SOCIAL POLICES AND FISCAL AUSTERITY

How social policies are affected by the austericide of the neoliberal agenda in Brazil and in the world

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PRESENTATION

The aim of this work is to contribute to the current debate in Brazil about social policies and the challenges posed for their sustainability and survival. In our view, this is a debate strongly influenced by the dispute of projects between liberal/neoliberal ideology and the idea of a project of nation in which the development is necessarily linked to citizen's social protection, based on values of solidarity[1].

This is a current debate in Brazil and throughout the world, evidenced by the current trends of Welfare States. This debate is also reflected in the choice to deal with the public deficit resulting from economic crisis by reducing social policies through spending cuts and limiting the policies' scope and coverage. This document will show that this choice prioritizes private groups of interest, jeopardizing the common and collective interest.

In this work, we argue that the debate is still open, different from what is advocated by those defending the hegemonic project of neoliberalism and fiscal austerity policies. In our point of view, there is a constant struggle throughout the development of societies, and there are consistent arguments to defend social and economic public policies towards a more solidary society, where the results of these policies strengthen the common interest of the population. These arguments are situated in the counter-hegemonic field and represent the challenges of dealing with the ultra-neoliberal project, with resistance and formulation of viable solutions.

In 1988, Brazil adopted universal social policies and was able to reduce the number of people living in extreme poverty, in addition to expanding the population's access to education, health, social security, sanitation and social assistance services. During the first decade of the 21st century, the proportion of Brazilians with formal employment also increased, which contributed to improving wages and workers' access to social security and to benefits such as employment insurance.

Despite these advances, the recipe for facing the economic crisis that has been widely implemented in Brazil and in several other countries of the world is the so-called fiscal austerity. As this document will show, the application of fiscal austerity limits the advances of universal social policies and can delay the countries' economic growth, drastically affecting the present and future of these societies.

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[1] This document was prepared by Fabiola Sulpino Vieira, Isabela Soares Santos, Carlos Ocké Reis and Paulo Henrique de Almeida Rodrigues, with contributions from IDISA (Institute of Applied Health Law), ABrES (Brazilian Association of Health Economy) and the regional chapters of Cebes (Brazilian Center for Health Studies), as well as contributions collected during the discussions of preliminary versions of this study. This work continues a partnership established between Cebes and the Oswaldo Cruz Foundation (Fiocruz) to strengthen the debate on social policies in the country, a partnership that has been gradually extended to other institutions, such as ABrES and Abrasco (Brazilian Association of Collective Health). The partnership started with the International Seminar "Recent trends of Welfare State", held in Rio de Janeiro in 2015, which generated the book "Social Risks and Policies in Brazil and in Europe: Convergences and Disagreements" published in early 2017 (http://cebes.org.br/biblioteca/politicas-e-riscos-sociais-no-brasil-e-na-europa-convergencias-e-divergencias/), both carried out by Cebes with the support of the German NGO 'Medico International'. From these events and from internal meetings in Cebes and in its regional chapters, as well as from meetings with partners from several other civil society organizations, it was possible to identify the need to prepare a seminal text that could subsidize the production of other materials and formats that can improve and disseminate the knowledge produced on the subject in defense of universal social policies. The text seeks to offer accessible content and language. The aim is to qualify the debate on the theme of social policies and fiscal austerity in civil society, between academic institutions and social movements. In this sense, the Executive Summary of this document intends to reach more readers, and we are grateful to Bruno Dias who prepared this summary.

CONTENT

EXECUTIVE SUMMARY

Neoliberalism is a set of economic and political formulations used as a recipe for nations from the 1970s. It was responsible for a great and articulated reorganization of the theoretical-practical formulations of capitalism, hegemonized by the financial-speculative part of the international bourgeoisie. From the oil crisis until the end of the 1990s, several international actors in several moments defended the postulates of neoliberalism. From 2008, a new moment of rising of the restrictive measures spread in Europe, under the mark of fiscal austerity. For some authors, austerity constitutes the ultimate manifestation of neoliberalism and, when applied, limits the progress achieved with universal social policies, which may delay the resumption of the countries' economic growth, drastically affecting the present and future of societies.

This is a current theme in Brazil and throughout the world, directly linked to debates on the role of the state. The contrast between egalitarians, who advocated for equal rights, and libertarians, who advocated for free will of individuals over collectives, begun in the eighteenth century. It was updated to the clash between welfarism and neoliberalism, putting the construction of the welfare states under attack.

The limit of natural resources, the end of a period of economic expansion, and the perception of the first impacts of technological advances in the world of labor, led to the first wave of state reforms in the late 1970s. The elements adopted by the liberal agenda were the stabilization of economies, public budget financialization and intervention in social policies. Along with these, there was a whole production of consensuses in various public spheres, aimed at reinforcing the idea of free market superiority, inefficiency of the state and the valorization of individualism.

At the time, Brazilian society was emerging from a military dictatorship that ruled the country for about 20 years. The mobilization of several political actors in the 1980s resulted in a joint effort that led to the promulgation of the Federal Constitution of 1988, which advocated a democratic welfare state with universal social rights. However, since the 1990s, the ideals of neoliberalism gradually gained strength in the country.

Privatization of strategic sectors such as telecommunications and mining, as well as reduction of social programs and actions of the state towards the poorest populations were said, at the time, to be a form of reducing public spending and responding to the "more differentiated and individualistic demands of the post-industrial society". From 2008, the general revival of neoliberal policies with the application of austerity measures in several countries insists on repeating a series of arguments that justify control over the growth of wages and the supply of public goods and services, without touching profits and capital dividends.

The deterioration in the living conditions of thousands of people in countries that have followed the neoliberal prescription requires the development form of state that focuses on guaranteeing the well-being of its populations without disregarding the challenges imposed by the macroeconomic and fiscal environment. The notion of social investment brings a counterpoint conjuncture to the liberal agenda and differs from the social protection policy modelling welfare states, since it does not limit public policies to a mere repair of damages from economic and personal crises. Social investment advances by focusing on the idea of investing in citizenship development, preparing public policies for the challenges arising from a globalized and competitive economy, which promotes risks and is marked by the incorporation of knowledge in the means of production. Some of the new social risks are the reduction of labor force due to technology, the consolidation of women's participation and the increased participation of elderly people in the labor market, as well as the growth of international competition. These risks were recognized as state responsibility by the European Union at the Lisbon European Council, held in 2000, and its conclusions have already been renewed twice.

It is increasingly evident that policies that produce social constraints are related to high levels of inequality, concentrating income and wealth in the richest niches of societies. In Brazil, such operation is evidenced when analyzing the "engine" of this scheme, the tax system. The tax structure of a country is progressive or regressive, according to the impact taxes have on the

income of the population. A progressive financing system will have a redistributive impact on the income of society, where the richer pay proportionately more than the poorer. In the regressive system, the structure of tax will result in concentration of wealth, penalizing proportionately those with less income.

The high taxation on the consumption of services and basic items, as well as the exemption of taxes on high consumption goods, inheritance, great fortunes and profits that are practiced historically in Brazil reflect in the average percentages of tax collection. While 54% of the income of families living with up to 02 minimum wages are spent on direct and indirect taxes, the percentage of the income spent in taxes by the families with income above 30 minimum wages is 29%. In addition, waiver of revenues by the state continue at very high levels, reaching an estimated amount of R$ 377.8 billion in 2016, while investment expenditures decreased by 57%, from R$ 87.2 billion in 2012 to R$ 37.3 billion in 2016.

The approval of Constitutional Amendment 95 (EC 95) in December 2016 highlights such options and contributes to the reduction of the government's capacity to bring about a faster recovery of economic growth. From 2017 to 2036, primary expenditures of the federal government are limited to approximately R$ 1.3 trillion, an amount to be corrected annually by the Broad National Consumer Price Index (IPCA). In practice, this means a freeze in the Federal primary expenditure in real terms for twenty years.

For the Brazilian public health system (SUS), the losses caused by EC 95 from 2017 to 2036 could vary from R$ 168 billion in values of 2016, considering an average annual GDP growth rate of 1% to R$ 738 billion, if considering an average annual GDP growth rate of 3%. For social assistance, up to R$ 868 billion can be withdrawn in twenty years, imposing a reduction of expenses in this area to lower than what was spent in 2006.

The adoption of the spending ceiling for primary expenditures directly affects the size of the state, reducing both the state's direct spending and its role as inductor of private investment. With economic growth resuming, the share of federal government primary spending in GDP will fall from around 20%, a rate registered in 2016, to a margin between 16% and 12% of GDP by 2036.

These findings reinforce the argument that, in Brazil, austerity is being used not only as a result of the implementation of neoliberalism (as is the case of European policies), but also to produce a profound reform of the state, changing what was established by the Federal Constitution of 1988

In the EU, bail-out plans and Troika's prescriptions for the region's most heavily indebted countries during the 2008 economic crisis, were identified as major threats to citizens' access to health services, especially the socio-economically vulnerable populations. Several studies provide scientific evidence linking the consequences of austerity to the worsening of individuals' living conditions, with the conclusion that crises can increase social inequalities and aggravate the population's health.

In the high-income OECD member states, the financial crisis of 2008 and the consequent loss of employment was associated with increasing mental health problems and the prevalence of depression and anxiety, especially among the unemployed. Other consequences were increased suicide rates, reduction in self-declaration of good state of health, increased non-communicable chronic diseases and some infectious diseases, worsened access to health services due to economic barriers and increased consumption of alcoholic beverages in high-risk groups.

Increased co-payment for the use of health services, closure of services, reduction of working hours and the workforce, and restriction of access to immigrants, homeless people and drug users were the negative impacts felt directly by the population that did not have their health care needs met in the post-2008 period.

In Brazil, the results of some macro social indicators demonstrate the effects of the economic crisis. In the second quarter of 2017, there was an unemployment rate of 13% of the national workforce, corresponding to 13.5 million individuals.

The increase in unemployment can have a significant impact on the number of insured lives

covered by corporate private health insurance (PHI), which is the main form of PHI contracted in the country. Considering all types of contracting, there is a decrease of 5% in the total number of insured lives as of June 2015, with a reduction of approximately 2.6 million contracts by June 2017. This may be the approximate number of people who then depend exclusively on SUS for health care, increasing demand in the public system in the short term.

Despite the short timeframe for carrying out robust analysis on the impacts of fiscal austerity measures on SUS and on the outcomes for the population's health, some indicators can be monitored to provide material for future studies. Public health actions and services (PHAS) indicate a reduction of 3.6% of total spending, going from R$ 257 to R $ 248 billion in real terms, between 2014 and 2016. The availability of beds in SUS per thousand population continues to show a downward trend, even when psychiatric beds are subtracted, recording an average annual decline of 1% between 2014 and 2017. The number of suicides has been on the rise since 2000, which may partly reflect the improvement of information and of the death registry in the Mortality Information System (MIS). The average annual rate of increase in the number of cases was 3% in the period from 2002 to 2015 and 1.4% in deaths per 100,000 population in the same period.

The beginning of the implementation of SUS coincided with the beginning of the financialization of the national public budget, accompanying a strong restriction in public policies in the social area. At the same time that positive references and constitutional guidelines were formulated, other negative references took place throughout the 29 years of the system's existence. These other references represent an effective development that diverts from the constitutional guidelines and favors a health system with high contracting of private services at low prices, exemptions to health care private operators and hospitals, management of public services by various entities and private structures, and implementation of focal and restrictive policies, including the definition of indicators and actions related to the model of universal coverage in health, recommended by international agencies and organizations.

The cause of greater waste of the resources allocated in SUS is structural to the State's policy, marked by the slowness of actions that keep the aggravation of avoidable diseases, even with the knowledge and technologies already available. This is reflected in indicators such as cervical cancer and the low priority of Primary Health Care, which could solve up to 90% of health needs at a significantly lower cost per unit, while respecting the right to a healthy life. Failure to follow protocols of preventive technical measures, failure to evaluate the effectiveness of the results in relation to costs and expenditures not compatible with the priorities defined in the planning approved by the health councils are other marks of this structural waste. This malfunction cannot and should not justify underfunding the public health system (SUS).

With all its problems, studies show that SUS is one of the most efficient public health systems in the world, able to include almost half of the population previously excluded and offer programs and actions with 1/6 of the public resources of the average per capita of the 15 countries with the best public systems.

Analysis of the effects of economic crises have shown that countries that have chosen to preserve and/or strengthen their universal social policies have not only been able to mitigate the effects of the economic crisis but also regained economic growth in the short term. Insisting with creativity and solidarity in the recovery of the consciousness of belonging to SUS and the notion of contribution to the construction of the system must be taken as an element of mobilization and convincing for the general improvement of both the health and economic frameworks of Brazil.

However, it is no longer enough to think of social policies in a residual fashion nor in the classic Keynesian welfare state model of the last century. The current times point to the challenge of building new social pacts around the collective fulfilment of fiscal goals; of reducing social inequalities; producing universal public policies and social rights, as well as economic development, which are a challenge magnified by the extensive and unusual social stratification and new working relationships in societies. This social stratification and new relationships require, more than the protection of individuals in times of economic or personal crisis, the provision of policies and tools capable of preparing citizens for the challenges posed in their life course.

When choosing fiscal austerity, the Brazilian State – as well as not preparing individuals to deal with the new dynamics of the labor market – compromises the minimum that it offered the population of a slightly more dignified life. The debate must consider the identification of the markers of inequality and point to the challenge of building new social pacts around the joint fulfilment of goals: fiscal, reduction of social inequalities, public policies of universal social rights and economic development. This challenge is imposed by the complexity of the extensive and unusual social stratification and new labor relations in today's societies.

The formulation of a nation-wide project for the health sector should bring large segments of the population such as the lower classes and the middle class, to fight for SUS. The population must be invited to collaborate in building collective struggle programs in defence of a SUS, contemplated in a project of universal social rights, so that people could have a desire to belong, which is necessary to defend the rights of citizenship, and SUS as a democratic project of society.

1. What are social policies and universal social policies?

Social rights and policies can cover society in different ways (more egalitarian or more restrictive), affecting, unequally, each citizen. The differences in how rights and social policies are organized in each country, whether for all, for some, or for specific groups, have their origins in the degree of solidarity that defines the values permeating that society, as well as in the relationship between citizens and the state, built throughout the history of each country.

Universal Social Policy

A universal social policy covers the whole population, i.e., its effects influence the entire population.

The most democratic and permeable state to the set of these social rights and policies, which continues today with more evident conditions of reproduction, is known as the welfare state.

Social Rights and Policies

Social rights are also known as citizenship rights. They are part of the idea of citizenship, on which Marshall (1967) elaborated a concept that became widely known. "Social" refers to the right of citizens to have access to a set of policies and services – such as health, education, and retirement – that can guarantee a minimum of well-being and dignity. The foundation of the concept is that the state recognizes that to achieve greater social equality, some of citizens' basic needs must be met through public policies, with an important role for social policies.

The development of citizenship rights has continued for the last four centuries. The first achievements in terms of civil rights, occurred throughout the seventeenth and eighteenth centuries. The beginning of the conquest and the establishment of the political rights occurred in the nineteenth century. Finally, social rights began to be established only in the twentieth century.

Social rights are the most recent and have developed effectively throughout the twentieth century, accompanied by great political and social tension, which could be seen, for instance, in Germany in the nineteenth century, and in Mexico and Russia in the early twentieth century, the first countries to implement broad social policies.

After World War I, European countries did the first advances in this direction, adopting the taxation of capital and implementing the first steps in social protection. After World War II, many countries started to adopt comprehensive systems of social protection for all or for a large part of their population. This was the case in England, which in its national reconstruction implemented the Beveridge Plan, which organized the National Health Service (NHS), the first public health system of universal access of the West, in addition to a wide public system of pension and social security.

Welfare State and welfarism

The most commonly used typology to distinguish the social protection systems developed by welfare states of capitalist countries is that by Esping-Andersen (1990). This typology organizes the models into three ideal types – the liberal, the conservative and the social democrat – which derive from different understandings of social law and correspond to the relations between the public and the private sector in the provision of services; to the degree of de-commodification of social goods and services; and to the social structure. Even with different forms of welfare states, when one says 'welfarism' it is to the social democrat model that they are referring. As Esping-Andersen's classification defines ideal types, the types they describe will not be identical to what is found in the reality of the welfare state models, which are developed over the years and in response to events in each country, where elements of different types coexist.

In the **liberal** regime the public assistance is residual and destined to the poorest. In this scheme market interests exert a strong influence on social and economic issues. The United States is a typical example of a country where the liberal regime has developed strongly. Australia and New Zealand as well, but with strong traces of European/English influence on public policies that make them different from the US. Note that the term "liberal" is used by Esping-Andersen to name a type of Welfare State.

The so-called **conservative** regime is based on the Bismarckian model of social insurance, where social protection is characterized by the high degree of participation of employers and aimed at a group of people organized into professional or income categories. The development of this regime was more intense in continental Europe, such as Austria, France, the Netherlands and Belgium.

The **social democrat** model is developed robustly in the Nordic countries, England and more recently in Portugal and Spain. It is based on values of solidarity and the benefits are basically provided by the State and destined to the entire population, being equally distributed regardless of the income or occupation of the citizen, constituting an inherent right of citizenship.

It is important to remember here that there is more than one definition for state. From the doctrines that emerged from the nineteenth century, Anarchism advocated total abolition of the state; Marxism, the destruction of the 'bourgeois state' by revolution, replacing it with a proletarian state (the dictatorship of the proletariat), at an intermediate stage (socialism), and, finally, the extinction of the state in the communist phase. As for Liberalism, the state needs to be reduced to a minimum size and to perform a minimum role in economic and social regulation. According to Bobbio et al. (1998), 'Dictionary of Politics', the definition of the contemporary state is complex and must consider the relationship between the state, rights and social issues: "Fundamental rights represent the traditional tutelage of bourgeois freedoms: personal, political and economic freedom. They constitute a dam against State intervention. On the contrary, social rights represent rights of participation in political power and in the distribution of social wealth produced. The form of the state thus oscillates between freedom and participation (E. Forsthoff, 1973). Moreover, while fundamental rights represent the guarantee of the status quo, social rights, on the other hand, are a priori unforeseeable. (...) If fundamental rights are the guarantee of a bourgeois society separated from the State, social rights, represent the way in which society enters the State, modifying the formal structure. From the second half of the nineteenth century, the fundamental change was the gradual integration of the political state with civil society, which eventually changed the legal form of the state, the processes of legitimation and the structure of administration" (Bobbio 1998: 401).

Several changes have taken place in social policies and in the social security systems of various countries since the end of the last century as a result of the questioning around the size and functions of the State and of the market in societies. It is important to remember, however, that this is not a movement exclusively of the end of the twentieth century. It is an old movement and it is based on old and new ideological currents about what is of public interest and under state management and what should be under the responsibility of the private sector. For Williams (2005) and Maynard (2005), in terms of ideas, the debate about these relations between state and market, between public and private, is supported by those who defend equal rights, the egalitarians, as opposed to those who support the right to free will of individuals, the libertarians. Nowadays, this discussion is commonly translated by what happens between Welfarism and neoliberalism. It is a debate that concerns all dimensions of society, such as social security and size and functions of the state.

2. What is neoliberalism and how does it affect social policies?

Several changes have led to the so-called "crisis" of the welfare state, which started in the 1970s and resulted in state reforms in the late 1970s and especially in the 1980s and 1990s. Those were changes in the context were the welfare state was developed, as shown by Esping-Andersen, when there were other values in place: "in today's globally integrated open economies (...) many of the assumptions that guided post-war welfare state construction in the advanced industrial world seem no longer to obtain" (Esping-Andersen, 1995: 73).

Although industrial transformation began shortly after the end of World War II, it was from the 1970s onwards, along with the economic crisis, that the impact of the increase in spending because of the technological advances began to be felt. The economic crisis that began in the 1970s – triggered by the oil crisis, especially after the second high-price in 1979 – exposed the resource limit as a problem for the economies of the countries. The impacts of the economic crisis have been many, such as rising rates of unemployment, the development of new, more flexible forms of employment, shorter working hours and telework. The increasing incorporation of women in the labor market demanded new structures to support family care and had repercussions on fertility rates. The aging of the population, associated with lower fertility, has contributed (and still contributes) strongly to the imbalance of the social security, which now raise concerns in terms of its sustainability. In addition, social and political pressures were made for changes in the sense of "a more human, rational and democratic use of resources" (Perrin, 1981 apud Draibe, 1988: 56). It is in this context that demands driven by exclusively individual values have, since then, been questioning the welfarism and gained strength. These changes were heavily used to support proposals from scholars and practitioners in the field of economy with ideas to address public deficits and inflation in several countries.

Liberalism and neoliberalism

Liberalism became strong especially in the United States and in England, with new features. The term neoliberalism began to be used in the 1930s but appeared strongly decades later, especially since the 1980s, in projects run by advocates of the policies put forward by Ronald Reagan's government (Reaganomics), and the UK's Prime Minister Margaret Thatcher, both adopting similar currents of non-intervention of the state in the market.

The ideas that investment in generous social security implies lower economic growth and decrease in job supply, and that the state tends to be less efficient than the market, are disseminated and gain strength.

The paradigm of neoliberalism can be organized in three pillars that support proposals of (a) privatization, for the idea of "free market superiority as an efficient resource allocation mechanism"; (b) individualism and (c) freedom, to the detriment of equality (Ugá and Marques, 2005: 196).

In the second half of the 1980s, the liberal agenda elaborated to carry out the macroeconomic adjustment was implemented (which is here called neoliberalism). Its central pillar was to stabilize economies and intervene in social policies, taken as an adjustment tool (Ugá, 1997). It was in this decade that many of the socialist governments began to fall and the models of society they had built up were dismantled. Part of this movement was the Washington Consensus, in the early 1990s.

The Washington Consensus is part of the choice of the principles of liberalism (already called neoliberalism) in order to respond to the oil crisis of the 1970s. It was an initiative formulated by representatives of hegemonic capital from the speculative financial business, originated in core capitalist countries by their organic intellectuals and strategists. The assumptions of the Washington Consensus were: a) granting autonomy to the Central Banks to establish interest rates and other public debt's services, whose amounts clearly are not applied to revenues from austerity in public spending; b) considering infrastructure for development and social rights as

primary public expenditures. Expenditure of this nature is defined by the advocates of the Washington Consensus as uncontrollable wasteful vocation and object of unappealable austerity interventions, c) considering primary deficit when primary expenditure exceeds primary revenue or when the total reduced expenditure on interest and debt's services exceeds the value of the difference between total revenues less financial revenues; and d) disseminating the idea that welfare state/Welfarism is the greatest threat to the development of nations.

The Washington Consensus made explicit the imperatives of the financialization of public budgets. Their strategies were applied differently in each country, according to each countries' degree of development and geopolitical importance. For example, the degree of autonomy that was presented to central banks of the United States and Brazil was not the same.

The propagation of these neo-liberal ideas generated less confidence in the state's management capacity and, as a consequence, the belief in individual values and market solutions was corroborated. The assumption is that it is necessary to reform the state in order to overcome its managerial deficiencies, removing from the state the operation of services and submit this operation to competition among private entities. The efficiency and scope of the activities related to the welfare state are questioned and the individual and individual freedom are overvalued.

In 1984, Brazil was emerging from 20 years of violent dictatorship. Society had been deprived from participating in a project of nation, the Legislative had been deprived of its historical condition as a "sounding board of society", and the judiciary had been deprived of its role as a guarantor of the rule of law. While it was possible to gather enough forces to enact the 1988 Brazilian Federal Constitution (known as the "Citizen Constitution") that promoted a democratic welfare state with universal social rights, the ideas of neoliberalism were gradually gaining strength in Brazil, especially since the 1990s. Proposals to privatize social programs and reduce state social actions to the poorest populations are commonly presented as a solution to the need to reduce public spending and in response to the "more differentiated and individualistic demands of post-industrial society" (Esping-Andersen, 1995:106).

With the diffusion of the neoliberal agenda, "the motto becomes the reduction of the state's 'welfarian' activities, (...) considered as elements to stimulate the lack of individual responsibility, besides being seen as the great financial burden carried by the economic productive sector" (Ugá and Marques, 2005:197).

With the broad debates and approval of the Federal Constitution, especially the section concerning the "Social Order", it is possible to observe that the project of a Brazilian social democrat welfare state gained strength. Simultaneously, however, the great globalized capital and its organic intellectuals and Brazilian strategists joined with the traditional Brazilian oligarchies and formed an architecture to favor their interests, a unique architecture in order to exercise the republican powers after the dictatorship. In this context, the executive branch at the federal level was able to maintain and adapt its strategic power in terms of proposing legislation. Exercised during the 20 years of the dictatorship by means of institutional acts and decrees, from the 90's the executive branch's activity proposing legislation was conducted by means of Projects for Constitutional Amendment (PEC) and Provisional Measures. The legislative branch, in turn, expanded and consolidated its executive prerogatives by means of recommending names for executive positions in Ministries, state-owned or controlled companies, as well as executive positions responsible for managing government expenditures and to launch and control large contracts and their extensions. This executive prerogatives of the legislative branch were used in exchange for securing a majority in the National Congress in order to approve projects of the incumbents' interest. The legislative thus abdicated from its role of being a "sounding board of society as a whole".

This perversion of the republican responsibilities of the executive and legislative branches would not survive without the interest and control of large capital through overcharged mega contracts, with part of the resources then invested in the global capital market, with a small fraction designated to finance huge electoral campaigns using slush funds (non-accounted cash flow of a campaign – denominated "*caixa 2"* – and payment of bribes – "*caixa 3"*) (Santos, 2017). This

‘mafia’ triangulation in the pillars of the Brazilian state has been developing for almost 3 decades under the conjunctural narratives of each post-constitutional party coalition of the “Brazilian coalition presidentialism”.

It is important to highlight the strategic and leading role of the Central Bank, the Ministry of Finance, the Ministry of Planning, Budget and Management and the Office of the Chief of Staff over other Ministries, especially over the Ministries that plan and execute policies to guarantee social rights. Throughout this complex process of ‘capturing the state’, the judiciary and the Public Prosecutor’s Office (called Public Ministry in Brazil, or MP) had their initial reaction nuanced by omissions and articulations in face of the incumbent government’s coalition in the exercise of the executive and legislative powers. Starting slowly, they investigated the scandal known as “dwarves of the national budget” in the 1990s until the current stage of the “car-wash” operation, including other operations such as “Satiagraha”, “Sand Castle”, “Zealots”, “Pandora’s Box”, all of these operations involving bribery, corruption, money laundry and other crimes involving politicians. More recently, within the Judiciary and the MP, important demonstrations of care for the rule of law in defense of the 1988 Constitution, reflecting in the Federal Police that has expanded its actions investigating all cases regardless of the political party coalitions and revealing to society the embezzlement of public resources as well as exposing the modus operandi of the government and of society’s representation.

In the current context, both the judiciary and MP face limits in their action in terms of the autonomy between legislative, executive and judiciary branches. Therefore, it is up to organized civil society and social movements to take on the historic challenge of recovering the Republican Democratic State, based on the rule of law.

It is important to emphasize that the context of the neoliberal agenda has made it imperative to develop policies that do not ignore the challenges imposed by the macroeconomic and fiscal conjuncture of the states, but that focus on guaranteeing the well-being of their populations under a logic of social investment, whereas in the last 10 years the influence of the neoliberal agenda has become even stronger, as a guide for the implementation of austerity policies.

3. What is social investment?

At the end of the 1990s, the notion of social investment emerged forcefully as one of the ways of counteracting the neoliberal ideas about the welfare state, ideas that had gained prominence in the 1980s. During the 1980s, the assumption was that there was no longer space for an idea of a passive welfare state as the one of the Keynesian post-war, in which the state focuses its action on repairing damages resulted from economic or personal crises (Hemerijck, 2017).

In order to illustrate the different perspectives on the role of the state in relation to the social issues, Figure 1 summarizes the social and economic contexts and the objectives of social policies according to some streams of thought.

FIGURE 1
Contexts and objectives of social policies according to some of the currents of thought.

CONTEXTS		**POLICY OBJECTIVES**
Opposition to neoliberal ideas about the welfare state and recognition that there is no space to think about a passive welfare state such as the Keynesian post-war one, where the state focuses its action on repairing damages caused by personal and economic crises.	1990s – Social investment policy	Preparing individuals, families and societies to face new social risks
Oil crisis and high inflation. Criticism toward the Keynesian welfare state, considered excessively generous and a great barrier to economic growth and competitiveness	1970s – Neoliberal policy	Increasing market solutions, reducing state and public spending and focalizing policies
Large scale economic depression at the end of the 1920s and extreme poverty. The state starts to provide for needs that were not provided by the market. The result was the state-provider of Keynes-Beveridge or Keynes-Bismark, in which governments started to adopt policies to promote full employment and organize social provision to necessities markets and families were not able to provide	1930s – Keynesian policy	Promoting well-being and promoting economy through state's intervention. There is the assumption that individuals are granted social rights and the state provides public goods and services

Sources: Elaborated by the authors based on the works by Taylor-Gooby (2004) and Hemerijck (2017).

Why was the transition from Keynesian welfare state to this new method necessary? According to Taylor-Gooby (2004), between the 1950s and 1970s, the main objective of the welfare state in an industrial society was to meet the needs of the population that were not guaranteed by the market, in two situations: a) retirement, unemployment, sickness or disability; and b) incompatibility between income and the needs of people during the life cycle, such as adoption, or even in cases where the state provision is desirable, since the costs of private provision are very high, such as health services and education. During this period, social assistance was primarily the responsibility of families.

There were many changes in the typical post-industrial society. One is that the rate of economic growth is lower and uncertain. In addition, technological advances have drastically reduced the need for large-scale labor, creating difficulties for the maintenance of employment, especially for low-skilled workers, while increasing international competition with globalization has led to greater flexibilization of the job market. Added to this complex context is the fact that

women have reached higher levels of schooling and employment, which has contributed to the increased pressure on families for unpaid care that had hitherto been their responsibility. Still, according to Taylor-Gooby, these changes have resulted in new social risks and the need to include items on the welfare state agenda.

Chiodi (2015) highlights other processes and challenges of post-industrial societies for the state. The author mentions a larger flow of entrance and exit of people in the labor market, the precariousness of work for young people and the obsolescence or lack of work skills. In addition, Chiodi (2015) stresses the existence of new social realities such as the aging of the population (with increasing demands for care services); the demand for quality services; changes in the family pattern (with the incorporation of women into the labor market); structural unemployment; and the lack of social protection for specific groups, with little contributory history in the labor market (young people, immigrants and women).

New social risks

These are the risks people face in their life course as a result of economic and social changes associated with the transition from an industrial society to a post-industrial society, where technological developments imply less stability and less use of the workforce in industry, with implications for job security of low and unskilled workers, as well as for the structure of social classes and for political interests. This transition was intensified from the 1970s (Taylor-Gooby, 2004).

Four processes were identified as the main determinants of social risks: 1) high number of women entering the labor market (paid work); 2) an increase in the absolute and relative number of elderly people requiring social assistance and affecting the traditional system of social security and health services; 3) changes in the labor market, narrowing the relationship between education and employment, with major implications for low-skilled workers; and (4) expansion of private services, which may generate new risks when citizens-consumers make unsatisfactory choices to meet their needs and when regulation of private services is not effective (Taylor-Gooby, 2004).

We emphasize that our classic social stratification by levels of income has been increasingly fragmented and fragilized under the liberal aegis, with more individuals and legal entities acting as freelancers or employees, with flexible salary, multipurpose work, digital economy, digital work, human capital, partnerships, online work, production cells, outsourcing, subcontractors, informal work, flexible, collaborative networks, etc. More and more jobs are performed during leisure time, in call centers, telemarketing, etc., all under the pressure of "Entrepreneurship", underemployment, unemployment, occupational accidents, depression, aggression, etc., which make the challenge of reintegrating citizens into the labor market immense.

Alvaro Linera (2013) analyzes a diffuse proletarianization among professors, researchers, analysts, scientists, freelancers, micro and medium entrepreneurs, among others, and points out that globalized neoliberal accumulation has surpassed the traditional extraction of surplus value from production, expanding this extraction to the great majority of society. How to analyze and direct this pulverized accumulation to new and modern labor relations and social protection?

The social investment paradigm was initially developed in Denmark in the 1980s, while the country was fighting poverty through specific policies linked to universal social policies. The social investment paradigm, inspired the European Union (EU) social agreement obtained in the Lisbon summit in 2000. Awareness of the new social risks motivated EU countries to discuss a shared social agenda, aiming at the future convergence of social policies in their territory, considering the transit of workers between countries (Rodrigues and Santos, 2017). At this summit, the countries sought to confront these new social risks together within the framework of social democratic policies based on social rights and to clearly reject the liberal model of dealing with social issues (Esping-Andersen, 2002; Hemerijck, 2013).

The commitment reached in 2000 was registered in the document known as the Lisbon Agenda or Lisbon Strategy, which has since been repactuated for 2010 and 2020. On the subject

of employment, economic reform and social cohesion, the transformations caused by globalization and the new knowledge-based economy were recognized. The following strategic objectives have been defined within the framework of social policy: i) to educate and train people for life and work in the knowledge society; (ii) to generate more and better jobs for Europe through the development of an active employment policy; iii) modernize social protection; and (iv) promoting social inclusion (European Council, 2000).

Social investment policy

It is planned and defined as the offer of welfare with the objective of preparing individuals, families and societies in order to face new social risks, without ignoring the guidelines of universal policies implemented by the welfare state (Hemerijck, 2017).

The understanding that a new welfare state was needed is gaining ground in a context where it is possible to identify new social risks arising from long-term and youth unemployment, insufficient social security coverage, poor job security and working poverty, family instability and unsatisfactory conciliation between work and care (Bonoli, 2013, apud Hemerijck, 2017). In this context, it is not enough to protect individuals in times of difficulty, but rather to think about solutions to social issues over a longer time horizon, while ensuring the sustainability of the welfare state. Against this backdrop, arises the proposal of social investment.

According to Hemerijck (2017), the justification for this change in the welfare state – as an alternative to the exhaustion of the Keynesian model and to neoliberal ideas for social protection – was reiterated by Esping-Andersen et al. (2002) in the book "Why do we need a new welfare state?" The authors present 03 reasons. The first is called the 'carrying capacity', which means that new solutions need to be created in order to generate more fiscal resources for the maintenance of the welfare state and for the implementation of more proactive and productive social policies. It is clear that, in this perspective, social policy is formulated with the objective of ensuring its compatibility with economic progress and the improvement of well-being. The State should seek, through its social policy interventions, to increase employment, to improve future general productivity, economic growth and prosperity in times of aging populations. This proposal is different from that advocated by neoliberals, who focus their policies on the number of beneficiaries of welfare programs, with spending restriction and limitation of access. At the same time, it is also a different proposal from the Third Way advocated by the World Bank and the International Labor Organization, which means the adoption of minimum income policies to replace social protection. In this sense, Hemerijck (2017) is criticized by Nolan (2013), who argues that "social investment is not a substitute for [social] protection, and that adequate protection of minimum income is a fundamental precondition for a strategy of effective social investment" (Hemerijck, 2017, p.33).

The second reason concerns safety over the life course. The idea is that the state needs to implement social policies from an integrated and multidimensional perspective because social risks change over time and public policies need to consider the dynamics of the life course, guaranteeing a redistributive bargain between citizens and the provision of well-being in the different stages and situations of their lives, for their education, retirement, health care, social assistance, family support, etc. The understanding of social policy limited to the redistributive notion and as protection for those who are in situations of social vulnerability is overcome by this more comprehensive vision. Here it is important to emphasize that from the perspective of social investment, policies to protect minimum income are not eliminated. Quite the opposite. They are considered fundamental requirements for an effective social investment strategy.

The third reason is related to the changing role of gender and family. The state must seek to achieve the following objectives: strengthening the welfare state's carrying capacity, reducing dependency on benefits and maintaining fertility rates for reproduction of the future workforce. With the changing role of women in the economy and the labor market, and considering its role in

the aging of societies and the development of children, the State needs to think of measures to support families in order to promote a balance between work and family life.

Hemerijck (2017) developed a social investment policy framework based on three interdependent and complementary welfare functions:

i) Flow: facilitating the flow of the contemporary labor market and transitions over the life course. It is aimed at the more efficient use of labor resources in order to ensure high market participation and reintegration of students into schools, as well as the unemployed, parents, mothers, older and disabled workers;

ii) Stock: raising the quality of the stock of human capital and capacities. It is linked to future productivity, to the improvement and maintenance of human capital, from childhood, through the whole process of lifelong learning; and

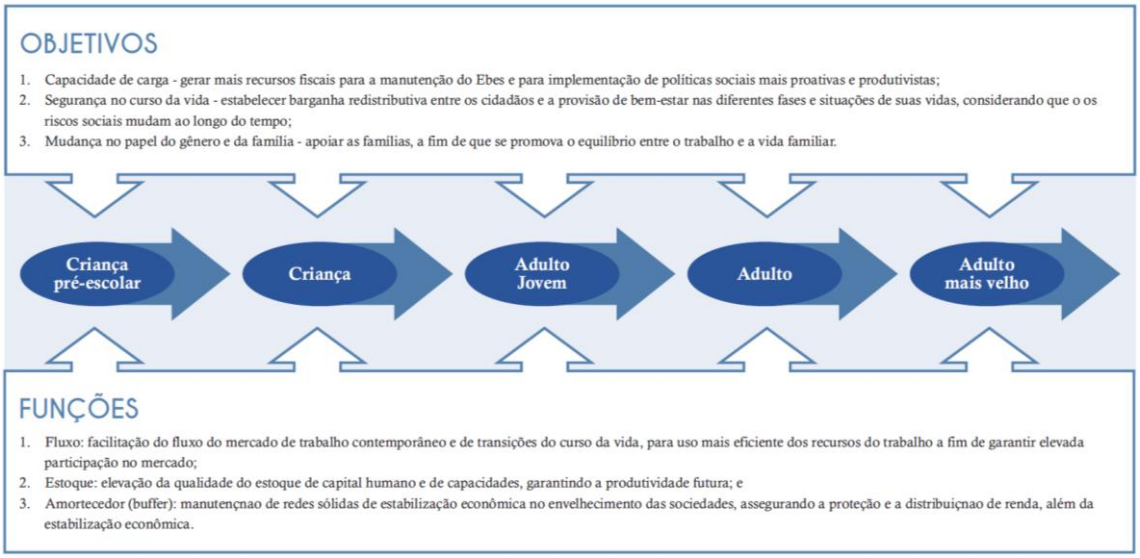
iii) Buffer: to maintain solid networks of economic stabilization in the aging of societies. This function aims to ensure the protection and distribution of income, in addition to economic stabilization, helping to reduce social inequality.

Figure 2 shows the objectives and functions of a social investment policy.

When it comes to life course, Hemerijck and Vydra (2017) highlight the complementarity between policies at each stage. For example, if policies are implemented to fight child poverty and the transmission of poverty between generations, a consequence will be that adults who benefited from the policy during childhood, will be less likely to receive benefits from policies that guarantee minimum income and from other policies related to social protection.

The objectives of the social investment policy differ from those of the social protection policy, since they are not limited to repairing the damages of the economic and personal crises for the individuals. The purpose of the social investment policy does not disregard that of social protection policy, but goes further, focusing on investing in people. It prepares them, above all, for the challenges arising from a globalized and competitive economy in a knowledge society, where technologies suppress the need for large contingents of labor. It involves the induction of personal development and the implementation of support mechanisms so that individuals of working age can remain in the labor market without the state's neglect of lifelong situations and stages of life that demand social protection.

FIGURE 2
Objectives and roles of the social investment policy.



Source: Elaborated by the authors based on Hmerijck (2017), Hemerijck and Vydra (2017) and Esping-Andersen (2002 apud Hemerijck, 2017)

In the EU, as already mentioned, states recognized the emergence of new social risks and the need to change the course of their social policies in the Lisbon Agenda in 2000. The Agenda

was subsequently reassessed and repactuated for the period 2010-2020 (Hemerijck, 2013, p.76). The renovation took place in the midst of an economic crisis, with a particularly strong impact in southern Europe. However, the economic crisis of 2008 was used as a motivation to change the course of social policies in several European countries, with important consequences for a significant part of the population. The word "austerity" gained momentum in the fiscal adjustment discourses of the lender institutions from regions that suffered with the economic crisis. It has been used by Troika – a cooperation between the European Central Bank, the International Monetary Fund and the European Commission – in order to negotiate credits with countries who are members of the EU, as well as with governments that decided to implement the policies according to the Troika recommendation.

Recent studies on social policies in the EU show the importance of maintaining welfare states based on universal social rights and also the need for social investment.

The reaction of the economic power expressed in the Troika was the use of neoliberal policies, including pressure to reduce social spending.

But, after all, what does austerity mean? What setbacks did the Troika impose on the European countries of the Mediterranean, what were the consequences and reactions? We will try to answer these questions in the next section.

4. What is austerity and what have its consequences been for societies?

According to Canterberry (2015), three definitions are attributed to the term austerity. The first refers to the severity or simplicity, severity of discipline, regime, expression or design. The second is about an economic measure, such as savings or self-denial, especially in relation to something that is considered a luxury. And the third is related to forced savings, as a government policy, with access or availability restricted to the consumption of goods.

Austerity

Observed from a philosophical perspective, austerity "seeks to transpose, without mediation, individual virtues (sobriety, parsimony, prudence) to the public sphere". From the economical point of view, "it is the policy of adjustment based on the reduction of public spending and of the state's role as promoter of economic growth and social welfare" (Pedro Rossi, Public Hearing CDH/SF, October 2017).

Fiscal austerity as a core of government policies is characterized by choices that demand great sacrifices from the population, either because they increase the tax burden or because of the implementation of measures that restrict the provision of public benefits, goods and services, as a result of expenditure cuts and/or structural reforms, significantly affecting the most vulnerable population.

Bastos (2017) criticizes the use of the term austerity and its moral value by neoliberalism. According to the author, in the logic of neoliberalism, competition is the market instrument that directs individuals to a rigid discipline of work, and companies to the pursuit of efficiency. In the neoliberal discourse, austerity has a different meaning from that considered fair in the field of private morality (where it is seen as virtue, since it is associated with the idea of restraint in desires, avoiding indebtedness and wasting resources merely to satiate caprices). Neoliberals use the term to justify moderation in the growth of wages and in the supply of public goods and services. The argument is that this moderation preserves the entrepreneurs' savings, which are necessary to generate jobs and to promote consumers' future well-being. However, this moderation does not apply to profits. Thus, in adopting these policies, neoliberals defend entrepreneurs more than consumers, and the proposed austerity is not that of those who consume more (the rich), but of workers and citizens who depend on public services, which increases social injustice.

The arguments of neoliberal discourse have also been denied by numerous and recognized scientific research and analysis, including Thomas Piketty's famous research published in 2013 and other recent studies. These analyses allow to infer that high levels of inequality are useful in order to maintain the richest niches in societies, and that arguments of the neoliberal narrative are built to support this status quo.

In addition, social spending can be seen as an investment toward a more just society. Professionals of the Institute for Applied Economic Research (Ipea) showed the importance of social spending as a kind of compensation for the Brazilian tax system, using data from the Family Budget Survey (POF/IBGE) of 2002/2003 and 2008/2009. Ipea's researchers show that the regression of the Brazilian tax system on the poorest "is counterbalanced by the progression in social spending, which is translated in services for the same poor population" (Gaiser and Ferreira, 2011). They found an increase in the income of the poorest after receiving benefits in the form of public financial expenditure (pensions, social security, unemployment insurance, continuous cash benefit programs, labor assistance), and expenses in kind (education and health).

According to Stiglitz (2017), austerity is the ultimate manifestation of neoliberalism engendered in the era of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom. These policies have weakened workers by weakening trade unions, as well as weakening the fight against cartels, opening the way for the formation of monopolies. The changes to the rules implemented in that period, based on a set of ideas that was called neoliberalism, contributed to the deceleration of the economy, the financialization of capital and the reluctance of companies to invest in long-term investment.

The central argument of Stiglitz (2017) about the relationship between government and market is around the need for a proper balance. When the economy is not going well, governments need to invest in human resources, technology and infrastructure to enable it, which is the opposite of the recipe of austerity applied in several European countries in the last decade. Stiglitz rejects the idea that state debt is similar to household debt (when an economic crisis requires the reduction of spending). The author makes it clear that when the government spends more and invests in the economy, job creation multiplies and public finances are strengthened. In this way, as the economy grows, the demand for social programs decreases. But austerity has the opposite effect. According to the author, austerity not only hurt economies, but it is a great obstacle for future growth as the reduction or lack of investment in young people will decrease the growth potential of human capital, in the same way that the reduction in investments governments should do in education, infrastructure, transportation, communications and enabling women to work, will reduce the supply of jobs. His argument is that this kind of government investment generates results that are better not only for society but also for the economy.

The limits of austerity for recovering the economy have already been recognized by high-positioned IMF-linked workers. According to a recent article by Ostry et al. (2016), existent neoliberals have contributed to increase social inequality and jeopardized a trajectory of durable economic growth. For the authors, austerity policies have costs for the social well-being and affect demand, increasing unemployment. There is strong evidence that inequality reduces the level and durability of economic growth, which indicates that the alleged positive results of such measures by reducing public debt, increasing confidence and private investment appear to have been exaggerated.

Some studies have demonstrated the multiplier effect of spending on social policies for the growth of Gross Domestic Product (GDP). For example, in an analysis of data from 25 European countries, including the United States and Japan, it has been found that spending on education and health has fiscal multipliers above three, which means that each monetary unit spent in these areas, results in three monetary units in the expected GDP growth (Stuckler and Basu, 2013).

In the Brazilian case, in a study carried out by researchers from the Institute of Applied Economic Research (Ipea), the GDP multiplier for health expenditure in Brazil was calculated at 1.7, i.e., for an increase in health expenditure of R$1.00, the expected GDP growth is of R$1.70. In the same study, the GDP multiplier for education spending was 1.85; for the conditioned cash transfer program "*Bolsa Família*" 1.44; the continuous cash benefit of the social security system 1.38; and the General Social Security System (1.23), resulting in a positive effect for the economy, as opposed to interest payments on public debt, which resulted in a multiplier of 0.71 (Abrahão et al., 2011).

Recently, in a new study on the subject, the findings of Orair et al. (2016) reinforce that state spending on certain policies is particularly important at a time of economic recession. According to these authors, the fiscal multipliers associated with investments, social benefits and personnel expenses during recessions are significant and larger than the unit (1.68, 1.51 and 1.33 respectively), different from the multiplier associated to with subsidies (0.60). The authors argue that the fact that the multiplier for subsidies and other expenditures of this nature is insignificant in any economic situation shows that the choice of fiscal policy in the period 2011-2014 in Brazil – characterized by the reduction of investments and expansion of subsidies – has been a bad choice and partly explains the economy's low response to government stimulus.

Brazilian inequality is strongly determined by the regressive tax system. The exponential concentration of income and wealth has its "engine" in the tax system, which is among the most regressive in the world.

Regressive tax system

The degree of progression or regression of tax systems can be measured from the redistributive effect that payments have on individuals' incomes. The Redistributive Effect allows to evaluate the disposable income of the people after they pay taxes, fees, contributions, by comparing their income before and after the payment. These payments can be direct to the tax collection authority or indirect, included in prices paid over consumption of products and services.

It is said that a country's tax structure is progressive or regressive after assessing the impact that the taxes have on the income of the population. A progressive financing system will have a redistributive impact on the income structure of society, which will make the richer pay proportionately more than the poorest; while a system of regressive financing will make the income of the society more concentrated, because the poorest pay, proportionately, more than the richer.

Medeiros and Pedro Souza (2016) studied the income taxes applied to individuals (Imposto de Renda de Pessoa Física – IRPF) and the National Household Sampling Survey (Pnad/IBGE) and identified that understanding how taxes apply to the richest extracts of society is crucial to explain the high inequality in Brazil between 2006 and 2012. At the same time, Piketty argues that reducing inequality requires a fairer tax system to (1) finance social policies and (2) reduce income concentration at the top of the pyramid (Piketty, 2017).

In terms of income, in the countries of the Organization for Economic Co-operation and Development (OECD), the IRPF/GDP (Personal Income Tax/Gross Domestic Product) ratio is above 8.5% with a maximum rate between 40% and 57%. In Brazil, this ration is between 2.7% and 27.5%. The richest 10% are on average taxed at 21%, while the poorest 10% are on average taxed at 32%. By 2013 the 40,000 richest (0.05% of the population) had 2/3 of their income exempt. The income of the richest 5% is the same as the remaining 95% of the population. As for wealth, that of the 06 largest billionaires is equivalent to the poorest half of the population (100 million citizens). As for the taxation on equity, its percentage in the tax burden is above 10% in the OECD countries and around 4% in Brazil.

As for profits and dividends, OECD countries are taxed between 20% and 40% and large fortunes between 2% and 5%, while in Brazil, profits and dividends as well as large fortunes, are all exempt. Private airplanes, boats and helicopters are exempt from taxes. In Brazil, exemptions by income level are from 9% to 1 to 3 minimum wages, 17% to 3 to 20 minimum wages and 66% above 80 minimum wages. Indirect taxes (on goods, services and others) penalize 3 times more the poorest part of the population.

The reflection of the regressive tax is the average collection of 54% of family income in the range up to 2 minimum wages and 29% of family income in the range above 30 minimum wages. As if this tax regression were not enough, there is a cumulative tax evasion estimated at R$ 500 billion, fueled by the official forgiveness and discounts on tax and interests over debts (called REFIS), which is negotiated almost twice a year since 2000, with the influence of the great capital in the Administrative Council of the Federal Revenue Agency (CARF) – also object of investigation by the federal police in the operation called "Zealots". In addition, there is an estimate of R$1.7 trillion of Brazilian resources in bank accounts in tax havens, as well as 230,000 Brazilian individuals investing a minimum of USD 1 million in the global financial market in 2015. It is important to mention the interest on the public debt – continuously growing – which consumed half of the Federal General Budget in 2016: R$ 720 billion.

Holders of the big capital and their senior executives concentrate the rent seeking of the Brazilian public debt: near 80% of the interest has been appropriated by 20 thousand families, led by the owners of great private banks. Despite the powerlessness feeling in the face of this dominant empire aimed at the destruction of the welfare state, it is important to consider that throughout its long history, the emergence of the welfare state overcame the first expression of this same dominant empire. The challenge to the civilizing process of recycling and expanding social values in relations between citizens, social sectors and nations, still remains. Luyendijk (2015) addresses

the financial market crises through the point of view of 200 senior executives and ex-executives from banks, investment funds and financial agencies, by collecting their anonymous testimonial between 2011 and 2013. According to the author, these crises are not only a result of the well-known insatiable greed of these people, but it is originated as a result of the core function of the system, which shapes the present and next generation of owners of the big capital and its senior executives. During the interviews, the respondents used expressions such as "we enrich ourselves by shredding customers and competitors" and "we play Russian roulette with other people's heads".

According to Linera (2013): "building new common sense for life, for common goods such as water, air, nature, access to work, knowledge, health, leisure, mobility, etc., where politics, beyond a correlation of forces and mobilization, is fundamentally the construction and achievement of common sense around agreements and connections through which public and common resources are exclusively allocated in the realization of the common goods". It is under this vision of 'politics' that the participation of the middle classes in today's Brazil must be understood and articulated in the construction of a new project of nation and society. The middle class corresponds to an important part of the population that has a large share of the national income, and which hangs between the poorest 50% (who own very little of the national income) and the richest 10% who hold more than half of the national income. It is strategic to conquer the values of this middle class, as well as the values of the poorer population, and to creatively insist on the real and potential advances of the population consciousness in terms of their universal social rights, result from constitutional public policies towards citizenship, bringing again to the agenda the constitutional debates of the 1980s.

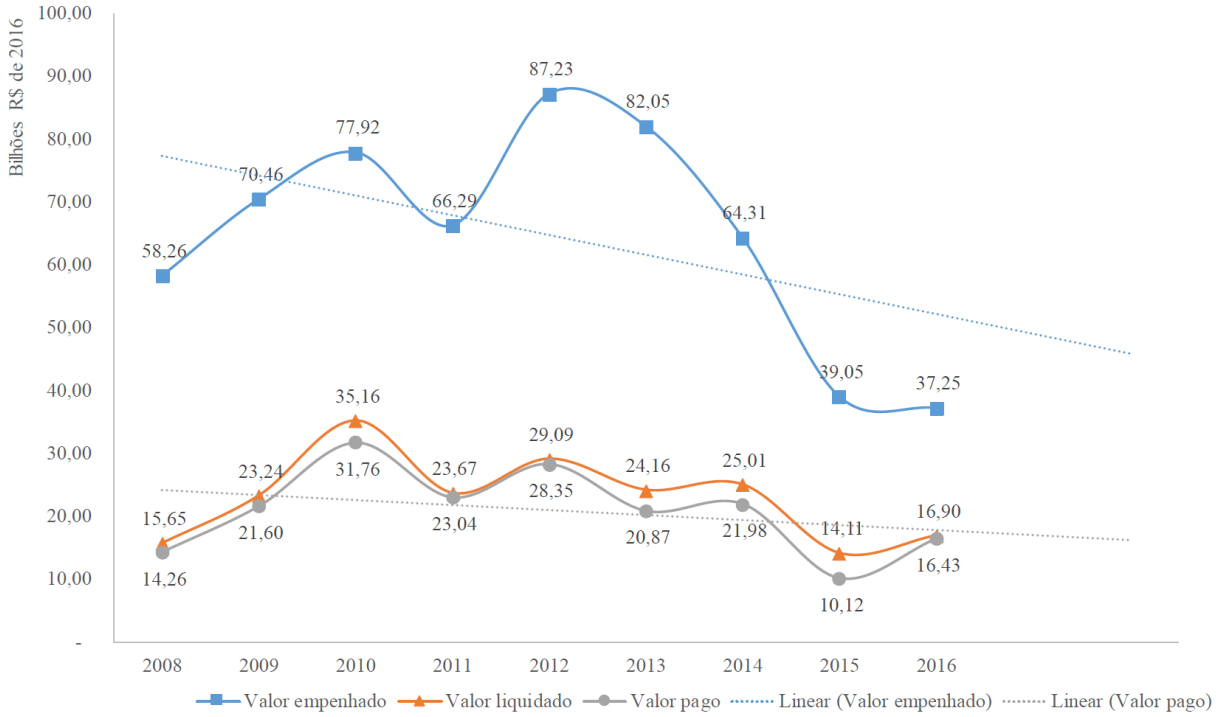
Despite the evidence presented, the Brazilian government's revenue waivers continue at very high levels. In order to have a dimension of the amounts involved in this practice, in 2016, waivers reached the estimated amount of R$ 377.8 billion, consisting of: R$ 213.1 billion of tax benefits and R$ 57.7 billion of tax and social security benefits, which are called tax expenditures, in addition to R$ 106.9 billion in financial and credit benefits (subsidies), which is only 0.8% less than the percentage found in 2015. Subsidy expenses refer to loans by financial institutions with their own resources or with resources from the National Treasury, with rates and terms more favorable than those practiced by the market, aimed at specific sectors in order to encourage their development (Tribunal de Contas da União, 2017). In addition, amid a major economic recession, the government made the option of fiscal austerity.

4.1. How is austerity being used in Brazil and the world and what are its effects?

Investment in Brazil and the Constitutional Amendment 95

Expenditure on committed investments by the Federal Executive Branch fell significantly between 2012 and 2016, from R$ 87.2 billion in the first year (adjusted to 2016 amount) to R$ 37.3 billion in the last one, with a reduction of 57% (figure 3). In relation to the paid amount, the decrease was 42% in the same period. In this case, it is better to take as reference the expenses paid because a good part of the expenses with investments ends up registered as remnants to pay, which have been rolled over during the last years.

FIGURE 3
Investments of the Federal Executive branch, 2008-2016.



Source: Siga Brasil. Grupo de Natureza de Despesa (GND 4). Deflated amounts using average IPCA

Another measure that reduces the government's capacity to bring about a faster recovery of economic growth was the approval in December 2016 of Constitutional Amendment 95 (EC 95), called the New Fiscal Regime, which establishes a spending ceiling for the Federal primary expenditures, failing to apply any limit to the financial expenses of the government (Brasil, 2016a). The amendment establishes that the primary expenditures of the federal government are limited, between 2017 and 2036, to approximately R$ 1,3 trillion to be corrected annually by the Broad Consumer Price Index (IPCA), which is the limit for payment of expenses in each financial year, including remnants to pay (Volpe et al., 2017). In practice, the Federal primary expenditure is frozen in real terms for 20 years.

Expenditure on health and education that had been earmarked as a percentage of the revenues, were frozen, with minimum spending regulated according to the primary expenses from 2018 on, so that the minimum amount will be corresponding to the minimum spending of the immediately preceding year adjusted by the IPCA. By 2017, minimum spending should be observed according to the rule of 15% of net current income for health and 18% of tax revenue for education.

Spending ceiling

Fixed amount designated for public policy expenditures financed by the federal government (called primary expenditures), will be adjusted only by the Broad Consumer Price Index (IPCA), annually from 2017 to 2036. This form of freezing in primary expenses (paid and remnants) was called the New Fiscal Regime and established through Constitutional Amendment Number 95, of 2016.

The minimum spending with health and education will also be frozen for twenty years in the same terms. The future revenue balance, because of the increased collection due to the resumption of economic growth, cannot be used to fund public policies, given the spending ceiling rule.

Scenario of economic growth → ↑ of revenue → Revenue grows and primary expenses remain frozen → ↑ Revenues – Frozen primary expenses = ↑ Balance → Additional resources cannot be used to fund in public policies, but may be used to pay financial expenses or may constitute monetary reserves.

It was argued during the course of the Proposal of Constitutional Amendment that gave rise to EC 95 (PEC 241 in the Chamber of Deputies and PEC 55 in the Federal Senate), that the proposed rule (which was approved) does not prevent that every year additional resources to the minimum spending are allocated in health and education. In fact, there is no legal impediment in this regard. However, the existing constraint is budgetary and imposes very strict limits each year. The estimated annual average vegetative growth of social security benefits will be 3.17% per year between 2017 and 2020 (Brasil, 2016b). Even if a pension reform is approved, its impacts will hardly be observed in the short or medium term, which means that pension benefits will grow over the next few years, gaining a larger share of the primary expenditure ceiling over the years.

What happens when spending in health and education are frozen?

As minimal spending in health and education will be frozen, two conclusions are obvious. First, the other areas of public policies such as social assistance, culture, housing, labor, transportation, public safety, research and development, among others, will have to compete for resources that will be reduced each year. Secondly, it is difficult in this context, given the budgetary constraints for the other areas, to allocate more resources to health and education beyond the minimum spending required by law (Vieira and Benevides, 2016a, 2016b).

The estimation on the impacts of passing the Constitutional Amendment 95 in terms of investment in health, in comparison with the previous legislation (EC 86 of 2015) shows that the EC 95 – in scenarios of economic growth – will result in a **reduction of spending in the national health system that varies from R$ 168 billion** (amount as in 2016) considering an average GDP annual growth of 1%, **to R$ 738 billion**, if considering an average GDP annual growth of 3%, by 2036 (Vieira and Benevides, 2016b). If the EC 95 was in force in the period 2003-2015, the accumulated reduction in spending in that period would reach R$ 135 billion (Funcia, 2016).

The implications of EC 95, were analyzed also for social assistance. The estimation shows that, when maintaining the estimated budget of the Ministry of Social and Agrarian Development (R$ 79 billion) the amount will not be sufficient to meet the responsibilities in terms of social protection, which would require R$ 85 billion. This means that, maintaining the estimated budget as established according to the new legislation, there is a reduction of 8% in resources for the area. It is a reduction that may reach 54% by 2036. **The reduction in spending in social assistance in twenty years may sum a total of R$ 868 billion** and the percentage in the participation of expenses for social assistance in the total expenses will reach lower levels than the observed in 2006 (0.89%), from 1.26% in 2015 to 0.70% in 2036 (Paiva et al, 2016).

Freezing of the minimum spending in health

With EC 95, the following rule applies to the minimum spending in public health services and actions:
- 2017 = 15% of net current revenue (RCL) for 2017 = minimum spending for 2017
- 2018 = basis of calculation is the amount paid in 2017 (which may be higher, equal to or less than 15%) adjusted by the annual variation of the IPCA
15% of the RCL of 2017 + IPCA (accumulated from July 2016 to June 2017) = minimum spending for 2018
- 2019 = minimum spending in 2018 + IPCA (accumulated from July 2017 to June 2018)
- ...
- 2036 = minimum spending in 2035 + IPCA (accumulated from July 2034 to June 2035).
According to the National Treasury Department, * the estimated RCL for 2017 is R$ 764.4 billion, which results in an estimated minimum spending in health of R$ 114.7 billion. Thus, under the EC 95, the minimum spending in health will be R$ 114.7 billion in values from 2017 to 2036.
* Statement of Net Current Revenue. Available at: http://www.tesouro.fazenda.gov.br/series-historicas. Accessed on 25 September 2017.

Another important issue that needs to be considered is how much the option for austerity in Brazil (especially with the adoption of the spending ceiling for primary expenditures) affects the size of the state through fiscal policy. In this case, it should be considered that one of the immediate practical effects of EC 95 with the resumption of economic growth will be the reduction of the share of primary expenditures of the federal government in GDP from about 20% in 2016 to about 16% to 12 % by 2026, depending on the performance of the economy (Forum 21 et al, 2016).

There is evidence that the option to cut investment spending is not a good policy choice at a time of economic recession, considering the fiscal multiplier of these expenditures for GDP as mentioned in the previous section. In other words, investments could help leverage the economy at the present time, but instead of maintaining or even increasing them, the option has been for the reduction.

Regarding the rigor of EC 95, Pires (2016) states that no government in the world has adopted a fiscal regime as strict as that chosen by the Brazilian government, even in countries with a fiscal imbalance worse than the Brazilian one. According to the author, only Japan has established a rule similar to EC 95, but it is a very different country from Brazil, since it does not show population growth and goes through a period of deflation. Pires (2016) says that most governments that have adopted limits for the growth of public spending have made the fiscal adjustment allowing growth of spending above inflation, either by explicitly defining the percentage of real growth in the rule or by establishing the rule for growth as a percentage of GDP.

These findings reinforce the argument that, in Brazil, austerity is being used not only as a result of the implementation of neoliberalism (as is the case of European policies), but also to produce a profound reform of the state, changing what was established by the Federal Constitution of 1988.

The EC 95 is a clear reform of the State made implicitly, as it was not revealed during the course of the proposal of Constitutional Amendment its real intention of reducing the share of primary expenditure in relation to GDP, which implies the reduction of the participation of the State. State in several public policies, including health and education policies, and it is necessary to change the Constitution (Vieira and Benevides, 2016b).

As well as this process of reducing the size of the state, by freezing primary expenditures of the federal government, there is the agenda of structural reforms such as the recently approved labor reform, and pension reform, which is being processed by the National Congress.

4.1.1. Social effects of economic crises and austerity in the world

During the economic crises of 2008 in the European Union, the financial bailout plans prescribed by the Troika to the most heavily indebted countries in the region are identified as a major threat to citizens' access to health services. The measures recommended by creditors such as cutting social spending and carrying out structural reforms in countries such as Greece, Ireland, Portugal, Cyprus and Spain have reduced the capacity of these states to respond effectively to the demand for public services (Kentikelenis, 2015). European countries that received loans from the International Monetary Fund (IMF) were more likely to adopt such measures, reducing their budgets for health. The reduction of government spending on social protection has been associated with increased poverty and inequality, with consequences for the population's health (Labonté and Stuckler, 2016). There is strong evidence on the negative effects of economic crises and austerity on individuals, especially on socioeconomically vulnerable populations. Based on the scientific literature, the consequences of crises and austerity on the population's social and health conditions can already be minimally related, and the conclusion is that crises can aggravate social problems, increase social inequalities and worsen the population's health. In addition, it is possible to conclude that fiscal austerity measures (reducing spending on social protection programs) aggravate the effects of the crisis on the health situation in particular and on social conditions more generally (Vieira, 2016). Figure 4 illustrates these connections, according to published studies on this matter.

FIGURE 4
Social effects of economic crises and austerity on the state of health and on the healthcare system.

<table>
<tr><td></td><td colspan="2">ECONOMIC CRISIS</td><td>FISCAL AUSTERITY MEASURES</td></tr>
<tr><td rowspan="2">Broad social effects</td><td>Increasing unemployment rate</td><td>Financial losses and increasing indebtedness</td><td>Reduction in spending in social protection policies</td></tr>
<tr><td>Job insecurity</td><td>Impoverishment
Increasing social inequalities, divorces and violence</td><td>Reduction in spending on health</td></tr>
<tr><td rowspan="2">Social effects related to health conditions</td><td rowspan="2">Worsening of mental health: increasing incidence and prevalence of anxiety, depression, stress, drug abuse (alcohol and other drugs)</td><td>Increasing suicide rates</td><td rowspan="2"></td></tr>
<tr><td>Worsening of the health conditions in general: increase of chronical and infectious diseases</td></tr>
<tr><td rowspan="2">Social effects for the health system</td><td></td><td>Reduction in the capacity of payment in cash and reduction in contracts with PHI</td><td></td></tr>
<tr><td>Increase in demand for public health services</td><td></td><td>Reduction in the capacity of response of the health system: access and quality of services</td></tr>
</table>

Source: Vieira, 2016.

In high-income OECD countries, the financial crisis of 2008 and the consequent increase in unemployment rates was associated with worsening mental health, increasing the prevalence of depression and anxiety, especially among the unemployed and those who have just lost their jobs. Other consequences of the economic recession identified by the researchers were increased suicide rates, reduction in self-declaration of good state of health, increased non communicable chronic diseases, and some infectious diseases, worsened access to health services due to economic barriers and increased of alcohol consumption in high-risk groups (i.e., people who are already consuming alcohol routinely and the unemployed) (Karanikolos, 2016). The recent economic crisis was considered a major stressor, with negative impacts on the health of workers and the general

population (Mucci et al, 2016).

The effect of negative financial events on mortality was assessed by Stuckler at al. (2009) for 26 European countries, with the conclusion that 1% increase in unemployment causes a rise of 0.79% in cases of suicide among the population under 65 years old. The authors attributed to the social protection system in Finland and Sweden the fact that although the unemployment rate in these countries increased, it was not accompanied by an increase in suicide cases, which reveals the importance of social programs to mitigate the effects of economic crises.

As for alcoholic beverage abuse, there is evidence that financial crises reduce consumption of alcoholic drinks in general, but the cases of alcohol abuse occurs in vulnerable social subgroups. The risk factors are associated to loss of employment and long-term unemployment, as well as preexisting susceptibilities such as mental illness (Dom et al., 2016).

Negative effects of the economic crises and austerity observed in the world

- carrying out structural reform
- unemployment
- government spending cuts with personnel
- reduction of government spending on social protection and social spending in general, with a reduction in health budgets
- closing of services, reduction of opening hours and of the workforce
- increase in poverty and inequality
- worsening social problems, increasing social inequalities and worsening social and health conditions
- institution and/or increase of co-payment for the use of health services, establishment of additional fees
- restriction of the right to access healthcare for certain population groups, such as immigrants, homeless people, drug users
- worsening of mental health,
- increased prevalence of depression and anxiety
- increased suicide rates, especially among the population under 65 years old
- reduction in self-declaration of good state of health
- increase in chronic non-communicable diseases and some infectious diseases
- increasing the difficulty of accessing health services due to economic barriers
- increased consumption of alcohol in high-risk groups (people who are already consuming alcohol routinely and unemployed); alcohol abuse in the most vulnerable social subgroups. Among the risk factors are loss of employment and long-term unemployment, as well as preexisting susceptibilities such as mental illness

In addition to the direct negative impacts of the economic crisis, austerity has been pointed out as responsible for the increase in the number of people in the EU who did not have their health care needs met post 2008. Among the measures adopted by governments, are increased co-payment for the use of health services, spending cutbacks (which lead to closing of services, reduction of opening hours and of the workforce), as well as reforms that restrict access to immigrants, homeless people and drug users (Reeves et al, 2015; Legido-Quigley et al., 2016; Lopez-Valcared and Barber, 2017).

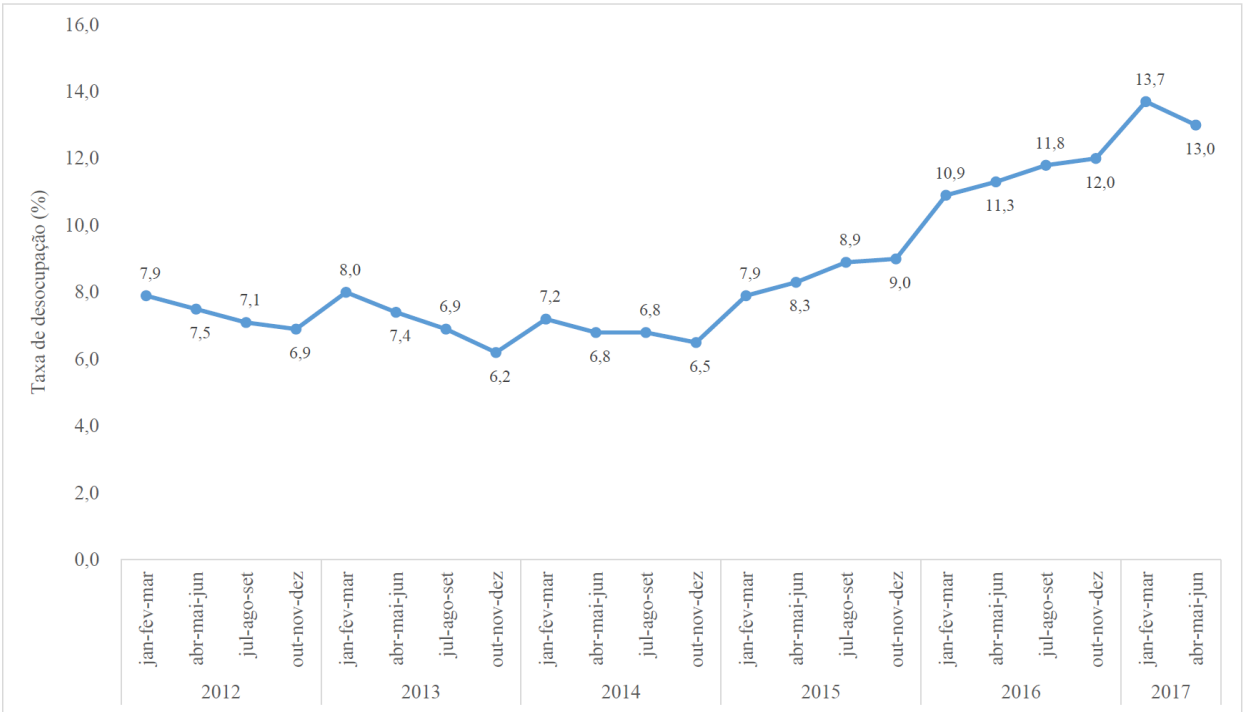
Reforms implemented by Germany, Spain, and England in their health systems followed the paths begun in the 1990s, with changes in the labor market, intensification of regulated competition, and separation between funding and service delivery. Although they had shared the objective of containing public spending and controlling the deficit, these countries adopted different policies. Spain, which was most affected by the recent crisis in 2008, has made significant budget cuts, increased co-payment, excluded coverage and cut expenses with personnel. In turn, England has promoted a deeper reform in its health system, reorganizing relations between funders and providers, clearly separating them. In addition, England reduced the managerial functions and opened the system for the participation of private providers. Germany, which did not suffer as severely with the impact of the crisis, froze employers' contributions, postponing the increase in the contribution for those insured by the social security system, and opened the possibility for the corporative bodies to charge additional fees in order to promote competition and reduce expenditures (Giovanella and Stegmüller, 2014).

As for the reforms carried out by the National Health Service (NHS) in England, the current diagnosis is that they have generated a more complex and fragmented system in terms of management, regulation and contracting. The system continues to be financed with public resources and access remains universal. However, deep marketing has been promoted in order to lead the population to purchase private health services. The intense commercialization and fragmentation of the system are resulting in inefficiencies, with administrative expenses increasing (from 6 to 15%). In addition, budget cuts have caused impairment of service quality, increased waiting time, and increased user dissatisfaction (Giovanella, 2016).

4.1.2. Social effects of economic crises and austerity in Brazil

In Brazil, some macro social indicators have clearly demonstrated the effects of the economic crisis. As shown in Figure 5, the percentage of unemployed persons was 13% in the second quarter of 2017. Considering that unemployment is among the main causes of worsening mental health in times of economic crisis and fiscal austerity, it is possible to have a sense of the magnitude of the problem. The unemployment rate, which is the percentage of people unemployed in a given week to the people in the workforce in this same week, increased from 6.9% in the fourth quarter of 2012, equivalent to 6.6 million people, to 13% in the second quarter of 2017, corresponding to 13.5 million individuals.

FIGURE 5
Percentage of unemployed people in comparison to the workforce, Brazil, 2012 – 2017.



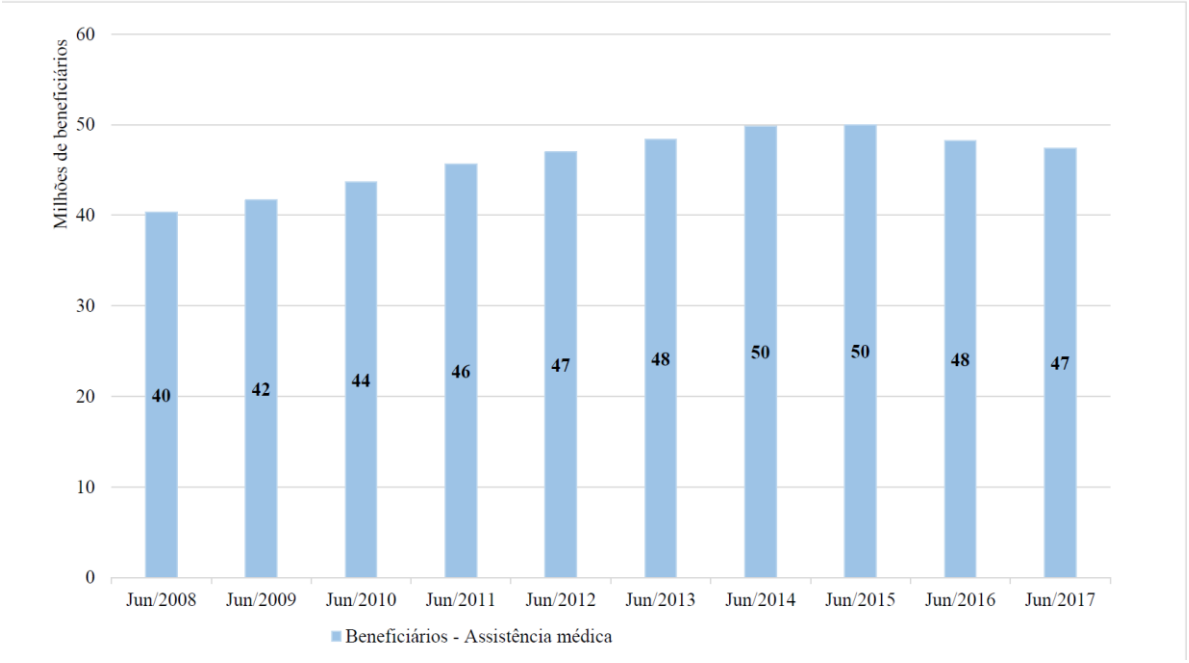
Source: Brazilian Institute of Geography and Statistics (IBGE), Coordination of Labor and Income, Continuous National Household Sample Survey.

Since in Brazil the main form of contracting private health insurance (PHI) is the corporate contract, the increase in unemployment can have a significant impact on the number of lives that are no longer covered by these PHI, pressuring the public health system. According to the National Agency of Supplementary Health of the Ministry of Health (MoH), these PHI accounted for 66.4% of the insured lives (with consultation, exams and hospital coverage) in March 2017. Considering all types of contracts, it was possible to observe a decrease of 5% of the total number of insured lives as of June 2015, with a reduction of approximately 2.6 million contracts by June 2017 (figure 6). This may be the approximate number of people who then depend exclusively on SUS for health

care, pressuring the system in the short term.

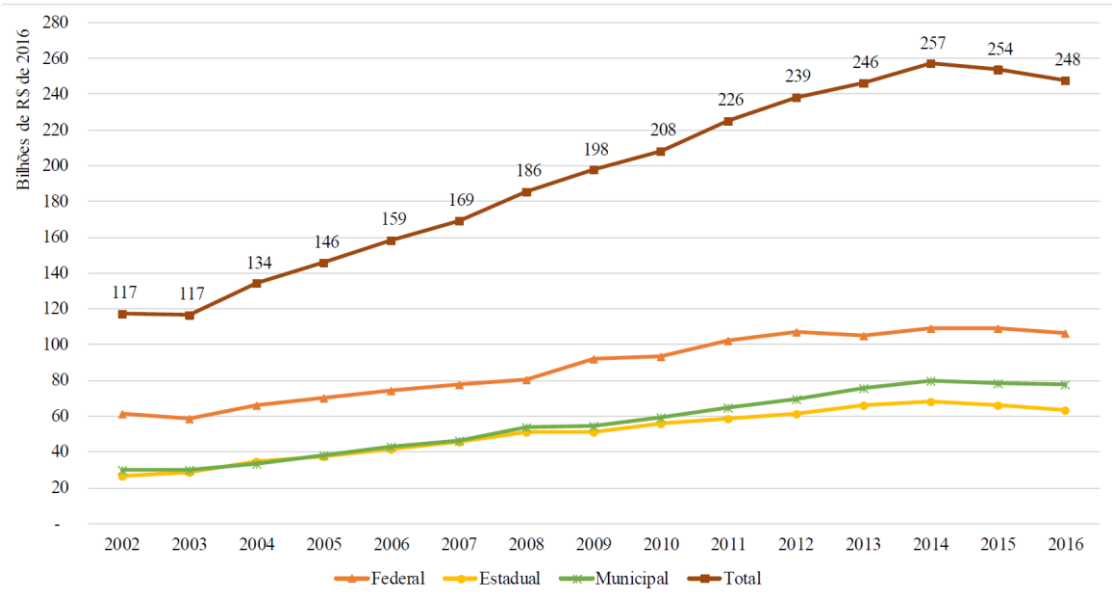
The time elapsed after the worsening of the economic crisis and the implementation of fiscal austerity measures is still short for robust analyzes based on aggregated data on possible impacts on the services of SUS and health outcomes. Some indicators that can be followed for this purpose in future studies are presented below. Figure 7 shows a 3.6% reduction in total spending on public health actions and services (PHAS), from R$ 257 to R$ 248 billion in real terms between 2014 and 2016.

FIGURE 6
Number of insured by PHI, Brazil, 2008 – 2017.



Source: Ministry of Health (MoH). National Agency of Supplementary Health (ANS/MoH).
Note: The term "insured" refers to the contract with the health plans, and it can include several contracts for the same individual.

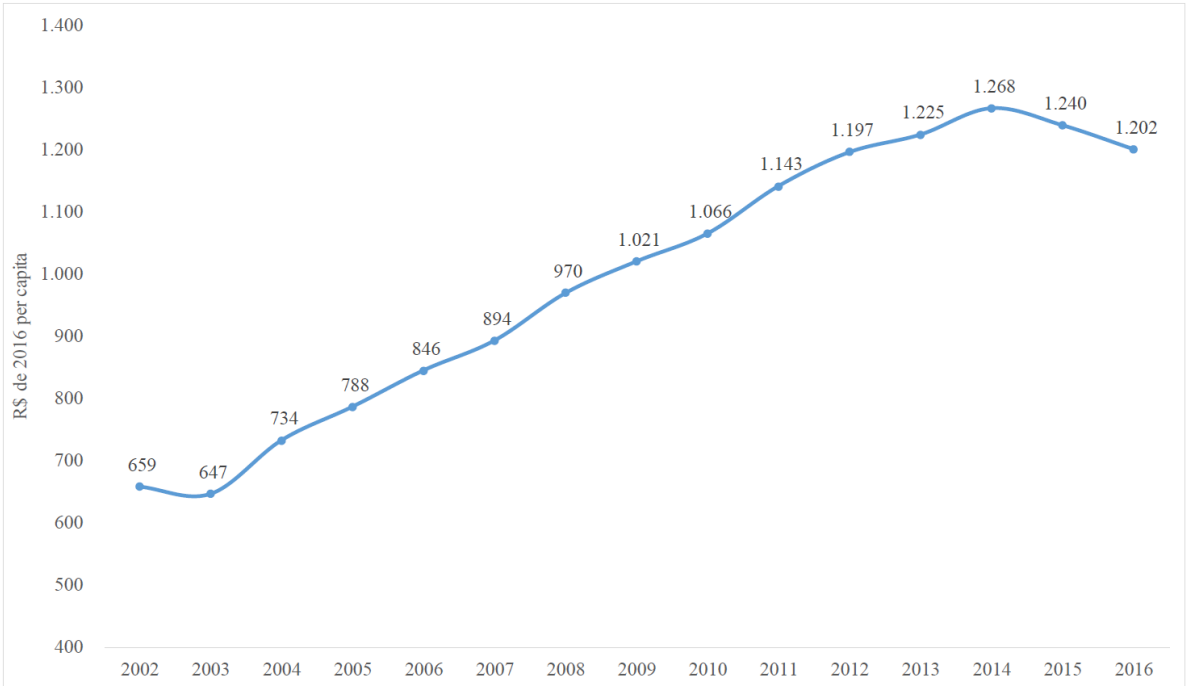
FIGURE 7
Spending with public health action and services (PHAS), Brazil, 2002 – 2016.



Source: Ministry of Health. Information System on Public Health Budget – Siops. Consultation conducted in 05 September 2017. Amounts deflated by average IPCA.

In per capita terms, the decrease in spending on PHAS was of 5% between 2014 and 2016. The average real growth rate of this spending in the period from 2004 to 2014 was 6.3% per year, with a reversal of this trend starting from 2014 on, with an average annual reduction of 2.6% thereafter (figure 8).

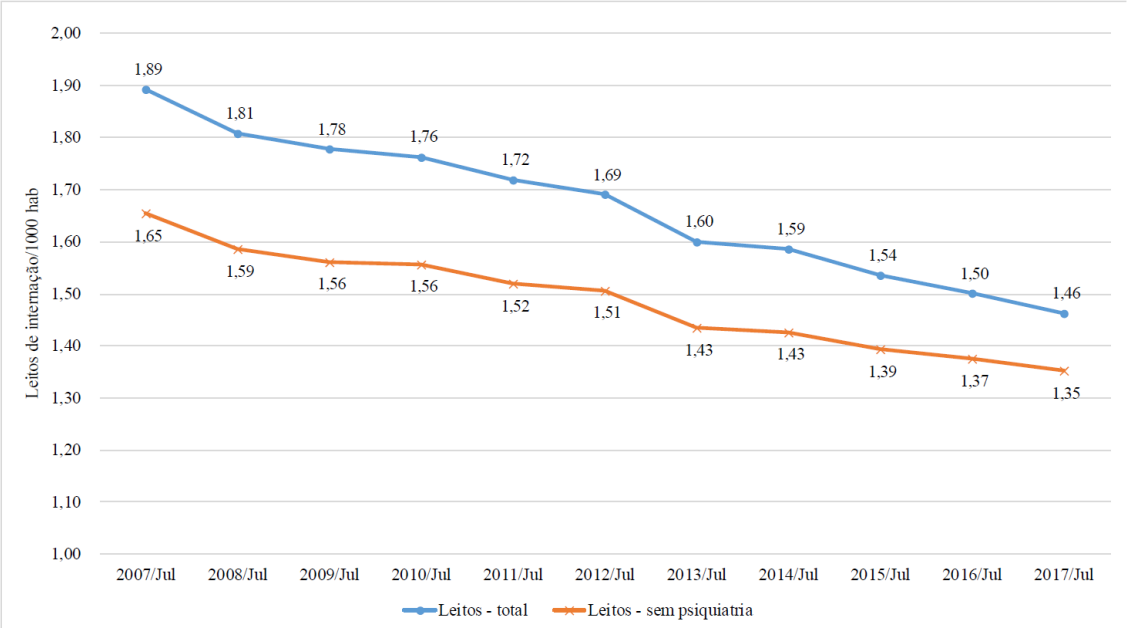
FIGURE 8
Total spending per capita with public health action and services (in all levels of government), Brazil, 2002 – 2016.



Source: Ministry of Health. Information System on Public Health Budget – Siops. Consultation conducted in 05 September 2017. Population estimated by Ripsa until 2012, by the Ministry of Health using RIPSA's methodology from 2013 to 2015 and by Brazilian Institute of Geography and Statistics (IBGE) for the Federal Court of Accounts (TCU) in 2016. Amounts deflated by average IPCA.

As for the number of beds, the availability of beds in SUS per thousand population was falling, and the downward trend continues, even when the psychiatric beds are subtracted (Figure 9). The average reduction in hospital beds, subtracted the psychiatric hospitalizations, was 0.72% in the period from 2007 to 2014. Since then, the reduction rate has increased, registering an average annual fall of 1% between 2014 and 2017, which may be a consequence of the decrease in total spending with PHAS.

FIGURE 9
Hospital beds per 1,000 population available for the SUS, Brazil, 2006 – 2017.



Source: Ministry of Health. National Register of Health Service Providers (CNES)

Regarding the statistics on suicide, the number of cases has been increasing since 2000 (figure 10), which may partly reflect the improvement of information and death registry in the Mortality Information System. As the data is not available for 2016, which is precisely the year of greatest impact of the economic recession in the recent period, an analysis on the possible effects of the crisis for this indicator is still not possible. The average annual growth rate in the number of cases was 3% in the period 2002 to 2015 and 1.4% in deaths per 100,000 population in the same period. Considering that cases may be more frequent among more socioeconomically vulnerable individuals – for example, the unemployed and people suffering from mental disorders – studies that evaluate the occurrence of this type of death by social groups are fundamental to investigating whether the effects of the economic crisis and of austerity measures on the increase of the suicide rates observed in other countries also occur in Brazil.

FIGURE 10
Mortality by voluntary self-inflicted injuries (suicide) in Brazil, 2000 – 2015

Source: Ministry of Health. Mortality Information System – MIS. Population estimated by the Brazilian Institute of Geography and Statistics (IBGE) for the Federal Court of Accounts (TCU)

The start of the Brazilian health system SUS, 29 years ago, coincided with the beginning of the financialization of the national public budget followed by a strong restriction in social public policies. It is important to note that for the construction of the health system, at the same time as the implementation of the positive referential and constitutional guidelines, five other negative referential points were also implemented. They were observed over the years of implementation and operation of SUS, and they are an effective deviant of the constitutional guidelines, not only separately but also together, demonstrating an intelligent strategic articulation.

The five negative referential points for SUS are: 1) because of the fiscal adjustment, the federal government reduced its participation in the system's financing, from 75% at the beginning of implementation to the current 45%. The municipal and state governments, together, had to finance the rest, increasing their contribution, therefore, from 25% to 55%. Public financing remains very low, between 3.5% and 3.9% of the GDP. In addition, the budget execution of the Ministry of Health is induced to commitment, authorization and payment contingencies, which result in annual losses in terms of non-compensated budget execution to the National Heath Fund, as occurs in other public funds; (2) because of the complementarity of contracted private services, provided for in the Constitution (where payment for production predominates), investment in public services has been reduced and has become minor and marginalized in the system. The same happened with human resources; 3) because of the freedom of operation for the private services provided for in the Constitution, the area of private provision became heavily subsidized by the federal government, including waiving fines for private companies operating health insurance, and by subsidized public loans in order to build private hospitals; 4) because of the free negotiation in labor contracts, the strong federal co-financing of PHI for workers in the public and private sectors, became the first currency of exchange in the negotiation tables, which detached organized workers and union structure of the vanguard of social struggles for public policies toward the guarantee of rights; and 5) because of the constitutional autonomy between the spheres of government, the federal government exacerbated the fragmented relationship with and between the other government levels, causing great damage to the implementation of the constitutional guideline of the 'Regionalization' and, consequently, of what should have been the new model of health care, linked to the articulated and synergistic implementation of the set of constitutional guidelines, which would have universal and high responsive primary care, coordinating the regional networks of integral care. Paradoxically, this exacerbated autonomy resulted in the acceptance of federal impositions for receiving hundreds of small federal financial transfers, negotiated and transferred one-to-one through bureaucratized processes, which, in turn, constituted an important form of loss of autonomy.

Any analysis of the construction of SUS in the country must consider that this has been taking place in the context of hegemony of the 5 referential points exposed above. We emphasize that, even under the inherited distortions of the previous model and the limits imposed by the hegemonic negative referential, the Brazilian national health system, SUS, included almost half of the previously excluded population and improved, qualified and expanded Basic Care, Psychosocial Care Centers (CAPS), Regional Centers for Workers Health (CEREST), the Mobile Emergency Response Service (SAMU), and it is also an international reference in Immunization against Communicable Diseases, Health Surveillance, HIV/AIDS control, blood banks and transplantation of tissues and organs .

It is worth considering that the five negative referential points occur but not with the objective of hindering and distorting SUS but more as a way to create another health system, which would be based on: a) reduction of public spending with health and fiscal austerity ; b) increased contracting of private health care services; c) institution of the co-payment of SUS users in the act of using the health service; d) management of public services by private entities; e) encouragement of low-cost private health insurance; f) establishment of indicators of "universal health coverage" where what matters is whether the entire population is covered by some kind of health service, regardless to whether it is under payment or if the services are able to solve the person's health

problem. The implementation of this alternative model of health care, which is currently being defended by international agencies as “Universal Health Coverage”, and has been implemented by some international and national organizations and entities with different strategies and formats depending on the development and geopolitical weight of each country.

The ‘resistance’ of SUS and the advances in the system, even with the presence of these 5 hegemonic negative referential points, is due to the hard work of a group of “SUS activists” over the 29 years of the system in Brazil. This resistance has been successful thanks to the majority of health workers, health advisors, decentralized managers, social movements and entities of the Brazilian Sanitary Reform Movement. Perhaps in those 29 years, the very consciousness or sense of belonging that was outlined in the structure of Unions and observed in the middle class of Brazilian society during the constitutional debates of the 1980s were discouraged. This is an important challenge for the “SUS activists” in the near future, to insist creatively and with solidarity on the recovery of the consciousness of belonging to SUS and contribution to its construction.

It is also necessary to investigate the implications of the economic crisis and fiscal austerity for other social policies, considering that with the implementation of the spending ceiling, the reduction of public spending will be more significant in areas such as social assistance, labor and income, culture, agrarian development and basic sanitation.

5. Policies that mitigate the negative social effects of economic crises

Analysis on the effects of economic crises have shown that countries that have chosen to preserve and/or strengthen universal social policies, avoiding the adoption of fiscal austerity measures, have not only been able to mitigate the effects of the economic crisis on the social conditions of the population, but also to resume the economic growth in a shorter time (Stuckler and Basu, 2013).

In their study covering 26 European countries, for example, Stuckler et al. (2009) showed that in Finland and Sweden the social protection system was the reason that the increasing unemployment rate was not accompanied by a higher rate of suicide. The study revealed the importance of social programs to mitigate the overall effects of economic crises.

The policies that have stood out in this sense involve the preservation of the countries' universal systems of social protection, especially the programs to reinsert individuals in the labor market, to support families, paternity and maternity, price control and availability of alcoholic drinks, debt relief and strengthening social capital (Wahlbeck and McDaid, 2012).

In the health systems, the recommendation is to use evidence in the decision making processes, in order to adopt more effective and efficient health interventions, to protect health spending so that the system can maintain the level of services; and to increase effectiveness and efficiency in health spending (World Health Organization, 2009).

In terms of SUS management, it is important to note that the greatest waste of allocated resources happens because of structural failures, related to the state policy which is slow and sometimes paralyzes the construction of the constitutional guidelines of the SUS model. These structural failures cause the incidence and aggravation of preventable diseases even with available health knowledge and technology. For example, mortality due to cervical cancer in Brazil is around 12.5/100,000 women, while in Canada, with early diagnosis and treatment, it is around 2.5/100,000.

In addition to mortality, the survival of people with this same pathology diagnosed and treated properly results in an average of 12 to 16 years of life after treatment in countries with good public health systems, whereas in Brazil it is only 2 to 4 years. The average wait for chemotherapy sections in the country was (a few years ago) more than 2 months, radiotherapy more than 4 months and half of oncological surgeries also had long waiting lists. In the capital of São Paulo, the waiting list for consultations of 15 medical specialties in 2013 were between 1 month and 1.5 years, and for 13 diagnostic exams, between 2 months and 2 years. The previous finding regarding cervical cancer occurs with other diseases, such as prostate cancer, hypertension (which predisposes to heart disease, stroke and renal failure), diabetes (also predisposes to heart disease, stroke and renal failure, including retinal damage), diseases in the musculoskeletal system, among others.

Primary care, which is made of preventive actions related to healthy life style, identification and mapping of risk situations, their prevention and early diagnosis and treatment, can solve up to 90% of health needs at a significantly lower unit cost, as well as respecting the right to a healthy life and to life itself. There is already enough knowledge and technology to map risk situations and the most exposed people in the population, to intervene promptly with preventive measures, diagnosis and early treatment, as well as computerization for a single health card for each citizen.

How does the implementation of these basic practices occur? How many citizens are aggravating their illnesses and dying unnecessarily daily in Brazil, even though there is knowledge and technology in basic and complex care already available?

Studies show that SUS is one of the most efficient public health systems in the world (Marinho et al 2012). With a per capita investment in health between 1/5 and 1/6 of the average per capita investment of the 15 countries with better public systems in the world, the Brazilian health system (SUS) was able to include the population, annually perform more than 3 billion basic public health actions, more than 2 billion specialized services including diagnosis support and

therapy, more than 11 million hospital admissions, not to mention all other actions and programs that do not result in direct assistance. However, from the perspective of social effectiveness, there was not much progress and this is mainly due to the avoidable actions caused by the permanence of the previous model with the five negative hegemonic referential points discussed above, with passive and late assistance to the demand. In addition, there is a serious problem of excessive prescriptions, requisitions, referrals, and hospitalizations that are avoidable or unnecessary, all of which are generated by the overload of demand for professionals and the interests of industry and suppliers of medicines and health equipment.

The ingenuity and/or misinformation about the causes of this structural waste in SUS – generated and maintained by dominant interests expressed in the five negative referential points reported before – only reinforces the mistaken reasoning that only good management would solve all SUS problems, as if adequate funding might be less important. For this reason, such a fallacy must be denounced and overcome.

It is important to emphasize another level of waste, at the municipal and state levels management and at the management of each service unit, which can be corrected immediately. It refers to waste caused by non-compliance with technical protocols for preventive, diagnostic and therapeutic technical measures, the deterioration of medication, absenteeism, non-compliance with schedules, failure to evaluate the effectiveness of the results in relation to costs, time to replenish human and material resources, expenditures not compatible with the priorities defined in the planning approved by the health councils, and even deviations (temporary or otherwise) in health funds, the lack of careers in public service, among others.

It is important to bear in mind that this level of waste, closely linked to bureaucratism, cartorialism, corporatism, and the extreme slowness of Brazilian public administration in the provision of services in the field of social rights, cannot and should not justify underfunding SUS. Restructuring and providing agility to the direct and indirect public administration require a high level of operational financing, much higher than the current one. On the other hand, the incessant effort to control waste from now on, broadens and strengthens the greater fight against the hegemonic referential points that have been preventing the implementation of the SUS model.

6. Final considerations

The current situation presents intense economic and political turmoil with serious consequences in the social area, which makes relevant the production of content to promote the discussions on the policy options adopted by the governments and their impacts for the well-being of the Brazilian population. As pointed out from the beginning of this document, although the challenges of facing the ultra-neoliberal hegemonic project are immense, we assume that it is possible to face, with resistance and formulation of projects for Brazil, the collapse of democracy and the destruction caused by the policies of austerity. The results of the studies presented throughout this text contribute largely to this confrontation.

The fiscal austerity that is currently being implemented in Brazil – through measures such as the freezing of primary expenditures, and the minimum spending on health and education (albeit in real terms) in addition to the implementation of structural reforms – represents the hegemony of the neoliberal perspective of cuts on the functioning of the economy and on the role of the State in the field of social policies. Although much scientific evidence demonstrates the negative impacts of fiscal austerity in times of economic crisis for the resumption of the economy, those who defend it continue to proclaim that fiscal austerity measures are necessary for this recovery regardless of the high social cost and the fact that the sustainability of the economic recovery itself is put in check, costs that have been particularly high for the most vulnerable social groups. Many scientific studies have shown the damaging effects of economic crises and austerity for the well-being of the general population and especially for populations in vulnerability.

Nowadays, changes in the labor market introduced by globalization, such as the increase in competition among countries, the rapid development and incorporation of technology into the productive process, and the expansion of women's entry into the labor market, are at the core of the new social risks. In order to face these new challenges, from the point of view of guaranteeing well-being to the population, it is not enough to think of social policies in a residual way or as a mechanism to protect individuals in times of economic or personal crisis. It is necessary to prepare the individuals to face this dynamic process in their life course.

This approach, known as social investment policy, recognizes both the limitations of Keynesian policies and of neoliberal policies. We emphasize that social investment is not intended to replace universal social protection, on the contrary, it presupposes that the high investment in this kind of protection must be maintained. Social investment policy actually adds some elements to universal social protection that in the European case have been discussed for a longer time than in Brazil due to the fact that Europe has coexisted for a longer time with the new social risks pointed out here.

When making the option for fiscal austerity in Brazil, with implications on social protection policies, the state does not prepare individuals to deal with the new dynamics of the current and future labor market (something that the state did not do before either), and it also ends up compromising the relief given to those who need it for a more dignified life. This is a subject that needs to be widely debated. After all, what society do we want? Is it even more unequal and unjust than the one we have today or a society based on values of solidarity and less inequality?

The debate must go through the identification of those who are interested in greater inequality. The studies of Piketty (2017) and Milanovic (2017) have shown that Brazil is one of the worst countries in the world in terms of inequality, behind only the countries of the Middle East and South Africa. And we know that inequality removes the principles necessary for democracy, worsening not only social injustice, but also increasing the risks of moral conservatism, racism, xenophobia, setbacks in already slow-moving agendas such as drug decriminalization, abortion, freedom in artistic thought, etc.

In this line of thought and searching, research, formulation and scientific and technical proposals have advanced based on evidence. These were well expressed in the previous sections, which prove the monumental mystification of the thesis of fiscal austerity focused exclusively on

public spending and basic social rights, science and technology and development, while the exponential accumulation and concentration of financial-speculative capital with financialization of public budgets remains liberalized and unlimited.

In addition, several analyzes, surveys and formulations, also well expressed in the previous sections, map the exhaustion of several pillars of the classic Keynesian welfare state of the last century, due to the inexorable globalization, with relativization of the weight of nation-states, for almost 3 decades' hostages of neo-liberal globalization. They point to the challenge of building new social pacts around the joint fulfillment of goals: fiscal, reduction of social inequalities, public policies of universal social rights and economic development, a challenge imposed by the complexity of the extensive and unusual social stratifications and new working relationships in today's societies.

Illustrating the challenge of new social pacts, we now have at the top of the social pyramids 1% to 2%, holding much more than half of the wealth of societies, controlling financial/speculative "resource draining", capital markets and broad media. What are the existent and possible national projects and global relations, formulations and agreements, considering the medium and short-term horizons? Looking at the weight of the hegemonic neoliberal structure that has been under construction for at least 3 decades, the counter-hegemonic process in formulation and construction will probably be in progress for decades and generations. This counter-hegemonic process, however, will run with strategies, mobilization, coverage and strength from now on, as if the deadlines were tight, focusing on effectiveness. Europe has produced the Lisbon Agenda, agreed and re-established in the last two decades by the European Union, pointing to the refoundation/modernization of the welfare state. In practice, until now, it also corresponds to a counter-hegemonic force in relation to the hegemony of the Troika. In the Scandinavian countries, formulations and alternatives to the welfare state and to the neoliberal hegemony are being developed. In Brazil, a strategic country for the hegemony of neoliberal globalization, both by the size of its population and by its GDP and importance in the southern hemisphere, the state remains captured by the triangulation formed by the great capital and the executive and legislative branches. Several counter-hegemonic initiatives, however, can be identified, such as the documents that result from an important nation-building project:

- "**Por um Brasil Justo e Democrático**" (Fundação Perseu Abramo, Plataforma de Política Social and other 5 institutions, September 2015). Available at http://plataformapoliticasocial.com.br/por-um-brasil-justo-e-democratico-2/
- "**A saúde para o Brasil que queremos**" (Cebes, May 2016). Available at http://cebes.org.br/site/wp-content/uploads/2016/05/Propostas_v2.pdf
- "**Manifesto Projeto Brasil Nação**" (Bresser Pereira, Eleonora de Lucena and others, April 2017. Available at http://www.bresserpereira.org.br/manifesto.asp ,
- "**A democracia que queremos**" (Inesc, April 2017). Available at http://cebes.org.br/site/wp-content/uploads/2017/06/Rel_PlataformaRP.pdf
- "**Plano Popular de Emergência**" (Frente Brasil Popular, May 2017). Available at http://frentebrasilpopular.org.br/acao/plano-popular-de-emergencia-5b24/
- "**Projeto Brasil Popular**" (BR Cidades, September 2017)
- "**Da democratização ao golpe: avanços e retrocessos na garantia do direito humano à alimentação e à nutrição adequadas no Brasil**" (FIAN Brasil, IBASE and FBSSAN, June 2017). Available at http://fianbrasil.org.br/baixe-o-informe- da-democratizacao-ao-golpe-avancos-e-retrocessos-na-garantia-do-dhana-no- brasil/

These are projects and propositions of important groups such as academia, non-governmental entities (such as ANFIP, DIEESE, etc.) or corporate entities (such as IEDI, ABIMAQ, Instituto Ethos, etc.), with the common characteristic of commitment to effective development without the hegemony of the financial-speculative system.

Together with the participation in this greater mobilization, the sectoral struggles such as the activism for SUS as part of the universal right to health, assume more consistent perspectives. In this sense and in our views, it is urgent to expand and strengthen the mobilization in the field of health, in an initiative that combines civil society, beginning with the entities of the Brazilian Health Reform Movement (CEBES, ABRASCO, ABrES, AMPASA, APSP, SBB, IDISA and others) and the State (CONASEMS, CONASS, Ministry of Helath and Health Councils). The formulation of a nationwide project for the health sector, should include the population of the poorest and middle classes, the young people, everyone in the construction of a program of popular struggle in defense of a Brazilian health system (SUS) that represents a project of universal social rights. This inclusiveness is crucial so that people will have the necessary sense of belonging in order to fight for rights and defend SUS as a democratic project of society.

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