

Time for a whole new policy agenda?

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A MIDDLE WAY that reconciles economic and social policies is best for Brazil, according to Marcelo Neri, Minister of Strategic Affairs of the Presidency of the Republic and Director of the Institute for Applied Economic Research (IPEA). He believes that inequality will continue to fall, but he points out that it is essential to invest in early childhood education, gradually lengthen the school day, and improve the quality of education. For the next decade, he says, it is necessary to step outside the electoral field to understand what will happen, and suggests that besides the well-known problems of health and education—the country needs to understand the new digital democracy into which Brazilians have been inserted. He also warns his fellow economists that it is necessary to observe the data as an integrated whole.

***The Brazilian Economy*—One of the major changes that occurred in Brazil in recent years was social development. What's your perspective?**

Marcelo Neri—If we compare the country today with 2, 12, or 22 years ago, we can see how much it has changed. I think that social development is to Brazil what economic growth is to China. In 1991, 85% of the municipalities were very low on the Human Development Index (HDI), which in addition to income takes into account education, health, life expectancy, school enrollment, and education. In 2000, 41% of Brazil's municipalities were low on the HDI and in 2010 only 0.6% were. Infant mortality fell 48% in the last decade—58% in the Northeast. In the past 19 years life expectancy has gone up by eight years. Every social indicator we look at has shown a significant long-term change.

How is social development likely to perform now that the economic situation is no longer so positive?

The 2012 National Household Survey (the PNAD) found that inequality plateaued between 2011 and 2012, after 10 consecutive years of significant narrowing. But our analysis of 2013 data shows that inequality fell again. This is just from looking at the labor market, which is directly related to the economic scenario … Obviously, though, there are limits, so inequality may not always fall.

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In recent years there has been a great divergence between national accounts data and PNAD social data. Labor income in the PNAD and labor income in the national accounts have diverged noticeably. ... In 2012, the difference was nearly 8 percentage points: GDP grew by 1% and the average income from the National Household Survey was 9%, which is a very significant gap.

What is the role of programs like the Family Grant?

Of course, programs like the Family Grant, which was created in 2003, reduce inequality more easily at the beginning, when there is a larger number of poor people. But the data show that such policies in Brazil have not lost their income-distributive efficiency. ... The Family Grant—a relatively inexpensive program in fiscal terms—has continued to expand at the same rate as before .... The program certainly has a limit, but the data make it clear that we have not yet reached it.

In an election year, what is the future of the program? Should it be kept?

Certainly, it will be retained. A few years ago we heard some criticisms, but today that is no longer the case. Actually the Family Grant is not a fiscal problem, because at 0.5% of GDP the cost is very low. Today there is consensus on the program, and it has become an export as much as soybeans or iron ore ... Part of the support of the Family Grant program is external. For instance, it has just received an international award for excellence, Switzerland's Award for Outstanding Achievement in Social Security. In addition to what it has achieved domestically, I think outside support helps to consolidate the program whatever the political scenario may be.

In its survey on social perception indicators [SIPS], IPEA has found that one of the main concerns of Brazilians is education. Access to education has been greatly expanded, but there are concerns about its quality.

Today, we have a system of educational indicators, such as the Brazil Exam and the Development Index of Basic Education, to measure the quality of our education. More than that, we have goals for 2022. We know where we are, how we are, and where we want to go in relation to the quality of education. Brazil has made a breakthrough in the last 20 years [in terms of access]. In 1990, 16% of Brazilian children aged 7 to 14 were not in school, in 2000 that was true for

only 4%, and today that is down to less than 2%.

Although the number of students increased, the quality was neglected. ... We need to increase the quality and number of school hours. Another concern is early childhood education. We have made advances in primary education [grades 1– 9]; we are meeting the challenge in high school [grades 10–12], but we have not given early childhood education the importance it deserves. Now we have an examination to assess the reading ability of children aged 6 to 8, and a program for building kindergartens.

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What other concerns do the SIPS surveys reveal?

In general health appeared first, education second, but among younger respondents education leads. This is a very robust result. Health and education are miles ahead of the third and fourth items on the list of 16: 88% identified health as a priority, 73% quality of education, 61% security against crime and violence, and 60% better job opportunities. Education was once the seventh priority... As for health, when we asked what are the main problems of the unified public health system, the answers were the shortage of doctors and limited time to attend patients.

How do you assess the Real Plan that curbed hyperinflation and strengthened the national currency 20 years ago?

[The plan that introduced the real currency] was crucial: It allowed us to look and think about the future optimistically, without worrying about day-to-day inflation. I was one of the first economists to estimate what impact the Real Plan would have on poverty and inequality. Although its goal was simply to fight inflation, it had definitely a positive effect [on poverty]. I think it was a key precondition for effective economic and social policy-making... . Since 2004 a combination of economic growth and reduced income inequality have brought about the rise of the new middle class. Now, last year's protests in 2013 and the election this year challenge us to think about a new policy agenda for the future.

What could be the next big change for Brazil?

There are many, but I think the main thing is to walk the middle way by looking at and listening to the people. The voices of the streets tell us what we have to deal with, such as digital media, which is a new kind of democracy, and urban challenges —public transport, education and health care—which are not new. I think the ideal is to combine in the best way possible a social policy of equality with markets that operate well. Over the past decade, we have brought the poor into the economy, but we need a more efficient government, quality public policies, and a vibrant labor market that promotes consumption. Summing up, the demonstrations and the prospect of the election are spelling out a whole new policy agenda.