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John Neagle

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## **Brazil: On Economic Crisis & Inequality**

*by John Neagle*

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In 1988, real economic growth was zero, and inflation totaled 933%. President Jose Sarney and his cabinet have threatened a new debt service payment moratorium on the country's \$115 billion debt. In contrast to Argentina, widely perceived to have squandered billions received from banks and multilateral lending institutions, an estimated 80% of Brazil's borrowed money was applied to tangible assets, such as power lines, hydroelectric generating stations, roads, dams, and manufacturing plants. During the economic boom of the 1970s, when Brazil achieved growth as high as 9% per year, industry expanded. While the vast majority of Brazilians were poor, average incomes were rising. Since the mid-1970s, with the increase in oil prices, economic recession at home and abroad, and rising interest rates on foreign loans, real incomes have declined. The poor have shouldered the largest burden caused by the economic downturn. Brazil has what a State Department official recently called "perhaps the worst income distribution in the world," with 1% of the population owning half of the country's wealth. Despite official claims that racism does not exist in Brazil, almost all of the rich are white, and blacks are overrepresented among the poor. Recently, director of the Institute of Political and Social Studies, Helio Jaguaribe, said: "The important thing is that this is a dualistic society. We are a unified country in territory, language, psychology and culture, but socially there are two Brazils. "There is the modern industrialized country that we have created over the last 20 years. But only about 40% of the population participates in any sense. The larger part of our society, 60 percent, lives in very, very primitive conditions. They live through primitive agriculture or they live in the cities, selling chewing gum in the streets." At Sarney's request, Jaguaribe's institute conducted a three-year study of Brazil's social problems to be summarized in a forthcoming book called "Brazil: Reform or Chaos." According to the study, Brazil must find a way to bring the poor majority into modern society, principally through massive concentration on education. Jaguaribe said that if the needs of the poor are not met, "the country will not be able to function in a democratic manner. The demands of the poor people will not be controllable by democratic means. We will have a totalitarian regime either from the right or from the left." Brazil spends heavily on social programs, but much of the money is "diverted" within the government bureaucracy before it reaches beneficiaries. Critics estimate that as much as 60% of the money spent for social welfare programs is used for salaries or stolen by a public sector characterized by corruption and nepotism. (Basic data from Washington Post, 01/23/89)

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