

Institutional Obstacles to Brazil's Economic Development

By

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- 1. Until a few years ago Brazil was praised for having attained dynamic growth, with financial stability and improvement in the distribution of income: i.e. GROWTH WITH EQUITY
- 2. “The future” had finally arrived (Stefan Zweig)

- 3. This was an illusion: in most years since the introduction of the Plano REAL growth has been low
- 4. Improvements in income distribution was mainly due to the end of hyper-inflation and a rise in the minimum wage.
- 5. “bolsa familia” improved living standards of the lowest 10%, but was hardly responsible for improvements in income distribution – nor did it do much of lift the quality of education

- 6. Over last two decades investment/GDP rate quite low (fluctuating between 16 and 19% - compared to over 40% for many Asian countries)
- 7. Neglect of infrastructure investments, even though PAC was introduced in the second mandate of President Lula: Public sector seems unable to deal with this

- 8. Pres. Dilma trying to deal with this through “privatization”, i.e. *concession contracts* with private sector
- 9. Slowness of Brazilian bureaucracy is partially due to many property and environmental laws: this was no obstacle in China which has a mixture of authoritarian rule with raw capitalism

- 10. “Difficulty of doing business in Brazil” various rankings
- 11. Brazil’s HUMAN CAPITAL PROBLEM: as seen by World Economic Forum Rankings:
 - Of 122 countries in Math and Science: Brazil ranks 112
 - Quality of educational system: 105
 - Quality of basic education: 109

- - PISA: Brazil is 57 of 65 countries

12. In Brazil one finds “islands of excellence”, such as ITA, Politecnica, IMPA – but there is no general system of “excellence”

13. Brazil invests 5.5% of GDP in education (slightly behind OECD average: 6.23%)

- 14. University System:
- - best universities are public
- - the “vestibular barrier”
- - Most Brazilian universities are lowly ranked: out of 200 best universities in the world, only one Brazilian university is included (USP, which ranks 178)
- 15. Brazil needs “centers of excellence” which is difficult to achieve, given the prevalence of **isonomia**

- 16. Low R&D for Brazil as a whole: 1% of GDP, compared to 3% in the U.S. : low R&D in both the industrial sector and universities
- 17. An important exception is EMBRAPA
- 18. The private sector in higher education:
 - - huge increase in private “faculdades”
 - -with a few exceptions, these are exploitative degree mills, designed to maximize the income of the owners

- 19. the “clients” of private faculties are those who could not succeed in the vestibular of public universities because of insufficient training in public secondary schools
- 20. these “clients” now have jobs and need a higher degree to improve their positions in the productive sector
- 21. most private universities function at night; students are tired after working all day and the professors are not on top of their professions

- 22. The owners of private faculties want to maximize students, who pay tuition. They are not interested in faculty research. Most teachers in private faculties have two or more teaching positions in order to make a living.
- 23. Most private faculties can be found in the softer subjects: law, sociology, economics, literature, education – rather than in medicine, engineering, and various hard natural sciences.

- 26. Migration of talented Brazilians abroad or to the private sector: e.g. one finds lots of PhDs in physics, engineering, etc. working in banks. Is this the best allocation of scarce resources?
- 27. Brazil's output at the frontier of technology is small. In 2011, patent applications was as follows:

- China: 415,829
- U.S.: 247,750
- Korea: 138,034
- Brazil: 2,705
- Possible Solutions:
- -restructuring public educational sector
- -creation of centers of excellence

- -all graduates of public universities, which are free, are obliged to do one year of “social service”