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Title of paper: Social reproduction in contemporary Brazil: the role of cultural and financial changes, 1994-2014.

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Abstract: Economic actions and policies centered on the liberalization of all markets and price stabilization have been implemented in Brazil, since the early 1990s, in order to enhance the advance of global integration into the trade and financial flows. In this context, institutional changes and public policies have increasingly emphasized strategies toward universal access to financial services. This paper addresses that this financial trend have changed the conditions of social reproduction in Brazil. Considering this background and the outstanding role of credit on livelihoods, this paper aims to analyze the impacts of the strategies of financial inclusion on the Brazilian society.

Key-words: social reproduction, culture, credit, livelihoods, Brazil

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Introduction

Historically, the evolution of capitalism has always been accompanied by the sprouting of safeguards to protect the society against the interference of the practices of the market. Nevertheless, the evolution of markets was always accompanied by safeguards to protect the society from the interference of market practices. Taking into account the current effects of the modernization process on social inclusion, Karl Polanyi´s critic of the liberal myth and of the disruptive forces of the market society is inspiring to analyze the impacts of neo-liberal policies on livelihood conditions. The centrality of the market entails that "*Nothing must be allowed to inhibit the formation of markets, nor must incomes be permitted to be formed otherwise than through sales*" (Polanyi 1944: 69). In other words, labour, land and money turn out to be seen as commodities and are produced for sale. As the commodity fiction proves to be the vital organizing process, the self-regulated markets demand the institutional separation of society into an economic and a political sphere, that is to say, in the market society the social relations are embedded in the economy rather than the economy embedded in social relations.

Considering the Brazilian experience, the commodification of money is an important expression of the recent economic and cultural changes because it may possible to enlarge the subordination of sociability conditions to the market economy and the social relations increasingly become an "*accessory of the economic system*" (Polanyi 1944: 75). In the nineties, economic actions centered on price stabilization, privatization and liberalization of all markets were implemented and the response to the public financial constraints fed new forms of integration into the global financial circuits. In this context, government policies and institutional changes have increasingly emphasized strategies and actions toward universal access to financial services by all society. This trend suggests changes in the conditions of social reproduction. Considering this background, this paper aims to analyze the impacts of financial inclusion on the Brazilian society on behalf of the role of credit on livelihoods.

1. The Brazilian background: patterns of growth and social inclusion

The outcomes of the Brazilian global economic integration have been conditioned to the historical institutional set up consolidated in the postwar period. In this scenario, the redefinition of the development agenda has been overwhelmed not only by the reorganization of the government actions and policies but also by the transformations in the process of capital reproduction. As a result, the market was chosen as the privileged *locus* of social interactions. Since the 1980s, the new pattern of economic and social development happened to be conditioned by the process of financial centralization, global reorientation of investments and new requirements in the labor markets.

Looking backward to the 1950s, the Brazilian economic growth advanced in the framework of the international order of the Bretton Woods era. The pattern of growth had strong effects on the conditions of social inclusion on behalf of the modernization of institutions and the forms of social mobility. In the period between the 50s and the 70s, the socioeconomic transformations associated with the industrialization and urbanization processes expressed the effort of articulating the necessary investments to overcome the consolidation of the industrial accumulation pattern. In this context, government interventions supported the process of economic growth in order to promote qualitative transformations in the economic structure and to consolidate the industrialization pattern of the Second Industrial Revolution. As a result, specific mechanisms shaped the targets of economic policy in order to stabilize aggregate demand and to influence the levels of employment and income distribution. In this scenario, the behavior of private economic agents was influenced by the evolution of monetary, fiscal and exchange rate policies in an international context that favored the implementation of policies that characterized the so called Keynesian era.

Considering this background, the social and civic dimensions of the development strategy supported the commitment of public resources to stimulate higher rates of economic growth. Thus, the Brazilian industrialization process after the Second World War was characterized by government interventions in the market in order to overcome the restrictions to structural transformations. In this way, the role of the government actions aimed to achieve long-run investments and the articulation of the financial conditions. [1] The expansion of public banks and foreign capital flows were decisive in the Brazilian industrialization process. The achievement of manufacturing qualitative transformations involved huge public investments that had been justified because of their social dimensions. As a matter of fact, the process of development and the extension of the modern republican citizenship were thought as the two faces of the phenomena of social inclusion. The

[1] The specificities of the Brazilian industrialization were developed in Tavares (1972) and (1978), Cardoso de Mello (1982).

conditions of social inclusion were decisively influenced by the institutional setup that enhanced a long-run perspective by means of the industrial employment expansion

Nevertheless, the process of social inclusion proved to be heterogeneous and revealed the tensions between the possibilities of social mobility and the income concentrated accumulation pattern. A social heterogeneous situation resulted from a process of market integration that turned out to be restricted since the traditional values and practices coexisted in the modernization settlement. On one hand, the specific capitalist development features advanced through the coexistence of traditional and modern forms of production and reproduction of material life. On the other, although there was the expectation of social inclusion by means of the expansion of industrial employment in the formal sector, this process turned out to be restricted. As a result, the growth of the informal economy happened to be a reality.

After the late 1970s, the crisis of the global accumulation pattern expressed the obstacles for increasing profits in a context where the liberalization of the financial markets opened up new perspectives for capital accumulation. In this scenario, the redefinition of government policies and actions as well as the modification in the process of global capital reproduction had strong impacts on the conditions of social reproduction. The new pattern of social integration happened to be shaped by the impacts of financial centralization, reorientation of investments and new workers' requirements.

The crisis of the Brazilian postwar long-run investment pattern meant disorganization of manufacturing investments, restrictions for investment in traditional sectors, instability the exchange rate, high inflation and unemployment. Since the late 80s, the critics to the postwar development pattern increased under the guidelines of the multilateral institutions' agenda. So far, the expectations in the potential of the global markets to promote economic growth influenced the government policy options. The centrality of the market overwhelmed all the institutional transformations. Considering this background, the new economic role of the state would involve the definition and protection of private property rights - offering legal, judicial and normative efficient systems. In relation to the imperfections of the markets, the multilateral institutions – particularly the World Bank- recognize two areas that must be the object of state actions: infrastructure and essential services, including financial services to poor people. To follow the guidelines of the Washington Consensus, the Brazilian domestic economic and social policies were adjusted to the requirements of the global economic integration.

Nevertheless, the process of the adequacy to the so called neoliberal model had impacts not only on capital accumulation but also on the perspectives of social inclusion. The preference for liquid financial assets, the evolution of industrial investments and the weight of financial commitments in public budgets affected the orientation of public resources and revealed the changing nature of wealth in the current accumulation pattern. In truth, market liberalization has been connected to a new configuration of social reproduction in terms of employment and access to income. The centrality of the financial logic of investment has created conflicts between the long-run perspectives on economic and social reproduction. The evolution of the recent economic performance in Brazil suggests that this financial centrality dampens the possibilities of sustainable economic growth. Current macroeconomic policies have strengthened a short-run horizon of yield for investment decisions that imposes volatility to the evolution of the levels of domestic product and employment. This volatility provokes movements of stop-and-go in economic growth.

2. Wealth accumulation, financial expansion and social reproduction

As a matter of fact, modifications in the nature of wealth have currently been observed. The preference for alternative investments to traditional activities happened to shape new articulations between financial and productive investment flows. The economic global integration has redefined the international division of labor and the orientation of productive investments. In this setting, the decisions towards investment have been placed on a world-wide scale. Global accumulation integrated singular industrial structures into new flows of foreign direct investment. Nevertheless, the economic openness could restrict the options of domestic investment in a framework of destruction of productive chains and regression of industrial structure. The relevance of export patterns of goods and services has increased while the performance of domestic economic growth happened to become dependent on the global economic dynamics.

In addition, current investment decisions are overwhelmed by the expansion of the financial sphere where the growth and liquidity of financial assets have redefined the dimension of time and space. In this scenario, the length of decision periods has been shortened while the spectrum of alternatives of capital accumulation has been broadened. Besides, the pace of productive investments tended to slow down in a framework characterized by the preference for financial than industrial capital accumulation. Banks and institutional investors have assumed key-role in the definition of new investments and financial flows – articulated as a result of expectations in terms of return, risk and liquidity - and in the configuration of new perspectives of integration into the market.

In truth, financial globalization has fed capital centralization processes, the expansion of banks and the stock markets, consolidating, as a result, the importance of new social actors. The new credit strategies have a crucial role in shaping the expansion of national capitalisms since broadened the universal access to financial services. The universal access to credit to all the population reinforces the financial expansion and the subordination of society to banks' strategies and operations.

However, within the current wealth accumulation pattern that privilege the financial dominance on the economic reproduction, there are deep conflicts between financial expansion and social reproduction conditions. The fictitious capital - expressed in the financial assets negotiated in capital markets- exerts a key role on the features of the dynamics of production and reproduction of material life. The fictitious capital, at the same time that tends to gain autonomy in relation to the production conditions, exerts on future investment and production decisions strong influence. Thus, the redefinition of the investment flows has been associated with the demand for financial assets daily evaluated in organized stock markets. The increasing mobility of global capital and the short-run productive investment payback are incompatible with the claims of society relative to citizenship, jobs and income. The dynamics of social mobility have changed into a picture of intense economic transformations where the new conditions of social and symbolic reproduction have been shaped.

Since the middle 1990s, the evolution of labor and capital incomes has expressed the transformations in investment and employment trends that enlarged wealth inequality. The composition of capital incomes –dividends and interests- has revealed the redistributive effects of the current financial accumulation pattern. In the 1990s, the participation of labor incomes in gross domestic product fell and the total unemployment increased as a result of the policy options centered on price stability and market liberalization. As a result, the dynamics of social inclusion could be apprehended in a context of redefinition of working conditions and mechanisms of social protection.

In this context of structural changes, the evolution of unemployment and the changes in labor relations have revealed that the social dimension of labor has been redefined. Considering the

Brazilian recent experience, trade and financial openness had restricted the space of industrial manufacturing. Investment decisions have also been conditioned by the labor risks that include the level of monetary wages, qualification of the workers, employment contractual diversity and the capacity of collective organization. This accumulation trend provoked decisive social impacts on the reduction of industrial jobs, the displacement of productive plants, the new forms of working organization. Private strategies that search increasing productivity and cost reductions have involved new labor relations and impacted in social organization, since labor flexibility must be compatible to capital mobility. Such transformations had stimulated new organizational principles, such as, resetting of tasks in the context of the transformations of the modalities of management and control of the labor force.

As a result, new patterns of social inclusion and new trends in collective demands and contractual relations enhanced changes in the conditions of existence of the labor class. The configuration of the labor markets has also been characterized by the fall of the formalization rate of employment and an increase in the number of workers on its own. Thus, the decreasing weight of industrial jobs promoted new relations and interactions between the formal and informal economic on behalf of the transformations in the circuits of current income, employment, credit and consumption spending. [2] As a matter of fact, since the late 1990s, the Brazilian government induced institutional transformations that turned out to privilege financial assets in the composition of private and social wealth. The responsibility of economic growth has been shared with citizens that are redefining their own conditions of employability and the adequacy of their behavior to the new global parameters that frame social interactions. In this scenario, behaviors centered on active citizenship and entrepreneurship have been stimulated.

Up to the beginning of the 2000s, the social and economic trends have expressed a tension between the absence of commitment to economic growth and the claims of employment and citizenship. The tensions emanating from the market zone – decline of production, employment and wages- turned out to shift to the political sphere (Polanyi 1944, 211) and lead to changes in government strategies, policies and actions order to accomplish the necessary requirements for further economic expansion.

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[2] In the process of transformation of productive and social structures, the distribution of workers by economic sectors changed in the Brazilian economy: between 1992 and 2001 a reduction of jobs in agriculture and industry is observed, falling from 25 and 21.1 % to 18.3 and 20.4 %, respectively (IBGE, 2002). The sector of services has grown, being its evolution not only determined by the expansion of jobs and income in the formal sector, but also by the advance of informality.

The resulting institutional changes in the Brazilian financial sector could be understood as an expression of the specificities of the neo-liberal adjustment where the tensions in the institutional zones –unemployment and pressure on exchanges- has been faced by the enlargement of credit access to almost 45 millions of low income people that have not access to regular financial services because of the lack of income certification.[3] These transformations suggest changes in the understanding of the challenges to social reproduction in Brazil. Profit-seeking banking activities, that expand the circulation sphere, proved to create tensions between the possibilities of economic and social reproduction.

Considering this background, it is relevant to think about the role of the process of financial inclusion on livelihoods. The universal access to financial services overwhelms the whole society by means of diverse forms, in special, by the commodification of credit in the form of personal loans. These operations have spread the dominance of the market exchange over forms of reciprocity and redistribution that had characterized the Brazilian development process until the neo-liberal era. In fact, these changes have shaken the redistributive policies that characterized the industrialization period and were centered on public banks, credit allocation policies, public investment and social policies (Madi and Gonçalves, 2006).

As the recent consumer credit expansion tends to enhance the expansion of the banking system, it turns out to be an important aspect of the financial transformations of the contemporary Brazilian economy. In truth, the outcomes of the universal access to credit suggest the disruption of traditional livelihood conditions and the intensification of the historically heterogeneous process of market integration. The whole society seems to have been subordinated to the money commodity fiction instead of having privileged social needs.

Evidences from the recent Brazilian experience suggest the transformations in individual behavior toward the economic motive and the disorganization of traditional forms of reciprocity and redistribution. Persol loans turned out to contribute to the loss of social ties since the reciprocity interrelations have been substituted by individual claims. This behavior threatens the interrelations developed inside the families and neighborhoods that aimed to " …*safeguard both production and family sustenance…* " (Polanyi, 1944, 48). In other words, the growth of the household indebtedness could threaten the preservation of collective interests.

[3] The government agenda was oriented toward to the definition of a new legal institutionalit set up that included redefinition of norms in the credit market, stock market, pension funds, insurances and real estate financing (Secretaria de Política Econômica, 2002).

3. Final considerations

In the boundaries of the Brazilian process of financial inclusion, the role of credit could be considered a mechanism of self-protection of the market economy since credit commodification fosters the expansion of the financial system. Taking into account this background, historically characterized by social exclusion, the new foundations of citizenship have expressed a set of rights and attitudes that reinforce the centrality of the markets. New institutional mechanisms of social inclusion have been stimulated in a context where the nation state has its space of maneuver minimized due to the loss of autonomy in managing economic and social policies in the new development pattern. In the allocation of public resources, the action of the state has privileged the private management criteria of efficiency, efficacy and effectiveness. While the government spending has shrunk in education, health and infrastructure, the growing burden of taxes threatens the future of disposable incomes. As a result, the tensions between the government, society and the markets have been overwhelmed by the processes of homogenization and resistance in a framework where the social dimension of wealth and the social dimension of labor are changing.

The reproduction of the material life at the current moment of instability - generated as the result of the crisis of the institutions consolidated in the postwar period - is overwhelmed by the necessity for security in the conditions of reproduction of the human existence. In the postwar period the construction of the expectations of social inclusion had as reference the social welfare and the inequality tended to be minimized by the interventionism in the markets. The transformations observed since the 170s had generated social vulnerability that means the necessity for thinking some aspects of the citizenship relative to the centrality of the markets. The emphasis on the entrepreneurship notion feeds the recomposition of citizenship since the private enterprise is the core of social interactions overwhelmed by competition and individual positioning. The foundation of citizenship is redefined because of the changing conditions of social interrelations and the new possibilities of individual mobility are overwhelmed by individual interests that reveal the spread of a consensus -promoted by the neo-liberal ideology - where the financial assets turned out to be considered as social goods.

The comprehension of the contemporary trends and their impacts on the institutional setup is decisive to any transformation in the policy making process. In truth, the new consensus created around the centrality of the self-regulated markets that is supposed to benefit the process of economic growth, in fact, restricts the access to the markets and enhances social exclusion. In this picture, the meaning of the “credit access for all” as a new social right needs to be apprehended in a broader dimension: the credit phenomenon penetrates the not economic factors; the credit expansion turns out to desegregate and to increase social tensions because of the growing personal indebtedness in a context where the future labor incomes are decreasing and uncertain. In some way, the nexus between modernization and social exclusion encloses different conflicting aspects in the frame where the social dimensions of investment and labor have tended to be dismantled and the personal financial management overwhelms everyday life. Thus, the current social reproduction dynamics reveals a qualitative change in civic proceedings and in the possibilities of economic growth and social inclusion.

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