

The Citizenship Contradiction

In this book I have been analyzing Brazilian society from around 1979, when the crisis of the Brazilian and the Latin American economies erupted, to the present. This crisis, which I define as a crisis of the state, can also be called a modernization crisis. Beginning in the 1930s Brazil, as with all of Latin America, adopted a capitalist, national-developmental strategy of development. This strategy was a successful road to modernity for some decades, but by the 1960s it began to present increasing problems. The bureaucratic-capitalist military regimes that then took power and the foreign indebtedness of the 1970s were artificial forms of overextending a weary national-developmental strategy. The consequence is well known: the modernization process collapsed. Economic stagnation and the rapid deterioration of social conditions followed.

Since that time Brazil and Latin America have been striving to overcome this crisis. Most analysts agree, however, that this will be possible only if the region is able to define a new development-oriented political pact that would assure the political elites of legitimacy. In this chapter I discuss this problem, starting from one question I have never seen put to Latin American interpreters: why do Latin Americans, particularly Brazilians, stress the need for a political pact, whereas in the developed countries people seldom speak about such a pact? To answer this question, I relate the problem to the radical heterogeneity of the Latin American and particularly the Brazilian societies. Whereas a Hobbesian social contract is sufficient for relatively homogeneous societies, which include the developed ones, dual and underdeveloped societies additionally require a development-oriented class coalition.

As we will see in the last part of this book, Brazil was prodigal in failed attempts to stabilize. Market economic reforms took place but in a contradictory and uncertain way. Why was it so difficult to stabilize and reform? We have seen that political obstacles played a role. It is clear that the inefficiency of the stabilization plans and the sheer incompetence of policymakers also constituted a major cause (see Chapters 13 and 14). In this chapter I adopt a broader, more political perspective. I discuss the relative failure to modernize. Why was Brazil only partially able to adjust fiscally and to adopt structural and social reforms? What does “modernization” mean in Brazil today, and what are the political reasons it is incomplete? Can this be

explained by the radical heterogeneity of Brazilian society and the consequent citizenship contradiction?

Fernando Henrique Cardoso's election to the presidency in October 1994 will probably be seen as a major step in the modernization of Brazil. Yet the country is far from having achieved modernity. *Modernization* is an open and imprecise word. It often means the transition to capitalism, but not all types of capitalism. Modernity is identified with the form of capitalism that prevails in the developed countries, which are a model for the developing countries notwithstanding the problems they face. A society is modern when, in the economic realm, it allocates resources in a reasonably efficient way through the market and is dynamic in technological terms; in the social realm, economic inequality is not excessive, although it is sizable; and in the political realm, democracy is solidly established.

Modernity has an ideological content, but this content is not to be confused with the political right. To be modern is not to be conservative, much less neoliberal. The distinction between being conservative, or putting order above justice, and being left or progressive—willing to risk disorder in the name of justice—remains as important as ever. And one can be modern regardless of whether one is politically right or left. Yet in times of transformations, such as exist today, the distinction between archaic and modern becomes crucial. Here we have a two-entrance matrix and four combinations: one can be right or left, archaic or modern. Hélio Jaguaribe (1990:4) correctly suggested that “the distance between the modern left and the modern right is far smaller than the gap between them and their archaic forms. Helmut Schmidt and Oskar Lafontaine are far closer to Helmut Kohl than to the old East German leaders.”

Modernity means democracy, the primacy of efficiency, and an effective concern with social equity. Moderate and modern conservatives, who like to call themselves liberal democrats, accept a sizable intervention of the state in social affairs and limited state intervention in economic matters. Modern social democrats, whom I am equating with the modern left,¹ may be liberal² because they privilege market allocation of resources, stress individualism—conceived as consistent with social rights—and see a clear separation between civil society and the state as essential to democracy. Yet in contrast to conservatives, social liberals are more committed to egalitarianism and have as their personal utopia something like a market, self-managed, democratic socialism. Capitalism, despite all its shortcomings, may be the most efficient way to reach such a utopia, but it is not to be confused with it.

Between the 1930s and the 1960s modernity was tied to some degree of state intervention and the welfare state. As state-led development came to a crisis and was increasingly distorted by economic populism and narrow-minded nationalism, modernity—especially since the 1970s—became increasingly identified with market-oriented reforms and fiscal discipline.

Yet the modernization of Brazil will occur only when a new class coalition is able to celebrate an informal political pact that has an interpretation for the crisis and a strategy for overcoming it. This interpretation will probably be what I am calling the crisis of the state approach, and the strategy will be a social-democratic and pragmatic one—a strategy that is market-oriented and, at the same time, uses the state pragmatically to promote income distribution and technological innovation.

In the developed countries a social contract is sufficient to legitimize the government. These societies are relatively homogeneous, so that the constitutional principles expressing the classical social contract that contractualist philosophers—from Hobbes to Locke, Rousseau, and Ant—analyzed are sufficient. The state will have the power delegated by society to maintain order, administer justice, protect property rights, and enforce contracts, whereas citizens will be protected against the abuses of the state (abuses of their individual rights) and against the abuses of the powerful (abuses of their social rights).

Yet in developing countries—particularly in Brazil, where social heterogeneity is so dominant—a social contract is not enough. The legitimacy of the government additionally requires a growth-oriented political pact that endorses a concrete perspective of progress for the deprived masses.

According to Aspásia Camargo (1990:51–52), “the Brazilian crisis is in large part the outcome of the high burden that still today we bear for our archaic past. . . . This high burden is defined by the ‘social debt’ that resulted from a slave-owning society’s cultural tradition, based on a contempt for productive work and on the hierarchical rigidity of social relations.” The “social debt” is another way—which is well established in Brazil—of expressing the extreme income concentration that prevails.

If there is a consensus in Brazil about the basic character of Brazilian society, it holds that Brazil is a dual, extremely heterogeneous society. Sérgio Abranches (1990:174) underlines the fact that “the Brazilian institutional dilemma is defined by the need of finding a system of institutions able to efficiently aggregate and process pressures from an essentially heterogeneous social structure.” The state and the political parties are, in principle, these institutions. But given the extreme heterogeneity of Brazilian society, both the political parties and the state lack political legitimacy. One of the main themes being discussed in Brazil is how to design more-appropriate political institutions. The major proposed political reform—the adoption of the parliamentary system—was defeated in the April 1993 plebiscite. But the political reform agenda is large. It includes a mixed, German-style electoral system that is half proportional and half based on districts. It also encompasses correcting disproportion in the representation of the federal states in the House of Representatives; limiting the number of political parties; and a new federalism, limiting the role of the central government in local expenditures.

All these institutional changes are necessary, and they have strong rational arguments to back them. Their inner motivation, however, is to reduce the acute lack of legitimacy of the governing elite. They will increase the representativeness of Brazilian politicians. Yet not all of these changes will be enacted. And they are no panacea; they will not solve the legitimacy problem of the Brazilian government because the basis of that problem is not institutional but social. It is derived from the extremely heterogeneous character of Brazilian society.

It is well known that Brazil has one of the highest concentrations of income in the world. In a 1991 sample of fifty-six countries—which included Uganda, the Philippines, and Guatemala—Brazil came out on top in terms of income concentration.³ Even countries like Peru, which used to have a more concentrated income, perform better today. The ratio of first-quintile income to fifth-quintile income, which is around 6 in the developed countries and 7 in Asian middle-income countries, is 24 in Brazil. The poorest 50 percent of Brazil's workers earned 12 percent of total income, whereas the richest 10 percent of workers received 48 percent. In 1990, 50 percent of the workers had wages equal to two minimum wages; in that year the minimum wage was approximately \$60 per month. Monthly wages of public schoolteachers in the richest state of Brazil—São Paulo—were only \$200.

Social conditions have been improving in Brazil, but slowly. Comparing 1960 with 1990, according to IBGE, the illiteracy rate decreased from 39 to 20 percent; life expectancy increased from fifty-two to sixty-two years; the infant mortality rate (deaths at less than one year of age) decreased from 118 to 85 per thousand. These figures, however, are still extremely unsatisfactory. Developed countries have around a 2 percent illiteracy rate, life expectancy is around seventy-five years, and the infant mortality rate is around 9 percent.

These negative indicators are a consequence of both the low level of income per capita and the concentration of income. Until 1980 growth and productivity rates were increasing. From 1960 to 1980 per capita income increased 120 percent; the average yearly rate was 6 percent. Yet from 1980 to 1992 this rate remained stagnant; in fact, it decreased 8 percent. In 1993 it began to grow again. The level of the concentration of income was only accentuated, stressing the perverse or distorted character of the previous modernization process. In 1960 the average income of the tenth decile was thirty-four times larger than that of the first decile; in 1990 it was sixty times larger. In this period, whereas the incomes of the ninth and tenth deciles increased at an average annual rate of 2.9 and 3.1 percent, respectively, those of the first and second deciles increased at 1.3 and 1.7 percent, respectively, and those of the third, fourth, and fifth deciles increased at only 1.1 percent.⁴

According to Maurício Romão (1991), the proportion of poor in the population, which was around 40 percent in 1960 and 1970, declined to 24.4

percent in 1980. That figure rose again during the economic crisis of the 1980s, when an increasing number of families crossed the poverty line, reaching the 1970 level (39.3 percent) in 1988. Poverty was extremely uneven in regional terms. According to Sônia Rocha (1991), in 1989 in the northeast metropolitan areas the poverty level was around 40 percent, reaching 47.2 percent in Recife; at the same time the rate was 20.9 percent in São Paulo and 13.5 percent in Curitiba. According to Juarez Brandão Lopes (1993), poverty was more concentrated among children and nonwhites. Poverty is characterized by low income, little if any public health equipment, housing in *favelas* and slums, illiteracy, a larger number of children per family (three to four times more than in nonpoor families), and the absence of books, telephones, and television sets.⁵

Yet this immense mass of the poor, 40 percent of the urban and 45 percent of the rural population, does vote. In this intrinsically dual society, its members are citizens. As Table 11.1 shows, the proportion of electors in the population has not decreased. This was a quiet political revolution, the consequences of which have not yet been fully analyzed. The poor received the right to vote, but it is very difficult for them to exercise that right and protect their interests. They are citizens according to the law, although subjectively most are not citizens because they are not aware of their political rights and have little capacity to assert those rights and participate in political life. In a population of 160 million people, there are almost 100 million electors, but only half are effective citizens. This right to citizenship was a consequence of democracy, and it sends a clear warning to the conservatives that the social ghetto is inconsistent with modernization. But coupled with the radical dualism of Brazilian society, the right to vote is a "citizenship contradiction"; it is a short-term source of illegitimacy for every type of government and is the origin of authoritarian beliefs that, although subdued, are still alive.

Table 11.1 Proportion of the Electorate in the Total Population

Year	Percentage
1940	6.45
1950	22.05
1960	22.18
1970	31.10
1980	49.26
1990	57.03

Sources: From 1940 to 1980, IBGE, *Estatísticas Históricas do Brasil*, 1990; for 1990, IBGE, *Anuário Estatístico do Brasil*, 1993.

Radical social dualism creates tremendous political problems. First, it makes exploitation—that is, the continuation of extreme income concentration—easier. Second, it validates the traditional conservatism and authoritarianism of Brazilian elites. Third, it favors populist policies, particularly in electoral campaigns. Fourth, it deprives the elites of political legitimacy, thus blocking a broad democratic and popular pact that would facilitate governability. As Francisco Weffort (1992:25) observed, this “dual system, rather than an exclusion system, is a domination system.” But, I would add, it is a domination system that works in an increasingly precarious way because it has fallen prey to a basic contradiction: the dominated are, or have the right to be, citizens.

It became commonplace in Brazil to say that the cause of the Brazilian crisis is political and that the solutions are also political. There is some truth to any such conventional wisdom. It reflects the contradiction Brazilian politicians permanently face. They are supposed to support sound, rational policies that solve the fiscal crisis of the state and reform the state, but they are elected by a mass of electors who have great difficulty orienting their actions in this direction. In consequence, they often become the hostages of special groups of businesspeople, bureaucrats, and union leaders who lobby Congress. If electors were well informed, and political culture and political education in Brazil functioned on a level similar to that in the consolidated democracies, Congress, the executive, and the judiciary would function more efficiently and effectively. Less room would exist for populism and the defense of special interests. Democracy would not be “delegated” (O’Donnell 1991) or “regulatory” (Weffort 1989, 1992).

All of this is obvious, but to say that the main cause of the Brazilian crisis is political either means nothing because it is too general an affirmation or creates an insurmountable vicious circle in which democracy and economic development become inconsistent. Further, it reveals either a technocratic bias of expecting too much of the state or an authoritarian belief that only an enlightened prince can solve Brazil’s problems.

In fact, if this political explanation were true, economic and political development would have been impossible in all democracies. Thus the periods in which Brazil developed while a democratic regime prevailed would not have existed. I will not discuss this theme here. When primitive capital accumulation has not yet been achieved and a capitalist system is not yet consolidated, democracy is an improbable political regime. But once this has occurred—when the rate of investment is already sizable (although insufficient), a large capitalist class is well established, and this bourgeoisie is able to capture the economic surplus through market mechanisms instead of having to resort to force (as do the precapitalist and mercantilist-dominant classes)—democracy becomes both viable and by far the best political regime. Brazil has already reached this level.⁶

When an economic crisis exists, we have to look for the new historical facts that gave rise to it. In this book I am saying that the basic cause of the Brazilian crisis is the crisis of the state. In fact, this hypothesis is part of what I propose to call the economic vicious circle of the Brazilian crisis. Additionally, there is a social vicious circle. Together they offer an explanation for the crisis and clues for the reforms that will solve it.

The economic vicious circle can be described beginning with the exhaustion of the import substitution strategy, the debt crisis, and the adoption of populist policies—which lead to a fiscal crisis of the state. The fiscal crisis generates high inflation, which imposes a high interest rate and lowers the investment rate, bringing the economy to a slowdown and finally to stagnation, which reduces tax revenues, further diminishes public savings, increases the public deficit and the public debt, and—closing the circle—aggravates the fiscal crisis of the state.

We can describe the social vicious circle beginning with the citizenship contradiction—that is, from a radically heterogeneous society plagued by a high degree of poverty and illiteracy but in which a structural transformation gives everyone the democratic right to vote. From this citizenship contradiction an intrinsic lack of legitimacy of the elites evolves, which determines the difficulty of celebrating a political pact and further deepens the government's legitimacy crisis. The ensuing governability crisis—which is also a consequence of the fiscal crisis—paralyzes the state, which is constrained to act on behalf of private, corporatist, and regionalist interests rather than promoting economic growth and income distribution. In this way, modernization is stalled; social dualism and the citizenship contradiction are maintained. The vicious circle is closed.

These vicious circles are not impenetrable. I have discussed here primarily the economic vicious circle, particularly in Chapter 5 where I analyzed the perverse macroeconomics of the fiscal crisis. I have discussed the social and political vicious circles less thoroughly. Yet as the economic vicious circle has a “weaker ring”—high inflation—that, once broken, breaks the entire vicious circle, the citizenship contradiction also has a weaker ring: in the short run, the definition of a political pact; in the medium run, education.

I am not suggesting that it is easy to control inflation and stabilize the economy. But it is clear that this is easier than solving the other problems that characterize the economic vicious circle. I do not believe it is easy to define a political pact among capitalists, bureaucrats, and workers in Brazil, but I think doing so is easier than directly solving the citizenship contradiction.

In the medium run, there is no doubt that extending education to everybody is the basic solution to this contradiction. Education is essential to economic development, distribution of income, and political culture. But education itself is constrained by social heterogeneity. As José Márcio Camargo

(1993) observed, Brazil's failure to educate its citizens is related less to failures of the educational system than to extreme poverty. The high failure and large evasion rates of grammar school students may have direct educational causes, but their main cause is the fact that children have to work at a very early age. In 1988, 30 percent of children between ages ten and fourteen in families with per capita incomes 25 percent below the minimum wage worked. More than 50 percent of these children worked more than forty hours per week, contributing significantly to the family income.⁷

In summary, in the 1980s Brazil and Latin America confronted the worst economic crisis in their history. Its basic cause was not chronic insufficiency of demand but rather the crisis of the state—a state that had played a leading role in promoting economic growth. The crisis of the state was defined by both a fiscal crisis and a crisis of the mode of intervention: the import substitution strategy. With this crisis the state was paralyzed. Rather than being a tool of economic development, import substitution became an obstacle to development.

The ensuing economic stagnation, defined by negative growth of per capita income, implied that the modernization process had been halted. Only one aspect of modernity was advanced: democratization. Many Latin American countries, including Brazil, made the transition to democracy. Yet the other two elements of a modern society—economic growth and distribution of income—were absent. And the new democracies suffered an essential evil: the lack of legitimacy of their governments. This lack of legitimacy is derived from the radically heterogeneous character of Brazilian society. In a dual society such as this, in which 40 percent of the population falls below the poverty line, a Hobbesian social contract is not enough to meld the society and to assure governments of legitimacy; a development-oriented informal political pact is also necessary. Brazil had a populist, national-developmental pact between the 1930s and the 1960s. It was replaced by a development-oriented, authoritarian, and excluding capitalist-bureaucratic pact from 1964 to 1977. From 1977 to 1987 a democracy-oriented populist democratic pact prevailed. Since the failure of the Cruzado Plan a political vacuum has afflicted Brazil.

Yet as growth resumes, the consolidation of democracy and the resumption of sustained economic development will depend on the definition of a new, broad, and informal development-oriented political pact—a modernization pact. This pact, by combining the capitalists, the bureaucracy, and the working class, as well as the multinationals, will correspond to a crisis of the state, European social-democratic, and East Asian pragmatic interpretation of Latin America, much as in the 1950s the national-bourgeois pact corresponded to the national-developmental interpretation, and in the 1970s the bureaucratic-capitalist authoritarian regime—that is, the alliance among local capitalists, the state bureaucracy, and the multinationals—cor-

responded to the new dependency approach. New pacts and interpretations emerged out of crisis—the World War II crisis and the crisis of the 1960s. The crisis of the 1980s and 1990s is now being overcome. And as this happens, it will produce its own interpretation of that crisis, its own development strategy, and a corresponding political pact. The evidence of the emergence of a new political pact is analyzed in Chapter 17.