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PORT-AU-PRINCE, Haiti – Haitian performers play instruments at the Carnaval des Fleurs parade in the nation's capital on July 30. The Carnaval is a three-day celebration marking new beginnings and revitalization of the Caribbean country. (Swan Parker/Reuters)

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Brazil: Economic growth with social debts

The nation with the world's sixth-largest economy has the income inequality rate of an underdeveloped nation, and 54% of its residences lack a basic sewage system.

By Danielle Melo for Infosurhoy.com – 01/08/2012

RIO DE JANEIRO, Brazil – Amid the global economic crisis, Brazil became the world's sixth-largest economy in 2011, with a gross domestic product (GDP) of US\$2.49 trillion, according to the International Monetary Fund (IMF).

But the country's levels of income inequality and lack of a basic sewage system, on top of a bad educational system and institutional weaknesses, are obstacles Brazil has yet to overcome to reach full economic growth and development, specialists say.

Since 2003, when former President Luiz Inácio Lula da Silva came into power, Brazil has made great progress in social matters, highlighted by the **"Bolsa Família" program, which redistributed income to help those in extreme poverty.**

The country also has increased its minimum wage to a level above the inflation rate and seen a rise in formal employment, spurring growth in the middle class.

These social policies helped bridge the income inequality gap, bringing it down to its lowest level since 1960, according to a study by the Center for Social Policies of the Getulio Vargas Foundation (FGV).

Brazil's Gini Index fell to 0.519 in January 2012, after decades of stagnation at about 0.6 (the closer to 1, the greater the inequality), according to the study "Back to Being a Modern Country," led by Marcelo Neri, FGV's economist.

Costa Rica and Argentina are in a situation similar to Brazil's, according to 2010 data of the United Nations Development Program (UNDP).

But a decrease in income inequality does not necessarily translate into improving the basic sewage system, eradication of poverty or equal access to education.

Fifty-four percent of residences nationwide lack a proper sewer, according to the 2010 Census from the Brazilian Institute of Geography and Statistics (IBGE).

And 28.8% of the population still is considered poor, according to a study by the Institute for Applied Economic Investigations (IPEA), meaning almost 54 million Brazilians make half or less than the national minimum wage (R\$311 or US\$155) monthly.

The Brazilian school system's situation isn't any better.

The country performed poorly in the **2009 edition of the Program for International Student Assessment (PISA)**, an international test organized by the Organization for Economic Cooperation and Development (OECD) to evaluate students in math, science and literature.

Among the 65 countries participating in the study, Brazil ranked 57th in math and 53rd in literature and science.

Bad government management hinders the country's development, in spite of the economic growth, says Sônia Rocha from the Institute for the Study of Society and Employment (IETS). The lack of institutional and political structure makes it impossible for the implementation of crucial social projects, such as the installation of basic sewage systems, she says.

"We don't have the ability to turn projects into reality," she says. "Just look at the projects of the Growth Acceleration Program (PAC, launched by Lula's administration to coordinate federal investments in infrastructure). None of them has been turned into reality. We need to strengthen our institutions and improve management at governmental level."

Low levels of investment in infrastructure also affect industrial competitiveness, which in turn impacts



Brazil has the world's sixth-largest economy, with a gross domestic product (GDP) of US\$2.49 trillion in 2011. But 54% of its residences lack a basic sewage system, including those in the Complexo de Manguinhos (above) in Rio de Janeiro. (Ricardo Moraes/Reuters)

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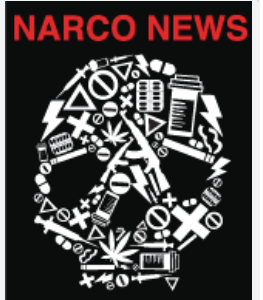


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In the 2009 Edition of the Program for International Student Assessment (PISA), which covered 65 countries and focused on students' performances in math, science and literature, Brazil ranked 57th in math and 53rd in literature and sciences. (Courtesy of Fábio Rodrigues Pozzebom/ABr)

Paulo Resende, a member of the logistics team from the Dom Cabral Foundation, points out that in the 2011-2012 Competitiveness Ranking by the World Economic Forum, Brazil ranked 58th among 142 countries.

Logistical problems, which result from overloading ports beyond their capacity, a general lack of road maintenance and high production costs, have put the country in a disadvantageous position, Resende says.

"That has a great social impact," Resende adds. "If a certain industry is not as competitive in the global market, it will sell less and therefore will not be willing to pay better salaries."

Fiscal inequality also impacts the country's growth, says Antonio Cattani, a sociologist at the Federal University of Rio Grande do Sul

(UFRGS).

In Brazil, salaries are taxed at the source, while capital gains – such as investments in stocks – are exempt.

On top of that, Cattani points out taxes on food, fuel and telephone services, for example, must be paid by everyone, regardless of income.

"In order to have a more balanced development, with social justice and respect for the environment, Brazil needs to undergo a thorough fiscal reform," Cattani says.

Well-being Index

The traditional GDP, which dates from the 1930s, is based on the wealth of a nation, not taking into consideration variables that could better reflect the well-being of a country's population.

Bhutan, a small kingdom in the Himalayas, created in the 1970s a **new methodology to measure the level of development known as Gross Internal Happiness (GIH)**.

The GIH measures quality of life based on nine factors, among which are education and way of spending one's time.

There's also the Human Development Index (HDI) used by UNDP since the 1990s, which is based on life expectancy, level of education and GDP per capita. Brazil's HDI is ranked 84th among 187 nations.

During the Rio+20 Conference on Sustainable Development in June, the United Nations launched a new development indicator, which also takes the environment into consideration.

The **Inclusive Wealth Index (IWI)** compares data from 1990 to 2008 regarding economic performance, natural resources and human capital to determine whether a country's growth is sustainable. Twenty countries, accounting for 56% of the world's population and 72% of the world's GDP, were studied.

Brazil ranked fifth, behind leader China, Germany, France and Chile.

All these different studies are needed to measure a country's development, but "none of them is totally comprehensive," Cattani says.

"One index alone is not enough to cover the total number of factors included in the concept of development," Cattani adds.

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