

**Reindustrialização e desenvolvimento da economia
brasileira**

**Reindustrialization and Development of Brazilian
Economy**

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Resumo: O artigo discute a questão da concentração de renda e riqueza no Brasil e as alternativas para reverter esse quadro, a partir de políticas públicas voltadas para o desenvolvimento sustentável e inclusivo. Para isso, após breve retrospecto da desindustrialização em curso, aponta para as ações do primeiro ano do Governo Lula III, em especial o Novo Programa de Aceleração do Crescimento (Novo PAC), o Plano de Transição Energética (PTE) e as missões definidas no âmbito do Conselho Nacional de Desenvolvimento Industrial (CNDI). Tais missões nortearão a formulação de políticas de neindustrialização. Por fim, à guisa de conclusão aponta possíveis desdobramentos e perspectivas.

Palavras-chave: concentração de renda, políticas públicas, desenvolvimento sustentável e inclusivo.

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Abstract: The article discusses the issue of concentration of income and wealth in Brazil and the alternatives to reversing this situation, based on public policies aimed at sustainable and inclusive development. To this end, after a brief review of the ongoing deindustrialization, it points to the actions of the first year of the Lula III Government, in particular the New Growth Acceleration Program (New PAC), the Energy Transition Plan (PTE) and the missions defined in the within the scope of the National Industrial Development Council (CNDI). Such missions will guide the formulation of neo-industrialization policies. Finally, by way of conclusion, it points out possible developments and perspectives.

Key-words: concentration of income, public policies, sustainable and inclusive development.

Introduction

Brazil is one of the countries with the highest concentration of income and wealth in the world, according to several surveys. For the Global Wealth Report 2023, recently published by the Swiss bank UBS, almost half of the country's wealth (48.4%) is concentrated in just 1% of the population. The analysis considered the household wealth of 5.4 billion people worldwide.

There are several causes of the concentration of income and wealth in Brazil. The regressive tax structure, the low rate of economic growth of the last decade, which limited the generation of income and employment of most people, and the high interest rates practiced, are some of them.

In the international scenario, financialization has intensified after the 1990s and successive crises have highlighted the role of the State for the sustainability of actions aimed at mitigating the volatility and instability characteristic of the markets. Since then, the volume of financial assets, which in the pre-globalization period was equivalent to the annual world Gross Domestic Product (GDP), today represents a volume five times greater.

The post-Covid 19 pandemic scenario, the climate crisis and the unfolding of the Russia-Ukraine War have also intensified a repositioning of countries in relation to international supply chains and the relocation of investment projects. Hence the importance not only of strengthening the regulatory issue, which has been evolving internationally, but also of domestic measures to create alternatives.

The Brazilian economy has been experiencing weak and irregular economic growth over the past few years. In the crisis experienced in 2015 and 2016, the Gross Domestic Product (GDP) contracted by about 7% in the cumulative period. Subsequently, there was a

recovery, but a weak one, and the new crisis arising from the Covid-19 Pandemic in 2020 caused GDP to contract by 3.3%. There was growth in 2021, but only in 2022 did the level of economic activity return to the pre-crisis level of 2014.

However, Manufacturing Industry and Gross Fixed Capital Formation (Investments) remain at a much lower level than in 2014. It should be noted that public investments reached their lowest historical level in 2022, as a result, among other factors, of the restrictions of Constitutional Amendment 95 (EC95) and the vision of a "minimal state for others", predominant in the period. The New Fiscal Framework allows for some flexibility, but the reversal of the framework of budget restrictions will only occur through an increase in tax collection and the resumption of economic growth.

Premature deindustrialization caused the share of the Manufacturing Industry in the GDP, to being reduced to 11%, The Brazilian export agenda continues to be increasingly dependent on the commodities of the agrarian, mineral, livestock and oil complexes, products with low added value.

In the labour market, despite the recent improvement, the unemployment rate was 8.0%, in relation to the Economically Active Population (EAP), in the quarter from April to June 2023, representing a contingent of about 8.6 million persons. The underutilization rate of the labour force (unemployed, discouraged and underemployed persons due to insufficient hours worked), which reflects a broader view of the labour market situation, was 17.8% in the moving quarter from April to June 2023, or about 20.4 million.

The fall in household income and purchasing power over the past few years has been a consequence of the poor performance of the level of activities and the labour market. The increase in socioeconomic vulnerability and food insecurity, which affects more than half of the population, are also relevant factors, as well as the increase in the cost of living.

The Extended Consumer Price Index (IPCA), Brazil's official inflation measure, declined from 12% accumulated in the 12 months in June 2022, to just 3.99% in the last twelve months up to July of 2023. With this result, inflation in 2023 should reach around 4.5%, remaining on target band defined by the National Monetary Council. The disinflation scenario has made room for the beginning of the reduction of the Basic Interest Rate (Selic), which, however, still remains at a high level (12.75% at the end of November 2023);

Therefore, to obtain a more predictable scenario regarding the intertemporal sustainability of public accounts, it is essential to consistently resume public and private investments to boost economic growth, generating positive externalities for employment, income, and tax collection itself. It is in this sense that the regulation of remuneration and

social security for new work modalities, especially those intermediated by digital platforms, becomes urgent and necessary.

A relevant distortion refers to the tax burden over consumption, income and wealth. At this point, there is a significant misalignment of Brazil in relation to most countries. While in Brazil there is a tax share of 18% on income, 4% on wealth and 50% on consumption, in the average of the countries of the Organization for Economic Cooperation and Development (OECD), a group of the 36 most developed countries, the share of taxation on income is 34%, on wealth is 5.5% and on consumption is 32%. Brazil taxes consumption a lot and income and wealth little in relation to the average of the countries, which denotes a significant regressive character.

The tax burden that is highly concentrated in consumption taxes, mainly indirect taxes, negatively affects the consumption capacity of low- and middle-income families, significantly reducing the demand capacity and aggravating inequality. Particularly in our case, in a country where a large part of the population receives a low monthly income, this high tax burden on consumption and production restricts aggregate demand, reducing the potential for growth and economic development, especially in the different regions of the country.

Overall, Brazil's tax burden as a proportion of Gross Domestic Product (GDP) is slightly below the OECD average of 34%, although high compared to countries with equivalent middle income. Another relevant question that arises in the case of Brazil is the compensation offered by the State to taxpayers. In most countries with an equivalent tax burden, the state provides a good base of services, education, security, health, infrastructure in general.

The first phase of the tax reform proposal under consideration in the National Congress focuses on simplifying the structure of indirect taxes, with the introduction of the concept of value-added tax. This is an evolution, but the second phase of the reform needs to advance in the progressivity of income tax, in the taxation of large financial investments, such as exclusive and offshore funds. Another relevant point is the review of tax benefits without social return.

2. The Effects of High Interest Rates

The high interest rates that prevail in Brazil, both at the base rate and at for final borrowers, have a clear concentrating income effect. For final borrowers, market rates can triple the price of a durable good, such as household appliances, for example. This is a clear

concentrating bias, since generally those who buy on credit and pay the high charges required are the lower income people.

On the other hand, as the Selic rate is the basis for the remuneration of financial investments linked or not to Public Bonds, the high interest rates represent a significant transfer of income from society, in the form of payment of taxes, to a privileged layer formed by the richest. The forecast is that this year the cost of rolling over the Brazilian public debt will reach R\$ 700 billion, about 7% of GDP.

Compared to other countries, Brazil's expenditure on interest payments as a proportion of GDP is the highest, even in relation to countries with a much higher level of indebtedness. According to data from the International Monetary Fund (IMF), the cost of financing Brazilian public debt is the highest in a sample of selected relevant countries. Even countries with high indebtedness in relation to GDP, such as Greece, for example, with debt of 200% of GDP, therefore almost two and a half times that of Brazil, the cost of financing the debt is 2.5% of GDP, a little more than a third of what was paid by Brazil as interest costs as a share to GDP.

3. Perspectives

The new Lula government, which will soon complete its first year in office, denotes a clear change of course for several of the aspects raised here. Among other relevant aspects, the resumption of the role of the State in the economy stands out. From the point of view of economic governance, the Transition Cabinet redefined a reordering of the conduct of economic policy, which in the previous government had been centralized in a single ministry. The ministries of Finance, Planning and Development, Industry and Trade were re-established. In addition, a new ministry was created, the Ministry of Public Sector Management and Innovation. Such initiatives represent a requalification of the role of ministries in the formulation and conduct of economic policy.

The National Council for Industrial Development (CNDI) was recreated, made up of representatives of ministries and of entities representing entrepreneurs and workers. In this forum, six main missions were defined that will guide the formulation of industrial policy to promote the country's neo-industrialization: a) Sustainable and digital agro-industrial chains for food, nutrition and energy security; b) Resilient health-industrial economic complex to reduce SUS vulnerabilities and expand access to health in the country; c) Sustainable infrastructure, sanitation, housing and mobility for productive integration and well-being in

cities; d) Digital transformation of industry to increase productivity; (e) Bioeconomy, decarbonisation, and energy transition and security to secure resources for future generations, and (f) Technologies of interest to national sovereignty and defence.

The new industrial policy under construction will be supported by relevant programs such as the New PAC (Growth Acceleration Plan) and the PTE (Energy Transition Plan), among others, and will aim to rearticulate actions in favour of Brazilian development. In the PAC, investments of R\$ 1.4 trillion are planned in the period 2023-2026, in the areas of transport, infrastructure in general, cities, sanitation, digital inclusion, energy transition and security, innovation and defence, education, science and technology, and health.

Recovering investments is key to growth on a sustained basis. Gross Fixed Capital Formation, the total amount of investments made in infrastructure, machinery and equipment, was restricted to only about 17% of Gross Domestic Product (GDP), in the average of the years 2020-2022.

In this sense, the new PAC is associated with several initiatives already underway in the resumption of the essential role of the State. Not only as an operator, but also in the relevant role as a regulator and inspector, as well as articulator and coordinator of the process.

The return of the National Bank for Economic and Social Development (BNDES) in financing and collaboration in the formulation of development strategies, rescuing its historical role, also represents a milestone in the new phase underway. There is no contradiction between its actions and the strengthening of the capital market and other forms of private participation. Both are complementary.

From the point of view of demand, it is important to highlight the role of the resumption of the policy of increasing the real value of the minimum wage, an important signal and beacon of the improvement of income, which is already a reality in this first year of the Lula III government.

All ongoing actions have a distributional effect and should be intensified. However, the challenge remains to reverse the paradigms of a society in which entrepreneurs, higher-income workers and entrepreneurs in general have become accustomed to rentism, to the detriment of production.