of America, this has more than 120 times the number of physicists who owns the Brazil. Nothing against lawyers, but certainly not were they invented some really cool stuff like: Tablets, LED TV, freeze-dried food, nylon, plastics and other things that make our life so much easier and whose sale contributes and to the process of accumulation of riches of technologically developed countries.

Of course we should not put all the laurels of education in the area of exact, because a society cannot be evaluated only by its ability to generate wealth. In addition to impact the process of accumulation education has direct impact on the political process and an organizational society. Here comes another kind of education, associated and human formation of the individual, while being instructed in these areas solidifies inside core values to society such as: institutional democracy, respect, freedom of expression, among others. A society more humanely raised is less susceptible to populist actions no matter how it manifests (chavismo, bolivarianism, or any other ISM). As an example of what we're talking about is healthy again quoting Germany. In the first half of the 20th century the German Science and technology were by far the more evolved on the planet. Just to make idea, during this period the Germany accounted for the overwhelming majority of Nobel prizes awarded in chemistry and physics. However, not all this level of training prevented totalitarian populist processes (read Nazism) were deployed in this country with serious consequences, known and which cannot be repeated.

Important is that every efficient educational process must be based on strong meritocráticas structures. In Brazil, in recent decades the educational system has suffered direct attack on this basis. Low wages, coupled with wage equality and job stability end with the innovativeness of the teachers. In addition, schools ruined are the highest example of institutional failure. Finally, high ideological charges which undergo our students during the learning process takes them the critical capacity and make

them repeat speeches historically exceeded without at least weigh critically about accepting historical absurdities as messianic truths. All of these factors combined with much other very similar nature make the Brazilian educational system one of the worst in the world, which is unable to provide its people the necessary tools for the construction of a society in fact better, with more wealth, democracy and freedom.

For these reasons that economics, politics and education are crucial for the development variables, and therefore, must earn the Brazilian voter, in 2014, cautious and responsible reflection, because it leaves the definition of which path the country will take from 2015.