

Authoritarian Governments and the Corrosion of the Social Protection Network in Brazil

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Abstract: What are the impacts of the austerity reforms on the social protection network and the legacy of Social Security, enshrined in the 1988 Constitution of Brazil? The hypothesis of this article is that Brazil's recent political economy demonstrates the antinomy between financial capitalism and representative mass democracy, which results in the corrosion of social protection policies and the regulation of capital/labor relations. The political economy is immunized against democratic grassroots pressure in a clear dispute over public funds and the growing commodification and deregulation of lucrative private activities in the social protection arena. This movement is favored by the existence of a political and electoral system that perpetuates the various conservative elites in a reactionary coalition that hinders the progress achieved in the expansion of citizenship and economic, cultural and social rights. Through national and international studies, as well as the analysis of political measures, we seek to justify this hypothesis.

Keywords: Constitution of 1988. Austerity Policies. Social Protection. Authoritarianism. Public Policy. Brazil.

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Introduction

Brazil has been undergoing an unprecedented process of destruction of its (incipient) welfare state. At the end of 2014 the Dilma Rousseff government succumbed to the pressures of the *epistemic communities of austerity* (financial market, big industries, monopoly media, large conservative mass media and orthodox economists) (PINHO, 2017a) and announced a finance minister aligned with austerity measures in order to bring about fiscal adjustment. With the end of the commodity boom, slowing growth, drop in taxes collection, Gross Domestic Product (GDP) shrinking and the worsening fiscal crisis, the Dilma Rousseff government collapsed. The main argument, however, was that the president violated the Fiscal Responsibility Law (LRF) (BRASIL, 2000) by committing a crime of responsibility, as she delayed transfers from the National Treasury to public banks (Banco Nacional de Desenvolvimento Econômico e Social (BNDES), Banco do Brasil, Fundo de Garantia por Tempo de Serviço (FGTS) and Caixa Econômica Federal) in order to pay for social programs – such as the conditional cash transfer program *Bolsa Família*, salary allowance program (*abono salarial*), unemployment insurance and the housing program *Minha Casa, Minha Vida* – a practice known as *fiscal pedals*. The country entered a very serious recession – largely fuelled by the boycott of the business community to productive investment, after receiving R\$500 billion of incentives, subsidies and all kinds of cost reduction measures that have withdrawn resources from social spending – unemployment doubled and the parliamentary coup “constitutional expropriation of the vote” (SANTOS, 2017, p.159) was completed. The government of President Michel Temer, immersed in daily corruption scandals and supported by the financial market and its followers, has been rapidly promoting the corrosion of the social protection network in Brazil. The aim of this article, therefore, is to verify how this process has been unfolding, considering that the conventional argument draws attention to the fact that *social expenditures do not fit into GDP anymore* and, consequently, these expenditures will make the Brazilian State insolvent, given the massive growth of public debt, which will reach 93.3% GDP in 2024 (INSTITUIÇÃO FISCAL INDEPENDENTE, 2017).

The issues guiding the discussion presented here come from the evidence that President Temer’s government has been increasing the gap between democracy and pro-financial market policies in Brazil. What are the impacts of the austerity reforms on the social protection network and the future of Social Security, enshrined in the constitution of 1988? The hypothesis of this article – discussed in light of Streeck’s (2013) theoretical and conceptual framework – is that Brazil’s recent political economy demonstrates the antinomy between capitalism (in its financial form and politically organized) and mass representative democracy, which results in the corrosion of social protection policies and the deregulation of capital/labor relations. Economic policy is immunized against democratic grassroots pressure and, therefore, against democracy (mass democracy), in a clear dispute over public funds and over the growing commodification and deregulation of private profit-making activities in the social protection arena. This movement is favored by the existence of a political and electoral system that perpetuates the conservative elites of various shades in a reactionary coalition that hinders the progress made in the expansion of citizenship and economic, cultural and social rights. The attempts of social regression occurred in the 1990s failed to materialize in a democratic context, but now, through a parliamentary coup, such tendencies are corroding the social protection network.

Methodologically, the study looks at national and international literature and attempts to identify, map, systematize and analyze the empirical data, in order to prove the proposed hypothesis.

The article is organized in six sections, the first being this brief introduction. The second section, in the context of the re-democratization of the political system, emphasizes the institutional innovation raised by the 1988 Constitution, which enshrined the Social Security model (healthcare, pension, welfare) as an element that form the condition of citizenship. However, this model coexists with the privatist paradigm that goes back to Authoritarian National-Developmentalism (1964-1985). The third section examines the post-World War II Welfare State crisis that led to the dissolution of the social-democratic contract based on the capital/labor agreement, as well as the weakening of trade unions and the affirmation of financial capital. Consequently, the market-oriented reforms of the 1990s redefined the role of the state and subordinated social policy to austerity policies. Brazilian Social Security was built based on this scenario of ideological hegemony of neoliberalism. The fourth section explores the experiment of New Democratic Developmentalism in President Lula da Silva’s and President Dilma Rousseff’s governments (2003-2016), which led to approximately 40 million Brazilians leaving poverty and the subsequent incorporation of this population into a robust mass consumption domestic market – what economists and institutional discourse call the New Middle Class (NMC). In addition, this section presents the tensions, limits and successes of this model, as well as the factors that led to the overthrow of the development strategy based on economic growth with income distribution and social inclusion. The fifth section examines the austerity policies that have been orchestrated by President Michel Temer’s government, which came to power through a parliamentary coup covered by a narrative claiming it was a democratic

process. Fiscal adjustment measures, public spending cuts and the corrosion of the social protection network are in line with financial market pressures and weaken the social fabric of the fragile Brazilian democracy. The sixth section presents the conclusions of the article.

The Primacy of Social Rights in the 1988 Constitution

Until the end of the 1980s, the Brazilian social protection system combined a Social Security model in the area of pension, including healthcare – a model of *regulated citizenship* (SANTOS, 1979, 1998) – with a model of welfare for the population without formal labor contracts – a model of *inverted citizenship* (FLEURY, 1994). It should be noted that social protection systems and mechanisms have undergone transformations since the establishment of the bureaucratic-authoritarian regime in 1964, following four main trends: 1) centralization and concentration of power in the hands of technocrats, with the withdrawal of workers from the political game and from the administration of social policies; 2) increased coverage, precariously incorporating groups previously excluded, such as domestic workers, rural workers and the self-employed; 3) the creation of funds and social contributions as a self-financing mechanism for the programs; 4) the privatization of services (especially social services, such as university and high school, and hospital care) (FLEURY, 2009).

The collapse of the Authoritarian National-Developmentalism (1964-1985) (PINHO, 2016a) puts the redemption of social debt as a central issue of the public and democratic agenda. An emerging social fabric was created, bringing together several movements, from the New Syndicalism to the urban social movements as well as an opposition party front in which sectoral movements were able to formulate projects of institutional reorganization, like the Sanitary Movement. Such democratic effervescence was channeled into the work of the National Constituent Assembly, which began in 1987, and the construction of a democratic institutional order which assumed a reordering of social policies and affirmation of social rights as part of the universalization of citizenship. Therefore, the Federal Constitution of 1988 represents a profound transformation in the standards of Brazilian social protection, insofar as the Social Security model starts to structure the organization and format of Brazilian social protection, seeking to universalize citizenship (FLEURY, 2004, 2008).

The benefits started to be granted depending on needs, as well as on principles of social justice, which forced to extend coverage to all citizens and merge the structures of the government. The Constitution showed advances in comparison to previous legislation, guaranteeing social rights – expressed in the Chapter Social Order – and innovating in establishing a model of Social Security. The inclusion of pension, healthcare and welfare as parts of Social Security introduces the concept of universal social rights as a condition of citizenship, which was previously restricted to the population beneficiary of the pension system. The new constitutional model of social policy is characterized by universal coverage, by the recognition of social rights, the duties of the state and its role as guarantor, as well as by the subordination of the private sector to regulation based on the public relevance of actions and services in these areas. The new public arrangement is a decentralized public network cooperatively managed by participatory mechanisms (FLEURY, 2009).

This new design of the agreed and participatory federalism results from the struggle of social movements, especially of the Sanitary Movement organized around the construction of a project and a strategy for Sanitary Reform. The struggle for the universalization of healthcare appears as an intrinsic part of the struggle for democracy, in the same way as the institutionalization of democracy appears as a condition for guaranteeing health as a right of citizenship. The Sanitary Reform represents the recovery of health as a public good, although contradictorily limited by the interests generated by the accumulation of capital in this sector. Such a democratic, equitable, decentralized and participatory model was inspired by social-democratic experiences, showing the innovation of using a set of participatory mechanisms of co-management and social accountability. Citizen's right to healthcare as a duty of the state is the most complete expression of universality, since the benefits are not conditioned to past contributions or to evidence of beneficiaries' lack of means. However, this public system was, from the outset, highly dependent on private facilities because the dictatorship in Brazil had already privatized public health services (FLEURY, 2009, 2014).

The 1990s: privatization and de-regulation

The Welfare State leveraged European growth rates in the post-World War II period (1945-1970), promoted a successful alliance between capital and labor, strengthened trade unions, and increased wage gains. However, with the onset of the state fiscal crisis, the governments Ronald Reagan (USA) and Margaret Thatcher (UK) disseminated the neo-liberal ideology, willing to accept mass unemployment in order to restore stable currency and

break, at all costs, the resistance of the unions¹. In their view, it was crucial to promote a market led environment, to liberate the capitalist economy from the bureaucratic-political and corporatist controls that marked the post-war years of reconstruction, as well as to restore adequate profit margins through free markets advocating for market deregulation. In the 1980s, the central elements of the postwar capitalism social contract began to be systematically denounced in Western societies: employment policies, establishment of wage according to the sector through negotiations with free trade unions, workers' participation in decisions regarding workplace and corporations, state control over key industries, a large public sector with secure employment, universal social rights protected against competition, social inequality controlled through wage and tax policies, and the state's economic and industrial policy to avoid crises of growth. By 1979, when the second oil crisis emerged, there was an aggressive marginalization of trade unions in all Western democracies (STREECK, 2013).

This was also the case in Brazil, where the environment for the implementation and institutionalization of Social Security is highly unfavorable when it comes to universalist public policies. The construction of the Unified Health System (*Sistema Único de Saúde - SUS*), approved in the Federal Constitution of 1988, occurred in a scenario in which the ideological dispute greatly favored the neo-liberal project and its guidelines, which advocate for a minimum state both as a player in economy and in terms of social policies. The context was favoring the privatization of state-owned enterprises and social services, the reduction of social benefits and of their value, as well as the increase in difficulties to access them and the suppression of benefits of the political agenda; the retraction of the state's role as provider, transferring it to for-profit or nonprofit private organizations. In terms of macro economy, the logic of accumulation of financial capital prevailed and public policy focused on monetary stabilization. Economic growth was abandoned as a consequence of a high interest rate policy that promoted an absurd transfer of resources from the productive area to the state, by increasing the tax burden; and from the state to the financial capital, through the payment of interest on debt and government bonds. The fact is that the 1990s were marked by several characteristics such as the breakdown of the social fabric, the absence of social integration mechanisms, informality in the labor market, the increase and the banalization of violence, and the inability of electoral democracy to generate mechanisms of social cohesion (FLEURY, 2009).

During the 1990s, the strength of the universal healthcare system movement was strong enough to avoid pressure to reduce the public system to a basic package and to privatization, as was the case in many countries in the region. However, it was not possible to avoid the emergence of hidden mechanisms that have progressively introduced new flows of resources, patients and physicians between the public and private sectors. Instead of a break with the constitutional design of Social Security, the changes were implemented through a fragmented transformation that gave rise to a mixed system that combines universal social rights with a growing market of private goods and services in health, where public and private are linked through hidden and associated mechanisms.

In the case of pension and welfare, social rights are contractual in the former, and conditioned to means test (insufficiency of income) in the latter. Even so, the inclusion of rural pensions and the continuous cash benefits program (*Benefício de Prestação Continuada - BPC*) as social rights, shows how the universalist tendency as a principle of social justice has also expanded through non-contributory pensions, which, despite the difficulties to access, have benefitted the elderly, disabled, black women and peasants with a minimum wage (FLEURY, 2014).

There have been numerous attempts to exclude from the pension system the protection of rural workers (arguing it is a benefit incompatible with their actuarial logic), in addition to maintaining conditions (very old age and extremely low income) that made it difficult to access BPC.

To these constitutional benefits was added a set of focused programs of conditional cash transfer for relief and seeking to overcome the conditions of poverty and indigence. The Community Solidarity Program (*Programa Comunidade Solidária*) expressed this new proposal. It was centralized in the Presidency of the Republic, operated through contracts with Non-Governmental Organizations (*Organizações Não Governamentais - ONGs*) recognized as Civil Society Organizations of Public Interest (*Organização da Sociedade Civil de Interesse Público - OSCIPS*), outside the institutional framework created by Organic Law on Social Assistance (*Lei Orgânica da Assistência Social - LOAS*). This means that, also in terms of welfare, a mixed system was created, involving, on one hand, rights of citizenship, and on the other, conditioned benefits.

However, there is no doubt about the importance of the constitutionalization of social rights in 1988, which generated *institutional resilience* and allowed social movements to resist the liberal backsliding.

New Democratic and Restrictive Developmentalism in the Workers' Party (PT) Government

The 1990s reforms failed in terms of economic growth and job creation and income generation, contributing to worsening poverty and social exclusion. In this context, even in the face of financial market pressures, Lula da Silva was elected in 2002 and carried out a strategy called Democratic New Developmentalism (PINHO, 2016a,

2016b), which revitalizes governmental planning capacities in order to enable economic growth, the establishment of the domestic market for mass consumption, the distribution of income, and the incorporation of the majority of the population into the political body of the Nation. It is important to point out that such a development strategy tries to reconcile the legacy of the interventionist/regulatory state, typical of National-Developmentalism (1930-1980), with the insertion of Brazil within the framework of financial and globalized capitalism. Certainly, the centripetal forces of the global circuits of capitalism limit the Brazilian state's ability to formulate and implement public policies, given the need for acquiescence to the macroeconomic/orthodox triad: inflation targeting, floating exchange rates and primary surplus. This last aspect refers to the imperative of fiscal austerity in public accounts, which is materialized in huge amounts saved for the payment of interest on public debt.

President Lula's government maintained the macroeconomic tripod until the end of the first term, in 2006. After that, a more developmentalist guideline was adopted and the tripod was made flexible, considering the poor results of the fiscal adjustment in terms of promoting growth, income and employment (IANONI, 2016). In this sense, several developmentalist policies were implemented, demonstrating the recovery of the coordination and legitimacy of state activism. Firstly, the strengthening of the BNDES' (Brazilian Development Bank) role in development and as a formulator of industrial policy, similar to the pilot agencies observed in Asian countries. Second, the capitalization of public banks, such as *Banco do Brasil* and *Caixa Econômica*, was an important initiative, providing the necessary support for the expansion of a model anchored in the formation of a strong *internal market for mass consumption*. Third, the centrality of social policies – such as the conditional cash transfer program (*Bolsa Família*), the continuous cash benefits program (BPC/LOAS) and the policy of valorization of the minimum wage – was present since the beginning of President Lula's government, and occupied prominent space in government with the creation in 2004 of the Ministry of Social Development and Fight against Hunger (*Ministério de Desenvolvimento Social e de Combate à Fome - MDS*) (DINIZ, 2016).

In fact, this whole framework of *socially oriented economic policies* (payroll credit for financial inclusion, Growth Acceleration Program (*Programa de Aceleração do Crescimento - PAC*), housing, sanitation and reduction of the primary surplus target for investment purposes) and *economically oriented social policies* (BPC/LOAS, minimum wage valorization policy, labor market regulation, cash transfers (*Bolsa Família*), salary bonuses, unemployment insurance, pension) contributed to the unprecedented introduction of a *redistributive growth* model (KERSTENETZKY, 2012, 2014, 2015a, 2015b, 2017). The result of state interventionism in the provision of public policies was the generation of a vast consumer market of masses and the inclusion of thousands of Brazilians to what economists and institutional discourse mistakenly call *New Middle Class* (NMC).

Although there was an expansion in this period of inclusion in the pension system – given the creation of the taxation regime *Simples* and the category of Individual Microentrepreneur – the developmentalist government maintained the unbinding of union revenue (*Desvinculação de Receitas da União - DRU*), withdrawing funds from Social Security to meet the primary surplus target. The policy of increasing tax exemption of industrial sectors to favor the consumption of the domestic market and increase the competitiveness of the country's exports did not result in the expected increase of jobs and ended up undermining the finances of the Social Security Budget (ASSOCIAÇÃO NACIONAL DOS AUDITORES FISCAIS DA RECEITA FEDERAL DO BRASIL, 2016).

In addition, the adopted developmentalist model distances itself from the constitutional model where social justice and social rights are priority over mercantile relations. Projects such as Agrarian Reform and Demarcation of Indigenous Lands are either slowed down or fall short of the expectations of social movements. Regarding universal social policies, they are not a priority of the Central Government, as they express the relative decline of their participation in public in social spending (BRASIL, 2016).

When changing the emphasis from the expansion of citizenship to policies of consumer expansion in the market, Brazil entered in a situation in which people had *rights without benefits*, due to the underfinancing of the public health and education network and *benefits without rights*, in the case of conditional cash transfer programs (FLEURY, 2014). Social policies define not only a pattern of benefits, but the social bonds that project the kind of sociability that one intends to establish. By replacing the community of citizens with the inclusive market of new consumers, official rhetoric relied on the concept of New Middle Class, defended by the World Bank and supported by the work by Marcelo Neri at the Center for Social Policies of the Getúlio Vargas Foundation (CPS/FGV). Neri's rapid promotion from a scholar to a member of the Economic and Social Development Council (CDES) was followed by the occupation of the positions of president of the Institute for Applied Economic Research (IPEA), and minister of the Secretariat of Strategic Affairs (SAE) of the Presidency of the Republic. This led to the political appropriation of the concept of NMC by the ruling elite in power, for the purposes of legitimizing its project of nation. Neri's studies conclude that public policies that led to the emergence of NMC resulted in a large number of people in this strata, significantly changing class structure and reducing structural social inequalities in Brazil (NERI, 2010).

Since NMC is not a sociological concept, it is not possible to assume that the improvement of family income is sufficient to attribute to these individuals any class identity, collective action or sustainability of this new condition. The construction of this NMC rhetoric was a political option to demonstrate the effectiveness of government redistributive priorities. The need to use a different concept of the complex and elusive middle class is part of a political propaganda strategy, but not linked to any sociological theory (FLEURY, 2017). Paradigmatically, the idea of NMC is limited to a project of construction of hegemony carried out by the governments Lula da Silva and Dilma Rousseff. This scenario was seen as an important condition for achieving sustainable democracy and stable economic growth. However, the current economic and political crises in Brazil have eliminated this possibility and announced the era of the New Poor, that is, the increasing downward mobility of millions of Brazilians. Forging a New Middle Class was a response to the need to build a political project to address the current global capitalist crisis that has been slowing growth in developed countries. New markets with a substantial number of potential consumers seem to be a possible solution. Following this reasoning, it is possible to say that the NMC emerged in a context of economic growth due to the commodity boom in global trade in democracies with a high level of social exclusion.

While the Federal Constitution of 1988 represented a profound transformation in the Brazilian model of social protection, legally consolidating social rights in response to the pressures in place after the end of the Authoritarian National-Developmentalist period (1964-1985), the Democratic New Developmentalism (PINHO, 2016a, 2016b) of the 2000s consolidated the mixed model of social protection (universal, guaranteeing legal rights, as well as offering poverty relief by increasing consumption capacity). Without social and political inclusion through social rights, redistributive policies end up embodying the intrinsic nature of the consumer as an individualized and competitive subject whose meritocratic ideology is incapable of building a cohesive and supportive society. A recent survey with beneficiaries of targeted programs have shown that these beneficiaries did not vote for the Workers' Party, indicating that they saw their improvement as a result of their own efforts and saw social mobility as a way to differentiate them from the poor. Social ascension is related to courage, daring and discipline and is treated as an individual result derived from willpower (FUNDAÇÃO PERSEU ABRAMO, 2017).

President Dilma Rousseff faced the rentier financial system by fostering productive investment and increased social gains – in comparison to President Lula's government (PINHO, 2016b, 2017a, 2017b). However, before her second term formally began and since she was unable to decrease inflation, President Rousseff changed the government's course and argued for more austerity. The architect of the New Economic Matrix in place at that moment, Guido Mantega, was dismissed from the Ministry of Finance, which was given to someone directed by the Chicago school, the asset management director of Brazil's second largest private bank, who assumed responsibility of working to reduce inflation and restore investors' confidence. Cuts on social spending, reducing the credit of public banks, auctioning state assets, and raising taxes to bring the budget back into a primary surplus situation became the economic imperative for the government. Quickly the Central Bank raised its interest rate to 14.25%. And since the economy was stagnant, the effect of this pro-cyclical package was to plunge the country into a generalized recession – falling investment, falling wages, and unemployment. While GDP reduced, fiscal revenues declined, further worsening the deficit and public debt situation. No government approval rating could have weathered the dynamic of such economic deterioration. President Rousseff's crisis of popularity, however, was not only a predictable result of the impact of the recession on people's living conditions, it was also the price to be paid for Dilma having abdicated the promises for which she was elected. Generally, the reaction of her constituents was that she had betrayed her supporters by fulfilling her opponents' campaign program. And this generated not only disappointment but also anger (ANDERSON, 2016).

Although hidden, the roots of this failure developed precisely on the soil of the Workers' Party model of growth. Initially it is possible to say that the party's success depended on two elements: a super cycle of increase in the prices of goods and a boom in internal consumption. Between 2005 and 2011, Brazil's trade gains increased to more than a third, as demand for raw materials from China and other parts of the world increased the value of the country's main exports, as well as the volume of fiscal returns for social expenditures. At the end of Lula's second term, the share of exports of primary goods among Brazilian exports rose from 28% to 41%, with manufactured goods falling from 55% to 44%; by the end of Dilma's first term, raw materials accounted for more than half of the value of exports. But from 2011 onwards, prices of the main commodities marketed by the country collapsed: iron ore fell from USD 180 to USD 55 per ton, soy fell from about USD 40 to USD 18 per bag, crude oil fell from USD 140 to USD 50 per barrel. And reacting to the end of the foreign trade boom, domestic consumption also declined. During the Workers' Party administration, the main strategy was to expand domestic demand by increasing the purchasing power of the working classes. And that was possible not only with the increase of the minimum wage and with transfers of income for the poor (*Bolsa Família*), but also through a massive injection of credit to consumers. During the period 2005 to 2015, total private sector-controlled debt

increased from 43% to 93% of GDP, with consumer loans reaching double the level of neighboring countries. The poor continued to be passive beneficiaries of the government, who never set out to properly provide education, or any sort of organization or mobilization around a collective force. There was an absence of political empowerment of the people from disadvantaged parts of Brazilian society, as well as an absence of a real policy of redistribution of wealth or income, since the regressive tax structure that penalized the poor and left the rich untouched, was maintained. There was, in fact, some distribution that, ultimately, considerably improved the living conditions of those living in misery, but this was done in an individualized way (ANDERSON, 2016).

‘Austericide’ and Corrosion of the Social Protection Network in Brazil

The overthrow of President Rousseff’s government and of the project of development with social inclusion put forward by the Worker’s Party was a result of an explosive combination of adverse and concomitant factors. These were falling growth rates and declining tax revenues, fiscal crisis, end of the supportive political and business coalition, political instability and paralysis in decision making in Parliament. These factors came about due to the intensification of the conservative agenda led by the then President of the Chamber of Deputies Eduardo Cunha, the negotiation for a coup at the heart of president’s group of supporters in the Congress. Finally, came the collapse of the *coalition presidentialism*² (ABRANCHES, 1988), which sustained the Workers’ Party progressive governments on the basis of broad, non-ideological or programmatic coalitions, and the growing allegations of corruption that the media reverberated from Operation Car-Wash (*Operação Lava-Jato*), conducted by the Federal Police (PINHO, 2015, 2016a, 2016b, 2017b). These factors paved the way for a parliamentary coup, disguised in democratic procedures, which took the then Vice-President Michel Temer to the Presidency. The process had the support from the private – and monopolist – media corporations, from the industrial sector, orthodox economists and financial capital. This *epistemic community of austerity* (PINHO, 2017b) intensified its criticisms towards President Rousseff’s government, due to the severe recession, which caused GDP to fall 3.8% in 2015 and 3.6% in 2016 (OLIVEIRA, 2016; IBGE, 2016) and the intensification of denunciations made in *Operation Car-Wash*.

Parliamentary coups, indicating a fraudulent substitution of governments by action of political leaders in the legislative branches, are a new phenomenon in the history of tensions between capitalism and mass democracy. The history of coups in Brazil shows that the priority of those that take over the government is not fighting corruption, but notably, *the implementation of measures against the policies favorable to the destitute group*. Coup, in the sense of a *clever trick*, consists precisely in relying on the institutions’ normal operating mechanisms for illegitimate purposes. A conservative coalition in order to take over the power was formed, with the legislative branch undermining the actions of the executive. This is because, according to the diagnosis of the conservatives, income growth and the expansion of popular consumption would be disastrous for the productive stability of democracy (SANTOS, 2017). In this sense, the members of the legislative (several of them involved in corruption scandals and criminal processes), counting on a broad coalition, have been adopting measures that intensify neoliberal reforms carried out in the 1990s. It should be noted the unprecedented celerity in approving austerity policies without submitting them to public scrutiny, to a transparent and democratic debate with society.

The support for President Temer’s government comes from, what one could say *forces of the market*, whose central interests are the abdication of sovereignty and the state’s inductive capacity through privatization of state-owned companies, deregulation of labor relations, dismantling and privatization of the social protection, as well as the cut on social spending and liberation of the access of multinational companies to mineral resources protected by environmental and/or policies regarding indigenous populations. In order to make this agenda feasible in a very short time, the government enjoys the approval of the Brazilian Social Democracy Party (PSDB), which abandoned the democratic principles of its origin in favor of pragmatism to carry out the reforms that it failed to do in a democratic period (1995-2002). In addition, the current administration is supported by all conservative caucus in Congress – religious, representatives of agribusiness and the gun industry – in shameless exchange of favors to clear out Michel Temer from multiple accusations and evidence of being the head of a group accused of several crimes within his party, PMDB, along with its most important ministers, such as Moreira Franco, Eliseu Padilha and Geddel Vieira Lima. A kind of *State of Exception* is in place, in which the Judiciary provides a particular understanding about the constitution framing the Rule of Law. The Judiciary is inflamed by the public opinion that, inspired by the media, intends, in this way, to end corruption, and by a weak and increasingly politicized Federal Supreme Court (STF), which bows to the need to maintain some sort of institutional stability.

However, this reactionary and authoritarian coalition is already beginning to show signs of exhaustion, and tensions and contradictions are becoming evident. If the media supports *hunting* politicians from the Workers’ Party, it is increasingly disturbed by frequent corruption scandals unveiled in the current government. On the other

hand, its political conservatism is not followed by behavioral conservatism that becomes dominant in Congress and in cultural and social policies. Physiological interests and the exchange of favors between the Executive and the Legislative run away from the austerity parameters advocated by the economic authority to reassure the market, and threats of increasing the tax burden to cover the fiscal deficit begin to emerge. In addition, the labor reform and the establishment of the 20-year ceiling for social spending are being contested and must leave a litigation process in the judiciary that will threaten the governability of the leaders who will be elected in 2018.

The government approved the New Tax Regime (BRASIL, 2016b), which limits public spending for 20 years with the objective of balancing public accounts through a rigid cost control mechanism. The constitutional amendment proposal known as *Expenditure Ceiling (PEC do Teto dos Gastos)* determines that, starting in 2018, federal expenses can only increase according to the accumulated inflation established by the Broad National Consumer Price Index (IPCA). The regime will be valid for fiscal and social security budgets and for all agencies and branches of government. There will be limits per agency within a branch. There will be, for example, specific limits for courts, the National Council of Justice, the Chamber of Deputies, the Senate, the Federal Court of Auditors (TCU), the Prosecution Service of the Union (MPU), the National Council of the Prosecution Service and the Public Defender of the Union. The agency that fails in controlling the expenses will be prevented, in the following year, from raising salaries, hiring staff, creating new expenses or granting tax incentives (in the case of the executive). After the 10th year, the President of the Republic may revise the criterion once every presidential term, sending a Complementary Law Proposal to the National Congress (PROMULGADA..., 2016).

Considering only the case of healthcare, a retrospective study by the Interinstitutional Technical Group on the Financing of SUS points out that losses would reach R\$ 135 billion if this rule were in force in the period 2003-2015. Non-regression in budget contributions to meet the obligations regarding the maintenance of the social protection network and the guarantee of social rights is one of the pillars of our Constitution, which cannot be neglected. However, on 28 September 2017, the Minister of the Federal Supreme Court (STF), Ricardo Lewandowski, received the National Health Council (CNS), accepting the Direct Unconstitutionality Act (ADI 5595). The document proposes the annulment of two articles of Constitutional Amendment 86, approved in National Congress, on 17 March 2015, which reduced resources for the financing of the Unified Health System (SUS), which will be voted in Congress soon. The legal basis for this measure deals with the backwardness of the guarantee of the fundamental right to health which was a result of the Constitutional Amendment 86/2015. Article 2 has established the Union minimum investment for health, from 2016 on, to 13.2% of the country's Net Current Income. Article 3 of the Constitutional Amendment 86/2015 withdrew the rule binding revenues from oil extraction from the pre-salt areas as an additional source of income for the Unified Health System (SUS) (BRASIL, 2015).

In the area of social services, the government created the *Happy Child Program (Criança Feliz)* and designated the first lady as its ambassador, in a clear regression to an out fashioned model where the first lady takes care of social affairs, a situation denounced in a critical text titled *The Blue Fairy killed the Citizenship in the centenary of Ulysses*:

Since the 1988 Federal Constitution instituted social assistance as a right of citizenship, the struggle to eliminate these remnants of the welfare model based on charity and love and to establish a model based on rights and duties has been huge. The outcome of this trajectory is the vast and disseminated institutionalization of social assistance, with a public network spread throughout the country, absorbing professionals with specific and necessary skills for a good performance in this complex work. It has also been essential to count on these professionals to restore dignity to those that society is constantly marginalizing. (FLEURY, 2016).

The Labor Reform³ and the Outsourcing Act were strongly advocated by the *epistemic communities of austerity* (PINHO, 2017a), arguing that the inadequacy of the archaic labor regulations to the increasingly dynamic business realities has hampered the efficiency and growth of the economy. Excessive judicial conflicts increase or make hiring costs uncertain, which hinders business planning (JABUR, 2017). Among the various measures of deregulation of labor relations, for the sole benefit of market players, President Temer's government has instituted the following: 1) collective labor agreements between companies and workers' representatives may overlap with the labor laws defined in Consolidated Labor Laws (CLT). This would apply to specific points such as working hours and salary; 2) vacations may be divided in up to three rest periods; none of the periods may be less than five calendar days, and one of them shall be longer than 14 calendar days; 3) if the employee works in a location that is difficult to access or where there is no public transport and uses the company's driver, the period of travel can no longer be counted as working time, as is currently the case; 4) the compulsory trade union tax was extinct; 5) regulation of telework, known as home-office, when the employee works away from the office 6) creation of intermittent work, in which employees earn according to the time they worked and without employment relationship;

7) outsourcing became a possibility for all activities of a business⁴; 8) the possibility of pregnant women working in unhealthy conditions; currently, they cannot work in an unhealthy environment, under any circumstances; 9) previously lacking in labor laws, the figure of the *exclusive self-employed professional* is regulated. Through the reform, the professional can provide services on a continuous basis and for a single company without this being characterized as employment relationship. The rule facilitates the hiring of workers without a formal contract, that is, the provision of services will be through a legal entity.

The Pension Reform would be the *sine qua non* condition for regaining investors' confidence and minimizing public debt. Thus, the Constitutional Amendment Proposal (PEC) 287/2016 (BRASIL, 2016c) aims to change the Brazilian pension system by adopting rather restrictive measures and represents an attempt to systematically prevent the right to social security enshrined in the 1988 Constitution. The proposal seeks to unify the rules in private and public sectors regarding pension entitlement, reducing the amount of pension and welfare benefits to minimum levels. One of the most controversial measures is the adoption of retirement by age (65 years), disregarding gender and race inequalities, as well as work contexts, by eliminating the reduction of 05 years of age for the retirement of the rural worker and by removing the right of women to retire at least 05 years before men. A controversial measure that violates the rights of vulnerable populations is the gradual increase of the minimum requirement from 65 to 70 years for granting the Continuous Cash Benefit (BPC), leaving a considerable part of the population who depends BPC without any protection. In addition, the proposal suggests that the benefits will not be bound to the minimum wage, including the BPC. This jeopardizes the maintenance of the benefits' value, at the same time as providing a real opportunity to separate the adjustment of the pensions in the system (*Regime Geral de Previdência Social - RGPS*), from the value of the minimum wage (LANZARA, 2017).

In addition to the agenda of reforms that are harmful to the social fabric of Brazilian democracy, social programs such as *Luz para Todos* (takes electricity to rural population), *Programa de Aquisição de Alimentos* (PAA) (Food Acquisition Program) and *Minha Casa, Minha Vida* (housing for low income families) are practically disappearing amid fiscal restraint. In the case of *Minha Casa, Minha Vida*, payments reached R\$ 20.7 billion in 2015, retreated to R\$ 7.9 billion in 2016 and totaled only R\$ 1.8 billion from January to August 2017. The PAA, which allows the federal government to purchase products from family farming, had disbursements of R\$ 41 million this year (until June), a 91% reduction in payments against the entire year of 2016. *Luz para Todos*, has decreased by 79% in 2017, in comparison to the same period in 2016 (only R\$ 44 million by June this year)⁵ (SIMÃO; PUPO, 2017).

Table 1. Disbursement in social programs for 2017 (accumulated) drops 96% in comparison to 2014 (million R\$ - Brazilian 'Reais')

Program	2014	2015	2016	2017 ⁶	Var. % 2014/17
Bolsa Atleta	123.008.255,04	71.873.506,00	14.603.414,48	4.760.976,09	-96
PAA	676.922.827,28	635.089.806,00	444.782.102,94	40.213.606,09	-94
Luz Para Todos	180.782.000,31	185.717.448,92	210.366.602,48	44.313.793,24	-75
Bolsa Verde	83.800.112,39	92.830.525,25	73.424.346,88	40.053.606,09	-52
Bolsa Família	26.125.678.117,60	26.385.345.680,04	27.491.590.000,00	18.571.453.145,69	-29
FIES	12.049.871.391,54	14.499.091.288,04	17.887.507.751,11	9.385.771.372,65	-22
Farmácia Popular	1.654.917.586,80	2.220.827.941,87	2.251.813.824,09	1.589.996.709,45	-4

Source: Simão and Pupo (2017).

While the *Farmácia Popular* Program (drugstores with subsidized medicine, established by local authorities or private entrepreneurs) is being dismantled with the extinction of the drugstores established by the local authorities, restricting it to private companies, the Minister of Health announces the creation of *Planos Populares de Saúde* (low-cost healthcare plans), which will postpone the problem of the population's lack of access to care in SUS, without improving the healthcare system. This is because even though these plans involve copayment, they offer very limited coverage, restricted to outpatient and low-complexity care. As for the private health plans, Congress is trying to pass a measure that allows a growing collection of monthly payments for the elderly over 60, which is already provoking a reaction in the middle class.

Strong national and international reaction caused the government to change its position regarding decisions made about the Amazon rainforest, canceling an ordinance that allowed the exploitation of mineral resources in

indigenous lands. The same complaints arose in relation to the ordinance that relaxed the condition of criminalization and disclosure of the names of companies that use work in conditions analogous to slave labor.

Final considerations

Parliamentary government policies, which institutionalize perennial austerity and defenestrate the legacy of Social Security of the 1988 Federal Constitution, fundamentally prioritize the interests of the increasingly organized and politically structured financial aristocracy. The cost the financial sector imposes on the Brazilian society is a dimension of the economic problems that is little discussed. The financial sector is an oligopoly. According to the latest Financial Stability Report of the Central Bank (BANCO CENTRAL DO BRASIL, 2017), four banks held 79% of the country's credit stock. A small number of institutions, including state owned institutions, controls the market, controls the spread and thus controls profits. The oligopoly is not regulated by the monetary authorities or by the Administrative Council for Economic Defense (CADE). A recent example is the purchase of XP Investimentos by Itaú. This acquisition will further increase the ability of the financial oligopoly to control the market and inhibit competition (LUQUE; SILBER; ZAGHA, 2017).

The benefits of the pension system (RGPS) are 8% of Brazilian GDP, equivalent to the resources absorbed by the financial sector. It is justified the emphasis on the cost of the pension system and the necessity to control it, although this is not a democratic discussion and its objective is reduced to the financial part of the pensions, since the biggest problem is in the regime of the public sector and not in the general system. When it comes to the cost of the financial industry there is silence. It is a great contrast between the intensity of the disclosure of the pension system *problem*, albeit skewed and without discussion regarding its causes and the real situation of its finances (ASSOCIAÇÃO NACIONAL DOS AUDITORES FISCAIS DA RECEITA FEDERAL DO BRASIL, 2016) and the silence on the financial sector. Those who will suffer from a pension reform will be 33 million unorganized workers to defend their interests. Those who would suffer with a reform putting limits on the gains of the financial sector is concentrated in the elites. This makes the task of reforming the financial system more difficult, but not less important (LUQUE; SILBER; ZAGHA, 2017).

The objective of this article was to analyze the relationship between the outrage to democracy (happening at this time in Brazil), the hypertrophy of market reforms and the laceration of the social protection framework. We investigated the state interventionism in the sense of public policy provision since the 1980s, when the democratic order was established; the New Republic (1985-1989); and the Federal Constitution of 1988, to nowadays. There is therefore a huge process of depreciation of social policies in the name of fiscal austerity, reduction of public debt and the rentier, stateless, volatile and speculative financial system. The reforms underway accentuated the distance between *representative mass democracy* and the *self-regulating market* (POLANYI, 2000). But Polanyi defends the thesis that the market was imposed through state policies and that planning was a natural reaction, a double movement, that seeks to safeguard society from its destruction by the savagery and selfishness of the market.

We must resort to the current work of Karl Polanyi to show that Brazilian society is violently shredded by the government itself so that the market system works according to its own laws, ignoring the needs for regulation and social protection. Social relations and public policies are embedded in the economy and have become a fundamental part to make market interests prevail. The corporate legacy of capital-labor relations that had been put forward by Getúlio Vargas at the birth of National-Developmentalism in the 1930s, and social protection that was the fruit of social struggles for the democratization of society in the 1980s, was buried.

Parliamentary government policies, which institutionalize perennial austerity and defenestrate the legacy of Social Security of the 1988 Federal Constitution, fundamentally prioritize the interests of the increasingly organized and politically structured financial aristocracy. The cost the financial sector imposes on the Brazilian society is a dimension of the economic problems that is little discussed.

In this context of insulation of economic policy from the pressures of representative mass democracy (STREECK, 2013), the Brazilian State, due to perverse dynamics of public indebtedness, becomes hostage and incapable of regulating the financial system in favor of society's interests. The global financial market, as in Brazil, has an articulated structure of political control. This is strengthened when the rupture of territorial unity between the space of macroeconomic policies and the global space of the financial system (DOWBOR, 2017) is consubstantiated. A kind of *social Hobbesianism* (SANTOS, 1993) is installed, tearing apart Brazilian society, in the name of fiscal austerity, affecting especially those that most need state intervention: the poorest. At the beginning of the 2000s Fabio Wanderley Reis pointed out the crises of governability as a result of the Hobbesian crises:

If the advanced capitalist countries become 'Brazilianized' [start to show characteristics that are typical in Brazil as a result of globalized markets], in Brazil our characteristics do not change, but are reinforced. The new and transnational factors of inequality and social deterioration have here accumulated with the traditional and autochthonous factors that push in the same direction, potentializing and threatening to produce a kind of 'Brazil squared' with somber characteristics. [...] Hobbesian ungovernability raises the constitutional problem in the most basic and simple way – transforming it into Hobbes's problem of constitution or preservation of authority capable of guaranteeing the fundamental yearning for security and order. It is easy to imagine, in the face of social deterioration and an increase in crime, the capacity for affirmation of state authority losing control and turning into police authoritarianism: not to speak of the disdain for civil rights indicated by the Brazilian data and its probable connection with the unlawful and violent state's own (and armed) police. This loss of control is evident also in a country with better democratic credentials, such as the United States, where greater economic competition and more favorable unemployment rates are projected and are counterbalanced by the huge prison population, by hyper criminalization, by the disproportionate chances that socioeconomically marginalized young people, who survive abortion, will end up in prison or in trouble with the law. (REIS, 2001, p.9).

It is possible to say that we are witnessing the end of the New Republic pact, which was characterized by Avritzer (2016) as based on the progress made by the center represented by the Brazilian Democratic Movement Party (PMDB), the neutrality of the conservative sectors in relation to the progressive agenda and the hegemony of the social inclusion strategy. Indeed, the hegemony of the strategy of social inclusion is consolidated in this context, although it is not possible to say that the political elites signed up for a social pact and to present reforms. What happened was a tie of social forces, in a compromised transition, in which the reformist forces took the lead in a critical conjuncture represented by the National Constituent Assembly, structured in such a way as to make present the pressures of organized civil society. On the other hand, less than a pact or agreement, what happened was political and economic oligarchs' disbelief in the ability of the 1988 Constitution to be taken seriously. To the surprise of the conservatives, organized civil society demanded the promulgation of the Organic Laws and the construction of the institutionality of the universal rights and the architecture of social participation.

The current attempt to corrode the entire social protection network has to face the trajectory in which the process of subjectivation took place, with the construction of new political subjects and the constitutionalization of rights in an intricate legal apparatus. Thus, the institutionalization of a Democratic State of Law and of a new architecture of co-management and social participation produced a group of workers and organizations with high capacity to spread and connect in the national territory. In this context, the emergence and consolidation of favelas and peripheries as spaces of resistance and production of a new subjectivity, the peripheral subject, are factors that show that the distancing of politics from the social dynamics are major expressions of the *contradiction between financial capitalism and the expansion of citizenship*.

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Notes

- 1 The destruction of the union of air traffic controllers by Ronald Reagan in 1981 and Margaret Thatcher's victory over the miners' union in 1984 are turning points in the affirmation of the free-market ideology (STREECK, 2013).
- 2 Brazil is the only country that, in addition to combining proportionality, multipartyism and the imperial presidentialism, organizes the Executive on the basis of large coalitions. This peculiar feature of Brazilian concrete institution constitutes a coalition presidentialism. Forming coalitions involves three typical moments. First, the constitution of the electoral alliance, which requires negotiation around minimal, usually broad and non-specific programmatic guidelines, and principles to be followed in government formation after the electoral victory. Second, the constitution of the government, which dominates the dispute over positions and commitments relative to a minimal program of government, still quite generic. Finally, the transformation of the alliance into an effectively governing coalition, when the problem of formulating the positive and substantive real policy agenda and the conditions for its implementation emerges with all force. The coalition can be broken in two ways: 1) the abandonment of the smaller partners, a situation in which the president only counts on his party and is forced to align with its majority positions; 2) or by the disruption of the president with his party, which leaves him in solitary conviviality with minority parties, with not well known supporters. In both cases, the result, to varying degrees, is the weakening of executive authority and greater potential for conflict between Legislative and Executive. Finally, the maintenance of the coalition depends crucially on the current performance of the government, despite the agreements and commitments formulated in its constitution (ABRANCHES, 1988).
- 3 The text defines a list of items in the CLT that cannot be withdrawn or changed by collective agreement: 1) health, safety and hygiene standards cannot be changed; 2) they cannot interfere in the payment of the Brazilian Indemnity Fund (FGTS), 13th salary, unemployment insurance and family salary, which are social security benefits; 3) the payment of overtime, maternity leave of 120 days and advance notice proportional to the length of service are also excluded.
- 4 The only condition is that the worker will have to go through a quarantine. The company will not be able to fire the employee and hire him right away, a period of 18 months is required between the end of the contract and the possible return of the employee as an outsourcer.
- 5 The Deputy Executive Secretary of the Ministry of Planning, Rodrigo Cota, argues that "it is not correct" to say that the government is reducing disbursement for social programs, because the mandatory spending with the pension system, which he includes in the accounts, is still high. In his words: "Social spending is growing. What is being reduced is the ability of the Brazilian State to make discretionary public policy. This is the undeniable and definitive truth, and it is this reality that leads us to work so hard for the pension reform and for the revision of public policies and programs" (SIMÃO; PUPO, 2017).
- 6 Data consider the accumulated of the year with numbers from June to September, depending on the social program.

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