

# GLOBALIZATION AND CHANGES IN CONSUMER PATTERNS

**“Sustainable consumption means the provision of services, and related products, which respond to basic needs and bring a better quality of life, while minimizing the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or products, with a view not to jeopardize the needs of future generation.”**

**in “Elements for policies for sustainable consumption” - United Nations Environment Programme (UNEP)**

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## I - GLOBALIZATION AND CHANGES IN CONSUMER PATTERNS

### 1. INTRODUCTION

### 2. THE INSERTION OF BRAZIL IN THE PROCESS OF ECONOMIC GLOBALIZATION

- 2.1. Globalization and State Ideology
- 2.2. Globalization and Economic Opening
- 2.3. Globalization and Mercosul

### 3. GLOBALIZATION AND ECONOMIC DEVELOPMENT

- 3.1. Globalization and Economic Growth
- 3.2. Globalization and Employment
- 3.3. Income Distribution
- 3.4. Social Investments: Health and Education

### 4. CHANGES IN CONSUMPTION PATTERNS

- 4.1. Characteristics of household consumption (PNAD)
  - 4.1.1. Consumption of Basic Services
  - 4.1.2. Other Important Consumer Goods
- 4.2. Household Consumption Expenditures (POF)
  - 4.2.1. Composition of average monthly household expenses with consumption
  - 4.2.2. Monthly expenditures according to types of consumption
- 4.3. Regional differences in consumption levels and patterns

### 5. THE CONSUMER PROTECTION MOVEMENT IN BRAZIL

### 6. FINAL CONSIDERATIONS

- 6.1. Increases in Advertising Investments
- 6.2. Consumerism and defaults on payments
- 6.3. Consumerism and Violence
- 6.4. Consumerism, waste and environmental degradation

## II - CASES:

- 1. THE SCHOOL-GRANT PROGRAM: EDUCATION AND INCOME
- 2. ENHANCING THE INDIVIDUAL AND ACTIVE DEVELOPMENT
- 3. SELECTIVE GLOBALIZATION: THE CASE OF REFRIGERATORS AND MEDICATIONS
- 4. THE IMPACT OF THE GLOBALIZATION PROCESS ON THE INDIGENOUS PEOPLE OF BRAZIL
- 5. FOREST MANEGEMENT AT LOGGERHEADS
- 6. THE CONSUMPTION OF HEART-OF-PALM, AND THE DEVASTATION OF THE ATLANTIC FOREST
- 7. IDEC - BRAZILIAN INSTITUTE FOR CONSUMERS DEFENSE
- 8. THE HEALTH CRISIS

### III - Bibliography

## **I - GLOBALIZATION AND CHANGES IN CONSUMER PATTERNS**

### **1. INTRODUCTION**

**“An average person in North America consumes almost 20 times as much as a person in India or China, and 60 to 70 times more than a person in Bangladesh. It is simply impossible for the world as a whole to sustain a Western level of consumption for all. In fact, if 7 billion people were to consume as much energy and resources as well do in the west today we need 10 words, not one, to satisfy all our needs.”**

**in “The challenge of sustainable production and consumption patterns” - GRO HARLEN BRUNDTLAND**

Brazil is known as the country of inequalities: it is among the 10 largest economies in the world in terms of Gross Domestic Product (GDR), and at the same time holds the 68th place in the United Nations Development Programme (UNDP), Index of Human Development (IHD). Rich and poor: where a very few are very rich, and the vast majority survive under enormous difficulties. Will the recent integration of Brazil in the so-called globalized economy - a process which has accelerated since the beginning of the 90's - permit a modification of this inequality? Furthermore, which are the principal changes in consumption patterns in this last decade, and are those changes sustainable?

Does the globalization process, to the extent that it creates new desires and consumption patterns, offer solutions, in the sense of satisfying all of those recent needs of the different social strata affected by the frenetic introduction of new products. Or perhaps it's just a means of creating needs which imitate unsustainable patterns for the entire population? What are the social consequences of the generalized creation of these new needs, considering that there are profound inequalities in Brazil (the richest 20% of the population held 63.3% of the national income in 1995)?

One must ask: is the increasing violence caused by social exclusion, interacting with the illusion of access to those services and products which are placed at the fingertips of everyone 24 hours a day through publicity? According to recent data, approximately 1% of the Brazilian GDP is spent on advertising expenses for products and services!<sup>1</sup>

In a recent news report seen on a national television channel, while interviewing one of the leaders of a drug ring (only 17 years old), he was asked about the reasons that led him to participate in the sale of drugs in Rio de Janeiro. He responded, "Ever since I was small, I would see commercials for yogurt on television, and the only way I could get it and other things, was by participating in drug trafficking."<sup>2</sup>

On the other hand, never before in the history of Brazil has there been so much propaganda and have there been so many cars sold<sup>3</sup>. We recently visited the installations of new, large assembly plants in Brazil for: Renault, Toyota, Mercedes Benz, Honda, etc. Brazil beat all productions records. In the last months of 1997 (before the current economic crisis), there were more automobiles built in Brazil than in England, a fact gleefully trumpeted by the automobile industry officials. In the commercials, the cars are able to go more than 140 kilometers per hour, but in reality that's not the case. Pollution and the inability to cruise through traffic are the rule. An article published in a magazine with a large circulation<sup>4</sup>, showed that the average speed of an automobile in the city of São Paulo, during peak hours, is the same as that of trolley-cars at the beginning of the century: 21 kilometers per hour. Yet the sale of automobiles continues...and investments in public transportation are not forthcoming...and the default on payments of those who cannot afford to pay for automobiles is increasing alarmingly...and pollution and traffic accidents kill more and

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<sup>1</sup> Journal "Agencies and Advertisers" - July, 1997

<sup>2</sup> TV GLOBO - 1996

<sup>3</sup> special text will be forthcoming with regard to this matter specific comments about this issue are presented elsewhere in this report.

<sup>4</sup> "Folha de São Paulo" Newspaper, 10/97

more people...but that makes us a developed country, something that many Brazilians proudly brag about (even those who will never have access to those products)!

Violence, on the one hand; conspicuous consumption, on the other. And the investments in advertising increase all the time!

The process of inserting Brazil in the globalization really began in 1990. We will work, therefore, with the data available from that time period until now. For this reason, we will utilize, for the most part, the Family Budget Survey from the IBGE - the Brazilian Institute of Geography and Statistics, comparing the 1987 survey results from 1987 with those of the 1995-1996 survey. Before that, however, we will examine the main socio-economic data from that period.

## **2. THE INSERTION OF BRAZIL IN THE PROCESS OF ECONOMIC GLOBALIZATION**

### **2.1. Globalization and State Ideology**

From 1964 to 1985, Brazil lived under an authoritarian political regime. During this period, as a continuation of previous history, there was a process of extreme income concentration and a closing off of the national economy from the external market. In 1988, the new Federal Constitution, which was legitimately voted upon and approved, still provided protection to national industries, which were protected. Industries were considered "national" if they functioned with national capital, the objective being that of maintaining certain restrictions to the external opening of the market. With the first direct presidential election in three decades (1990), certain groups came into power that identified ideologically with the development of a project based on free market forces, with a diminished participation of the State. The country began to integrate itself more effectively into the world economy, opening its markets. Various changes in the Brazilian Constitution took place in an effort to redefine the role of the State and to restructure the economic order, in the sense of adopting a policy of openness for external market competition. Restrictions were eliminated for the participation of international capital in the exploitation of various economic activities. Together with these measures, cuts were made in public spending, including in the area of social investments.

An example of the changes made in the attempt to adapt the State to the ideology of the new order can be found in the 1995 Official Report of the Central Bank of Brazil. Herewith we quote the pertinent parts:

"...The process of the constitutional reform regarding the economic order was practically concluded in the second semester of 1995... on August 15<sup>th</sup> the National Congress proclaimed the following Constitutional Amendments – C.A.:

C.A. No. 5 - abolish the market reserve for the State gas distribution companies ...

C.A. No. 6 - abolition of the concept of a Brazilian company with national capital, maintaining the concept of the Brazilian company as that constituted under Brazilian law and which has its administration within the country. This change will permit the exploration and exploitation of mineral resources, as well as the exploitation of potential hydraulic energy sources, by Brazilians or Brazilian companies, under licenses granted by the Federal Government. Before this amendment, this concession was only allowed for Brazilian companies formed with national capital.

C.A. No. 7 - text regarding the end of the market reserve for river and coastal navigation within the country's boundaries.

C.A. No. 8 - Loosens the state monopoly of the economic exploitation of telephone, telegraph and general communications services, making the concession of these services to private enterprise easier.

C.A. No.9 - Loosens the monopoly of the state petroleum industry, permitting the formation of private enterprises to carry out the following activities: a) the exploration and exploitation of the petroleum and natural gas beds; b) refining of both national and imported petroleum; c) import and export of petroleum products and derivatives, and; d) maritime transport of crude oil....

The objective of these measures is to attract private national and foreign investments for those above-mentioned sectors, including electric energy, with the intent of overcoming the obstacles to self-sustained economic growth."

It was in this way that the internationally acclaimed economic recipe was consecrated, with the "assurance" that this was the way for all, and the only way which would lead to more development. The following data will allow us to question this "unanimity".

### **2.2. Globalization and Economic Opening**

The data shows that the changes made since 1990 made possible Brazil's insertion in the international market.

**Brazilian Imports (in thousands of dollars) and imports in relation to GDP (%)**

**TABLE 1**

Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
US\$ F.O.B.	15052	14605	18263	20661	21041	20554	25256	33079	49858	53286	45776*
IMPORTS as % of GD	5.33	4.78	4.39	4.63	5.45	5.49	5.87	5.89	6.94	7.11	-

Source: Central Bank

\*until September

Brazil opens to imports of both capital and consumer goods.

**Imports by Type of Products** (in thousands of dollars F. O. B.) **TABLE 2**

YEAR	1991	1992	1993	1994	1995	1996
<b>TOTAL</b>	2104	2055	2525	3307	4985	5326
<b>Consumer Goods</b>	3072	2450	3020	4658	8631	9213
Food	1275	850	1089	2014	3514	3278
Clothing	169	116	159	296	804	862
<b>Raw Materials</b>	7930	7628	9469	11662	16624	17765
Chemical Products	3142	3089	3844	4961	7349	7958
<b>Capital Goods</b>	5966	6335	8369	12690	19891	20184
Transportation material*	995	1283	2103	3396	5935	4512
Electrical material and machinery	4971	5052	6266	9293	13956	15672

* specifically vehicles: automobiles, tractors, etc.	634	890	1807	3166	5577	3979
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Source: Central Bank - June 1997

This opening, in terms of the consumer market in Brazil, means that the consumer now has access to imported goods which were formerly only available to those who traveled abroad. What happened in turn, was a veritable fever for imported goods, as if all of them were of superior quality.

On the other hand, Brazilian industries had extreme difficulty in competing in the national market with those products manufactured abroad. The over-valorization of the national currency's (*real*) exchange rate (adopted as of the *Plano Real*), makes the Brazilian products destined for export even less competitive. This in turn, brings on the demise of diverse national industries, causing unemployment, as well as an intense deficit in Brazil's trade balance. The following tables prove this theory:

**Brazilian Exports** (in thousands of dollars) **TABLE 3**

Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
US\$ FOB	26224	33789	34383	31414	31620	35793	38555	43545	46506	47747	39685*

Central Bank

\*until September

**Evolution of the Trade Balance** (in thousands of dollars) **TABLE 4**

Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Balance	11172	19184	16120	10753	10579	15239	13299	10466	-3352	-5539	-6091*

Central Bank

\*until September

The economic opening, together with an over-valued exchange rate, an increasing demand for imported products and export difficulties are reflected in the increasing trade deficit. The result is that, in only three years, the balance of trade experienced a drastic change: from a surplus of more than US\$10 billion to a projected deficit of nearly US\$10 billion in 1997.

To a large extent, this process is also accompanied by an increase in the number of bankruptcies of business enterprises:

**Evolution of Declared Bankruptcies / index base: Jan/87 = 100** **TABLE 5**

period	Jan 87	Sept 87	Sept 91	Sept 92	Sept 93	Sept 94	Sept 95	Sept 96	Sept 97
Base	100	353	236	464	409	311	562	921	1053

Serasa - Bank Services Centralization

The majority of critics point out that Brazil was not adequately prepared for the economic opening, since Brazilian products, in general, weren't competitive in price and quality in comparison with their international counterparts. This is not, however, the opinion of the Brazilian government.. "The most effective industrial policy is to let the industries produce and compete at will, and the best thing for the government to do is to get out of the picture", said the President of the Central Bank.

At the same time that Brazil began to increase its presence in the global economy, a program of economic stabilization - the "Real Plan" - was launched in 1994. Brazil had been experiencing a period of galloping inflation period and the stabilization program's main goal was to fight inflation. The following chart demonstrates the success of the plan in stabilizing prices:



Inflation Rates (%)

TABLE 6

Year	88	89	90	91	92	93	94	95	96
Industrial Countries	3.4	4.4	5.0	4.5	3.3	2.9	2.3	2.4	2.3
Brazil (INPC) <sup>5</sup>	993.3	1863.6	1585.2	475.1	1149.1	2489.1	929.32	21.98	9.12

Since then, both economic stabilization and insertion of Brazil in the globalization process have gone hand in hand. It is not possible to differentiate the changes that occurred as a result of one process or another. They interact constantly and their effects are interrelated. Chronic high inflation gave way to relative price stability in part as a result of the opening of the market. Although price stability generated an increase in consumption, especially by low-income groups<sup>6</sup> who were not able to defend themselves against inflation, - this increase in demand did not provoke renewed inflation due mainly to the increased supply of imported products. Therefore, national industries were forced to cut costs and incorporate new technologies in order to increase their competitive edge.

Another consequence of this process was a large reduction in the number of jobs in the formal labor market<sup>7</sup>, with all its social consequences.

### 2.3. Globalization and Mercosul

In 1991, the Treaty of Asuncion was signed between Argentina, Brazil, Paraguay, and Uruguay, creating Mercosul (Common Market of the South). This treaty established, beginning in 1995, a free trade area for goods, services and productive factors between the member countries, eliminating customs duties and non-tariff barriers, and establishing a common tariff with regard to imports from other countries.

At the present time, there exists an "imperfect customs union", since it was necessary to establish a longer term in which to fully standardize the tariffs, to take into account the different production and legal standards of the member countries. In spite of this, intra-regional trade growth has made great strides, and the few conflicts which have arisen during this period have been solved with relative success.

In only four years (from 1991 to 1994), trade among member countries increased from 8% of total foreign trade in the region to 19%, representing an annual average increase of 33.4%. Brazilian participation in this regional trade (import and export) increased from US\$4.4 billion to US\$15.5 billion between 1991 and 1996. In 1990, Argentina was Brazil's sixth largest trading partner with Brazil - today it is second only to the USA.

Evolution of Brazilian Trade Relations With Other Mercosul Countries (millions of dollars - FOB)

Year Countries	1986		1991		1992		1993		1994		1995		1996	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
Argentina	678	737	1476	1615	3069	1721	3661	2626	4136	3662	4041	5588	5170	6775
Paraguay	289	150	496	219	541	187	960	272	1045	352	1301	515	1325	551
Uruguay	202	301	337	434	517	341	775	431	569	163	812	737	811	932
Total	1169	1188	2309	2268	4127	2249	5396	3329	5921	4583	6154	6839	7305	8258

Central Bank

TABLE 7

One of the main problems being discussed by Mercosul is with regard to the standardization of consumer protection legislation. Brazil and Argentina have laws that protect consumers, while Paraguay and Uruguay do not. The process of finding a common ground on which to base the norms has been a risky one, since Argentina and, mainly, Brazil—which has the most stringent legislation—could be forced to lower their standards. The four largest non-governmental consumer protection organizations of each country created ACOM - the Consumer Association of Mercosul - on December 28, 1994, in order to work for common legislation that will establish the highest standards. In spite of enormous difficulties, this effort is still

<sup>5</sup> National Consumer Price Index (Índice Nacional de Preços ao Consumidor) from the IBGE

<sup>6</sup> Later we will analyze how the lower economic classes utilized this money

<sup>7</sup> The data regarding unemployment will be presented in the next chapter. However, it is important to point out here that the transformation of the formal employment to informal employment, or even unemployment, results in disarray within the labor movement, which was one of the few organized movements which could question this model of globalization.

underway and is an attempt by the consumer movements to find defenses against globalization processes, which ignore the demands of organized sectors of society.

This raises a central issue: globalization of the market is not being accompanied by international norms to protect consumers. Within international bodies, as, for example, the World Trade Organization, there are no representatives of consumer movements that can express these concerns. As a result, member countries end up defending the interests of suppliers much more than consumers. Therefore, one of the central demands of consumers within the context of globalization is how to make themselves heard within international decision-making bodies.

### 3. GLOBALIZATION AND ECONOMIC DEVELOPMENT

“Structural unemployment, caused by globalization, is similar in its effect to technological unemployment: it doesn't necessarily increase the number of people unemployed, but it contributes to a deterioration of the labor market for those who must sell the labor force. In this sense, the effects of the Third Industrial Revolution and globalization, together, are compounded. The two changes affected, in both the First and Third World countries, those workers who were well organized, and who, after many years of struggle, had managed to obtain not only decent wages, but job security as well. It was the industrialized workers who gained the right to unionize, to collectively bargain with their employers, to strike without running the risk of being fired, and even to have permanent representation within the firm's administration. It was these same workers who were most affected by the technological and structural unemployment, and the relation between buyers and sellers of the labor force, in each country, became markedly more favorable for the former.”<sup>8</sup>

Paul Singer - Economics Professor  
University of São Paulo

#### 3.1 Globalization and Economic Growth

The insertion of Brazil in the context of globalization at the beginning of the 90's happened at the exact moment when the world economy was experiencing a slowdown. An International Monetary Fund Report points to a drop in the in the economy from 1989 to 1993, especially in developed countries, with high rates of inflation in the less developed countries. From that point on, the economic growth gets a second wind, while, on the other hand, inflation begins to climb again. Brazil's path is similar, even including a negative growth rate in its GDP during the 1990 - 1992 period. Positive growth only returned in 1993.

GDP and Inflation

TABLE 8

Year	88	89	90	91	92	93	94	95	96
<b>GDP</b>									
World	4.6	3.7	2.6	1.5	2.4	2.4	3.7	3.5	3.8
Industrial. Countries	4.3	3.6	2.5	0.8	1.7	0.8	2.8	2.1	2.0
Brazil	-0.1	3.2	-4.3	0.3	-0.8	4.2	6.0	4.3	2.9
<b>Inflation Rates</b>									
Indust. Countries %	3.4	4.4	5.0	4.5	3.3	2.9	2.3	2.4	2.3
Brazil (INPC) %	993.3	1863.6	1585.2	475.1	1149.1	2489.1	929.32	21.98	9.12

Sources: IMF, in , Waddington, S. & Braz, C.F.S., *Evolução da Economia Mundial* (Evolution of the World Economy) – IPEA, Central Bank

The worst growth levels in the country since 1980 (not including the recession of 1981) coincide with the beginning of the opening of the Brazilian economy in 1990. With world growth renewed, Brazil follows suit, but even so, does not surpass the levels found at the end of the 1980's.

Even though the Brazilian economy experienced renewed growth in the last few years, the level is too modest in terms of the need to absorb both newcomers into the labor market and those unemployed or holding informal jobs. A somewhat higher rate of economic growth and an increase in demand for consumer goods followed the introduction of the Real Plan. But with the intention of reducing the public deficit, capturing foreign capital to finance the trade deficit and fund services, the monetary authorities adopted an over-evaluation of the exchange rate, and raised the interest rates, therefore provoking an economic cooling-off, postponing higher growth rates for the future. (Here I made very slight changes)

The recent Brazilian crisis will most probably be accompanied by low rates of growth. The Federal Government, with the intention of impeding the flight of foreign monetary reserves from Brazil, has just put into effect a series of economic measures<sup>9</sup>, which, in the unanimous opinion of the analysts, will decrease

<sup>8</sup> "Unemployment and Social Exclusion", in "Mudanças Econômicas e Desemprego" (Economic Change and Unemployment), *Revista da Fundação SEADE* (Seade Foundation Magazine)

<sup>9</sup> Increase in interest rates and taxes, cuts in public spending, among others.

the GDP growth in 1998 to between 1 and 1.5%. It is important to take into account the weakness of countries like Brazil in tackling the effects of crises (plural of crisis?) that take place in other world regions. The projected economic growth rate of 4% in 1998 has now be revised to only 1%. These changes result in dramatic social costs for the population. The outlook is one of a vast cooling-off of the economy with a significant increase in unemployment (worsening the difficult conditions which will be presented in the following chapter), and as a consequence, increasing the levels of poverty.

### 3.2. Globalization and Employment

Brazil is experiencing an increase in unemployment and job insecurity. In spite of the methodological differences in the surveys that attempt to measure levels of unemployment, all of them indicate a significant increase in these numbers since the beginning of the 90's.

**Employment/Unemployment %**

**TABLE 9**

Year	87	88	89	90	91	92	93	94	95	96	97
IBGE- Brazil <sup>1</sup>	3.73	3.85	3.35	4.28	4.83	5.97	5.32	5.06	4.64	5.42	5.63*
DIEESE-Gde. S.P. <sup>2</sup>	9.0	9.7	8.8	10.0	11.6	14.9	14.7	14.3	13.2	15.0	15.7*

<sup>1</sup> Rate of open unemployment

<sup>2</sup> Rate of open+ hidden unemployment

\* Until the month of September

The Ministry of Labor revealed that the formal market cut 2,086.089 vacancies from January 1990 to August 1997. In the same period, the economically active population jumped from 64,467,981 persons in 1990 to 74,138,441 in 1997, according to data available from the IBGE. In other words, Brazil is facing a daunting problem as a result of a lack of formal jobs.

**Formal Employment**

**TABLE 10**

YEAR	VACANCIES LOST	VACANCIES CREATED	ECONOMICALLY ACTIVE POPULATION
1990 to 1992	2,149,089		64,467,981 (1990)
1993/1994		428,622	
1995	412,151		
1996	271,298		
1997 (until Aug.)		318,422	74,138,441
total	2,832,538	747,044	
difference	- 2,085,494		+ 9,670,460

Ministry of Labor

It is not possible to assert that the reduction in available employment is only a consequence of the globalization process. It seems more reasonable to assume that it is also due in part to the low growth rates of the Brazilian economy, associated with the lack of public policy to create jobs. Even so, economic growth, by itself, is no longer enough to guarantee access to employment for all – technological innovation and gains in productivity are increasingly responsible for the reduction in the number of workers required in the productive process, especially in the industrial and agricultural sectors<sup>10</sup>. Organizational changes are also taking place in the labor process. Tasks previously performed by wage-labor are now being carried out by "autonomous" workers (self-employed) or by small firms, thus eliminating work relations. The reduction in costs obtained by such out-sourcing produces changes in the the structure of the labor market. Besides weakening the labor unions and depressing salaries, this transformation of the labor market limits the number of jobs requiring traditional skills, affecting mostly the middle strata of the workforce. The new organization of the labor market, in the form of sales of services instead of labor contracted through formal employment (with those corresponding benefits), also causes social exclusion. The informal labor market represents more than half of total employment in Brazil today.<sup>11</sup>

<sup>10</sup> Data recently released by the IBGE show a reduction of 1.5 million jobs in the agricultural sector in 1996, which this institution explains as follows: "The modernization of the means of production, with the introduction of new technology in agriculture and cattle breeding, of selected seeds and proper inputs, and the mechanization of the harvest, together with the stagnation of cultivated areas, all contribute to the reduction in available jobs." These data on the agricultural sector are extremely worrisome, since it absorbs one-fourth of the employed labor force. In 1995, it employed 18.5 million workers, and in 1996, 16.6 million. (You missed this part).

<sup>11</sup> In 1996, according to IBGE, only 43.7% of the Brazilian workers were contributing to the National Institute of Social

The consequences of globalization are even more visible in the industrial sector, which was the most affected (both positively and negatively) by international competition, with repercussions in the spatial distribution of rates and patterns of employment. One must keep in mind that industry tends to migrate to regions where wages are lower, labor legislation is more flexible, environmental controls are less demanding, etc. Therefore, this process tends to reduce salaries. This same process, which takes place between nations, also occurs between regions within Brazil, where wages vary significantly. There are certainly other factors, which contribute to these changes in Brazil's structure of production, such as the fiscal advantages offered by the different state governments attempting to attract industry to their regions.

This relocation of industries leaves in its wake unemployment in the regions abandoned. The resulting structural unemployment, caused by globalization and by the use of new technology, contributes in a decisive manner to the deterioration of the labor market and the disintegration of the union movement. Those most developed regions and the most organized labor sectors are affected the most.

An article written by Professor Marcio Poschmann confirms this thesis<sup>12</sup>:

"In addition to the lower proportion of workers receiving wages, almost half of Brazilian wage workers are employed without a formal labor contract (and, thus, lack the legal employment documents, required in Brazil, which formally provide access to protection under the labor and welfare legislation), and of those who are protected by law, almost 40% are dismissed every year.

The fact that Brazil has one of the world's highest turnover rates of the workforce makes it a paradigm of labor market flexibility and an example of the extent that labor force utilization and remuneration can be subjugated by corporate interests. This can be easily concluded from the chart, which examines three of the main variables in the pattern of employment and wages of the workforce in São Paulo's industry<sup>13</sup> (level of employment, average wage, and proportion of workers with workdays longer than the legal limit).

In spite of being concentrated in the most unionized region of the country, São Paulo's industries did not find it difficult, in a short period of time, to lower average wage levels, in real terms, and increase the length of the workday of a growing proportion of the work force in the short-run.

In other words, there are actually less workers in the São Paulo industries, they are paid less and they face a longer work day than they did at the end of the 80's."

#### Evolution of Indicators of Employment, Average Income, and Extended Workday in the Industrial Sector (1988/89 = 100.0) - São Paulo

Period	1988/89	1990	1991	1992	1993	1994	1995	1996	1997
Employed	100	94.1	91.2	983.1	82	82.6	88.7	79	75.4
Income	100	78.7	75.2	73.8	82.8	80.7	67.1	60.1	65.3
% of wage workers with exten workdays	100	93.2	113	123.5	96.9	108.4	120.7	107.4	120.1

Source: PED (Employment and Unemployment Survey) – Dieese/Seade.

TABLE 11

In the last chapter of this study, we will examine the way in which the precarious nature of affects solidarity in inter-personal relations and social movements.

### 3.3 Income Distribution

The unequal distribution of income in Brazil is of a structural nature and therefore cannot be blamed only on inflation or on the process of globalization. Income inequality increased during the 60's, 70's and 80's.

Income and Inequality TABLE 12

Years	Income Share of the 50% poorest (%)	Income Share of the 20% richest (%)
60	18	54
70	15	62
80	14	63
90	12	65
91	13.6	60.2
92	12.9	61.3
93	12.2	62.2
94	10.4	65.7

Security (INSS) (25.4% in the Northeast, 55.7% in the Southeast, 47.8% in the South and 38.6% in the Central-West).

<sup>12</sup> Folha de São Paulo, Oct. 22, 1997

<sup>13</sup> the largest industrial region in Brazil.

95	11.6	63.3
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Sources: Barros & Mendonça – 1995

Monthly employment survey of IBGE, in Neri, Marcelo & Considera, Claudio, "Crescimento, Desigualdade e Pobreza – O impacto da estabilização."

As has been shown above, the most important change in the last few years was the abrupt end of inflation. Much has been said with regard to the income gains obtained by the lower strata of the population, as a result of Brazil's recent price and currency stability. A recent study by BIRD reveals that during the last three years of the Real Plan (until June of 1997), the proportion of people who live below the poverty level in metropolitan areas fell from 43% to 32%.

The gains in income obtained by the lower-income sectors of the population during the first months of the Real Plan were the result of a combination of factors. The first factor was the end of the so-called inflationary tax (i.e., income losses caused by inflation) which eroded the salaries of those who earned less, and had no means of protecting their income by investing in the bond market. The second was the real increase minimum wage (May, 1995). Finally, one must take into consideration the return of economic growth. CEPAL studies demonstrate that a growth of 1% of per capita GDP reduces the level of poverty in the population by 1.2%. The economic growth in the last years (an average increase of 2.8% per year in per capita income) certainly had some impact on the poverty level. Even so, one should not lose sight of the decline suffered in the period just before this gain (90-92), of about 3% per year. Therefore, if on the one hand economic growth and stabilization reduced poverty and expanded the level of consumption in the poorest strata of society, several studies have found that social inequality did not decrease proportionately, with the regressive nature of this distribution remaining constant. In a very recent study, Poschmann<sup>14</sup> analyzes the disparity in income and concludes that:

"There appears to be no doubt with respect to the decrease in the dispersion of income of the employed sector of the population which occurred after the implementation of the Real Plan. This reduction, which mostly took place in 1995, permitted, at best, a return to the structure of inequality prior to the implementation of the Real Value Unit (URV) and of the change in the currency standard—to the situation which preceded the Real Plan. The exhaustion of the positive effects of the monetary stabilization on lowest income levels and the recent increase in inequalities could be indicative of a new regressive tendency in the pattern of income distribution, even within the context of low inflation. This would occur due to an inadequate utilization of elements that structure the distribution of income (employment, taxes and social policies) in favor of employed workers."

Although Pochman's analysis is based on regional indicators and cross-sectional data, it postulates a tendency marked by the government's current economic policy (maintenance of low growth rates, as we have seen before). The Minister of Housing, Pedro Malan, admitted that the benefits of the stabilization process for the low-income sectors have reached their limit. During the presentation of a study on inequality of income in Brazil at a recent international seminar, the director of the World Bank, Gobind Nankani, presented the same point of view: "The ability of the Real (Plan) to redistribute the wealth has reached its limits" and that "economic and social inequality in Brazil will only improve if economic growth surpasses current rates, and more aggressive policies are implemented to redistribute the wealth".

The end of the "inflationary tax" favored a decrease in the poverty levels<sup>15</sup>. But this only had a brief impact on social inequality. The variation of the GINI Index shows the following:

**GINI INDEX TABLE 13**

YEAR	1987	1996
INDEX	0.5698	0.5781

Source: IBGE - POF

The current absence of data precludes an analysis of indicators of poverty and inequality. However, this index reveals a tendency of gradually diminishing gains as a result of increases in public tariffs,<sup>16</sup> high

<sup>14</sup> Poschmann, M. (Researcher and Executive Director of the Center for Labor-Union Studies and of the Labor Economy of UNICAMP) – Desigualdade de rendimentos: o que há de novo? Data from the PED/DIEESE/SEADE and the PME/IBGE.

<sup>15</sup> The impact of this on consumption will be analyzed below.

<sup>16</sup> Different public tariffs have been increased above and beyond the inflation rate, just before the privatization process began. Telephone tariffs are an example of this.

interest rates, the limits of financial indebtedness of low-income consumers<sup>17</sup>, etc. The Brazilian economic stabilization plan and the nation's insertion in the world economy were insufficient to alter the pattern of unequal distribution of wealth in Brazilian Society. Besides higher rates of economic growth, it will be necessary to implement effective structural changes (agrarian reform, tax reform, educational reform, etc.) and increases in social spending (in health, education, etc.), in order to make headways in the eradication of poverty, and in the reduction of social inequality. If small, temporary increases in the income of the poorest sectors of society generate a significant increase in consumption, it would seem logical that structural changes would permit an effective distribution of income. This, in turn, would mean a much greater improvement in the quality of life and in the promotion of human development, with considerable impacts on the entire chain of production, as a result of the increases and the profound changes in consumption patterns.

### 3.4. Social Investments: Health and Education

Most studies of inequality and social welfare focus on the distribution of income within the population. It is important to note, however, that when it comes to inequality within Brazilian society, the State has played a large role in regard to the health and education of the population.

#### Health

In Brazil, the structure of State expenditures has not placed a priority on public health. Several studies point to an increase in governmental investment in this sector between 1987 and 1989, but declining ever since, until it reached its lowest level in 1992, with a small increase in 1993.

TABLE 14

YEAR	87	88	89	90	91	92	93
Health Expenditure % of GDP	2.45	2.33	2.55	2.09	1.82	1.54	1.85

Starting in 1994, different sources offer conflicting data. At any rate, this gradual recuperation continued in 1994 and 1995.

Although it was expected that public spending for this sector would be a priority--as a result of higher rates of economic growth, price stability and increase in government revenues arising from the introduction of a health tax (CPMF)<sup>18</sup>, the data show a decrease in expenditures on health, a fact noted by a Congressional report on government expenditures.<sup>19</sup>

An analysis of government health expenditures calculates them at around 2% of GDP for the last 10 years. In order to reduce the levels of social inequality, it is necessary to increase the amount of resources destined for this sector. Although these have been always scarce, they are even more so now, due to the changes in the age profile of the population: an aging population which increases the incidence of certain illnesses,<sup>20</sup> and the need to apply technological advances in medicine.

Regional disparities are an aggravating factor. In 1996, the Southeast had 3.5 hospital beds for every 1000 inhabitants<sup>21</sup>, and in the Northern Region, only 2.1 (the State of Amazonas has 1.6 beds for every 1000 inhabitants, and Rio de Janeiro has 4.4). In the Northern Region there are 6.02 doctors for every 10,000

<sup>17</sup> Data referring to the indebtedness of consumers shall be presented later.

<sup>18</sup> This refers to a tax specifically instituted by the government to benefit the financing of the health system. A controversy has arisen regarding its financial benefits to health, since these were offset by a decrease in funds previously allocated by the government to this area. "The tax is replacing regular health funding", stated the President of the National Council of Municipal Health Secretaries (CONASEMS), Gilberto Cantarino, in an interview in the newspaper *O Estado de São Paulo*, on November 9, 1997. This sector took funds from social security instead of CPMF, in the amount of R\$2.5 billion in 1997, and it will take another 3.4 billion in 1998, if nothing is done about it." said Mozart de Oliveira, Jr., advisor to CONASEMS (idem, OESP).

<sup>19</sup> Speech by Senator Jeferson Peres (Budget Speaker for 1996 for the Federal Congress) wherein he states that a real reduction in the Federal funding for the Health sector amounts to a little over 10% for 1996 compared to 1995.

<sup>20</sup> The average number of hospitalizations for those persons between the age of 0-14 is 6 per 100 inhabitants/year. For those 60 years of age and older, it is 32 per 100 inhabitants/year.

<sup>21</sup> Ministry of Health

inhabitants, compared to 18.13 in the Southeast (in the Federal District there are 29.50 and in Maranhão, 3.78). Dentists: 3.96 for every 10,000 in the Northeast and 12.34 in the Southeast. In the same year, the coverage for polio vaccinations in children less than one year old in the Federal District was 100% and in Maranhão it was 36.70%.

These indices are compounded by the differences with respect to basic sanitation: in 1991 in the Northeast Region, only 44.90% had adequate water supply in their homes, compared to 89.50% in the Southeast and sewer supply was only 13.10% compared to 70.60% in the Southeast. Consequently, the infant mortality rate is three times higher in the Northeast than in the Southeast (63.10<sup>22</sup> compared to 26.80 in 1994). It is estimated that half of the hospitalizations in the country are a result of inadequate water and sewer supply (diarrhea is associated with close to 50 thousand deaths annually, mostly in children under age one). Federal funds spent on health per capita in 1996 are R\$24.92 for the Northern Region and R\$47.02 for the Southeast.<sup>23</sup>

Even official statistics confirm that the Brazilian Public Health system is in disarray at the preventive level as well as in patient care: crises in hospitals, negligent treatment, lack or disappearance of medications and insufficient supply of vaccines to stop endemic diseases. This situation is the result of insufficient funding and mismanagement of resources available, which of course leads to poor patient care across the board.<sup>24</sup>

Those who have enough income systematically seek refuge in the private health system. This system takes care of around 42.3 million Brazilians, and involves a business of about US\$14.8 billion dollars.<sup>25</sup> Those who can afford to pay for their hospital and medical attention through one of the various private health plans, do not surpass 25% of the population. It is those members of society that find themselves in the most precarious position financially, that must depend on the public health system which is inefficient and underfunded. On the other hand, the minority, which manages to afford the costs of a private system, find themselves obligated at times, to have to turn to the public system as a result of the limitations placed upon them by the coverage offered by the private systems.<sup>26</sup> This only adds to the already overloaded public sector.

The consequence of the crisis in the public health sector have changed consumption patterns. According to the latest IBGE national survey of household budgets, average monthly expenses on health care exceeded 5.31% of budgets in 1987/1988 compared to 6.53% in 1995/1996 (for the lowest-income group—up to 2 minimum monthly wages - from 6.30% to 9.26%).

### *Education*

Brazilian expenditures in education, estimated to be 5.5% of GDP (4.5% coming from the public sector), are not low in comparison to other countries. There is, however, a serious problem with regard to quality and distribution of the resources. In spite of this, educational expenditures experienced cuts in 1996.<sup>27</sup>

During the last decades, educational resources have been primarily allocated to higher education, in

<sup>22</sup> Ministry of Health

<sup>23</sup> Ministry of Health

<sup>24</sup> "There are too many resources spent on illnesses which could be easily avoided. More than 10 million Brazilians do not have access to basic care, while the country wastes billions of dollars in injuries caused by traffic accidents. The resources available are often invested in a disorderly fashion, without any efficient control and without any kind of concrete results. Hospitals are always overcrowded, because many out-patient health care centers function badly or not at all.

Close to R\$1.3 billion a year are spent on diagnosis and treatment of complex illnesses which should, for the most part, be covered by the health plans". - Excerpts from the Internet site of the Ministry of Health (Nov. 8, 1997).

<sup>25</sup> Source: ABRANGE and FSP, Sept. 14, 1997.

<sup>26</sup> For a long time the consumer defense organizations have been struggling for a regulation of the private health plans. Many people who need to use their services are surprised when they are denied service, because certain illnesses are not covered or other reasons left up to the companies' criteria. Recently, in order to confront this problem, the Federal Government sent a bill to the National Congress to regulate these services. However, from the point of view of the consumer movement, medical associations and other segments of society, this project actually has the private health-plan companies' interests at heart, rather than those of the consumer. It allows several exclusions which, prior to this bill, were had been decided in the courts in favor of the patient. According to this law, foreign companies may operate the private health market in Brazil.

<sup>27</sup> The aforementioned speech of Senator Jeferson Peres points to a real cut of close to 8.5% in federal allocation of resources for education and culture..



detriment of basic education. This situation persisted in 1996, in spite of constitutional safeguards.<sup>28</sup>

Regarding the quality of instruction and the distribution of resources, the Minister of Education, Paulo Renato made the following observation in a recent interview:<sup>29</sup>

"...we allocated resources to develop the educational system up to graduate level, with an emphasis on research. We did not worry, however, about extending quality to elementary education. We have the largest graduate level among developing countries, but the problem is that 50% of our students do not finish 8<sup>th</sup> grade. Today, almost 90% of the population aged 7 to 14 years is in school. Thirty years ago, it was only 50%. Schooling has been extended, but repetition and drop-out rates are very high. Only about 70% of the students who enter school will finish fourth grade, after having attended an average of six years. Close to 50% finish eighth grade, in 12 years. The bottleneck is there, because, he who finishes eighth grade is already old... There are two processes in the Brazilian economy which are related: globalization, Brazil's integration in the international economy, and the acceleration of technological modernization within the industrial sector. Both processes require a worker with a certain educational level in order to be able to adapt to changes in the market. There is nothing more obsolete than a toolmaker from the automobile industry of the 1970's. Back then, he was among the elite of the workers..."

The Ministry of Education, in a recently published study, analyzed the situation of the children in school, based on registrations at the beginning of the 1996 school year, and concluded that there were 1.8 million children aged 7 to 14 who were not in school (a similar study by the IBGE in August of 1996, concluded that there were 2.7 million children out of school), half of them in the Northeastern Region.

**Regional Distribution of Children (ages 7 to 14), Outside the School System**

North	Northeast	Central West	Southeast	South
14%	50%	4%	22%	10%

Source: Ministry of Education

**TABLE 15**

The study also shows greater disparities when compared to the total population of children. Therefore, of the 1,833,343 of children out of school (6.42% of the age group studied) - 96,767 are in the state of Alagoas, representing 17.73% of the total population in that age-group. Another 186,471 are to be found in São Paulo, but they only represent 3.39% in comparison to the total number of school-aged children in that state.

The downfall in the quality of public teaching in the last decades has led higher-income segments of the population to bear the high cost of private schools. It is only the elite in Brazilian society that can afford this, as the cost is incompatible with the income of the general public. This social segmentation in the access to education further perpetuates the enormous social inequalities. To make matters worse, the private school system has raised their prices far above the inflationary rates in the last years, making them more inaccessible, and many who had access to these private schools had to abandon them. Previous governmental controls on the tuitions of these private school no longer exist.

The data of IBGE's national household budget survey, average household budget expenses with education increased from 2.67%, in 1987/88, to 3.49%, in 1995/96.

<sup>28</sup> "The second relevant aspect is the non-compliance with a constitutional norm regarding the distribution of funds for education. It has been shown that the government is not complying with the legally established limits in the allocation of resources for the elimination of illiteracy and universal access to elementary education", (Idem, aforementioned report). The report also points out that higher education received 55% of budget funds and basic education received only 37%.

<sup>29</sup> Mercantile Gazette (Annual Report, 1996).

## **4. Changes in Consumption Patterns**

**“The specialized literature reveals that developing economies, such as Brazil, are characterized by rather unstable structures of consumption, as a result of fluctuating levels of income distribution and introduction of new products, among other factors.”**

**in Overview of the Family Budget Survey 87/88 – IBGE**

An analysis of the changes in consumption patterns that have taken place in Brazilian society faces several obstacles for a deeper understanding of the subject matter. The first one is the lack of broader research on the topic, conducted by only a few institutions. Only IBGE's<sup>30</sup> survey of family budgets covers the entire nation. In addition, surveys are not conducted on a periodical basis and a long span of time occurs between them, especially if the rapid changes in consumption patterns that characterize Brazilian society are considered. IBGE's survey geographically covers the metropolitan regions of Rio de Janeiro, Porto Alegre, Belo Horizonte, Recife, São Paulo, Belém, Fortaleza, Salvador, Curitiba, Goiania, and the Federal District, Brasilia. Research studies conducted by other institutions cover a more limited geographic area, as is the case of DIEESE's<sup>31</sup> and FIPE's<sup>32</sup> survey in the city of São Paulo. In the second place, the most recent IBGE survey, with data gathered in 1995-96, had not yet been published at the time of this writing. Nevertheless, for the purpose of this analysis, IBGE's administration had the courtesy of granting us access to some data before it was published, making possible some important comparisons of major indicators with the previous 1987/1988 survey. However, the incomplete nature of the presently available data precludes detecting broader changes taking place in this period, since not all products and services that enter the Brazilian families' consumer baskets can be compared. In the absence of more complete data from IBGE's survey, we will complement the analysis, for the purpose of these comparisons, with data contained in Dieese's survey, which in spite of their local character are an indication of the changes that have taken place in recent years. Another methodological problem encountered in this analysis is the hiatus between the period in which the data were gathered and the present time. As levels of consumption are highly sensitive to economic conjunctures, the data may not be an exact measurement of current levels.

Other variables considered relevant for this report are those related to the elaboration of consumption indicators of goods and services which are of fundamental importance to describe living standards. The source of data for these indicators was the National Household Sample Survey, also conducted by IBGE on annual basis. Only the most relevant aspects revealed by these data will be analyzed in this report. An Appendix contains tables with more complete data.

As an introduction to the analysis of the data, we quote an excerpt from Dieese's 1994/1995 Household Budget Survey Report:

“When analyzing the evolution of household expenses, it is important to remember the strong association between income and consumption of goods and services. The higher the family's income, the higher the household's expenditures in absolute terms and the wider the range of product and services consumed by family members. For this reason, low-income families end up centering their expenditures, in relative terms, on the satisfaction of basic needs for survival, within a narrower and more homogeneous consumption range.

In this manner, families with higher incomes spend more on food, in absolute terms, than others with lower incomes. On the other hand, in terms of total expenses of both types of families, the impact of food on total monthly expenditures will be proportionately less for the higher-income family than for the lower-income family. The former is able save, or spend more on a more nutritious, pleasurable and educational consumer list of consumer goods, than the latter.

Such associations are important in order to not only evaluate the impact of social and economic policies on families, but also to analyze them over time, observing, for example, the family's budget structure in different countries and regions. In fact, the proportion of spending and savings capacity of a family not only reveals its relative socioeconomic position, but also its insertion in the consumer society.

Thus, high proportions of expenditures in basic consumer products, more closely related to immediate survival needs, are an indication of a lower insertion in consumer society and reveal low purchasing power. For this reason, they also

<sup>30</sup> Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics)

<sup>31</sup> Departamento Inter-Sindical de Estatísticas e Estudos Sócio-Econômicos (Inter-union Department of Statistics and Socioeconomic Studies)

<sup>32</sup> Fundação Instituto de Pesquisas Econômicas da USP (Foundation and Institute of Economic Research of the University of São Paulo)

reflect a lower standard of living, both in terms of comparisons between families or between regions and societies. This situation is reversed as income increases. In other words, consumer habits reveal the stage of development of a given social group, society or country."

#### 4.1. Characteristics of household consumption (PNAD)<sup>33</sup>

##### 4.1.1. Consumption of Basic Services

This section presents an analysis of the evolution of the provision of basic public services which are of fundamental importance for the improvement of population's living and health standards—such as sewage disposal, electric power and refuse collection—whose levels of consumption reflect, to a certain extent, society's development stage.

Public water-supply systems served 70% of dwellings in 1987, 73.6% in 1992, and 77.6% in 1996. However, in spite of an increase from the 12.7% of households served in 1987, in 1996 only 19.8% of rural dwellings had access to water-supply systems. Differences among Brazilian regions are provided in Table

Households with access to public water-supply systems – 1996.

sudeste		sul		nordeste		centro-oeste		norte	
urb.	rur.	urb.	rur.	urb.	rur.	urb.	rur.	urb.	rur.
95,5	22,6	94,4	18,5	86,1	19,4	82,7	15,3	69,1	nd

IBGE

TABLE 16

In 1996, 40.3% of all households had access to sewage-disposal services through public sewer systems, while 23.3% disposed of their wastes through septic tanks and 36.4% still had no access to this basic service. From 1992 to 1996, the increase in the percentage of households covered by sewer services was 12.37%. Only 3.7% of rural dwellings were served by public sewer services, while 14.5% had septic tanks. Regional differences in accessibility to these services are also significant:

##### Sewage Disposal Adequacy (sewage system + septic tank):

	Brasil			regiões				
	Total	urb.	rur.	Southeast	South	Northeast	Central-West	North
1996	63,6	74,3	18,2	83,0%	66,5	37,7%	39,3	nd

IBGE

TABLE 17

In 1996, 7% of Brazilian households still lacked access to electricity. Households with access to electric power increased gradually, from 84.4% in 1987, 88.8% in 1992 and 93% in 1996. While 98.9% of urban housing units had electricity, 33.1% of rural dwellings were still excluded from access to electric energy. This rural exclusion was even more pronounced in the Northeast region of the country, where 47.7% of rural dwellings were still denied access to this service.

##### Access to Electricity -

ano	total	urb	rural
1987	84,4	96,4	46,8
1992	88,8	97,5	54,3
1996	93,0	98,9	66,9

IBGE

TABLE 18

Another important basic service, with significant impacts on the environment and the population's health, is refuse collection, which covered 73.2% of households in 1996. In urban areas, 87.7% of households had their garbage collected, while this occurred with only 12.0% of rural dwellings. In 1987, refuse collection covered 59.8% of households (76.4% and 7.8%, respectively, for urban and rural dwellings), and in 1992 the percentage had increased to 69.3%.

Demand for telephone lines is still quite repressed, with enormous waiting lists of consumers in the telephone companies, that are going to be privatized in the near future. In 1996, only one-fourth of Brazilian households (25.4%) had telephones—30.3% of urban households and only 4.5% of those in rural areas. Brazil's Southeast region has the largest proportion of households with telephones. Four years

<sup>33</sup> Pesquisa Nacional por Amostra de Domicílios (National Household Sample Survey), conducted annually by IBGE.

earlier, 19% of all households had telephone lines.

#### 4.1.2. Other Important Consumer Goods

The available data shows an overall increase in the consumption of other goods that are important for the improvement of health conditions—such as refrigerators and water filters—or of general living standards, such as stoves, freezers, television sets, radios, washing machines. As in the case of basic services, consumption of these products is more concentrated in South and Southeast regions of the country, with the Brazilian Northeast lagging far behind. Large differences are also present in the consumption levels of urban and rural areas.

TABLE 19

Brasil														
	Water filter <sup>34</sup>			Refrigerator			Stove			Freezer				
	total	urb.	rur.	total	urb.	rur.	total	urb.	rur.	total	urb.	rur.		
1987	55,5	61,1	37,9	1987	66,9	72,4	30,7	1987	95,5	97,6	88,7	1987		
1992	57,0	61,5	39,4	1992	71,5	80,9	34,4	1992	94,5	97,2	85,3	1992	12,3	13,1
1996	58,1	61,5	43,3	1996	78,2	86,4	43,2	1996	96,6	98,4	89,2	1996	18,0	19,3
	Washing Machine			Radio			TV Set							
	total	urb.	rur.	total	urb.	rur.	total	urb.	rur.					
1987				1988	82,0	84,5	73,9	1988	71,5	82,5	36,3			
1992	24,0	28,2	7,5	1992	84,9	87,3	75,5	1992	73,9	83,1	37,4			
1996	30,4	35,3	9,3	1996	90,4	91,9	83,9	1996	84,4	91,3	54,3			

IBGE

TABLE 19

## 4.2. Household Consumption Expenditures (POF)<sup>35</sup>

This section presents some data on the evolution of the structure of monthly household expenses with goods and services, based on IBGE's Household Budget Surveys of 1987/88 and 1995/96.

### 4.2.1. Composition of average monthly household expenses with consumption

In the eight-year interval between the two surveys, average monthly household expenditures with consumption experienced a small decrease. At the time of the first survey, consumption expenses amounted to 73.87% of total household monthly payments. In 1995/96, this percentage had decreased to 71.75%. It is important to look at the differences between income groups and regions with respect to household expenses.

Households in the lowest income group (up to 2 minimum salaries per month)<sup>36</sup>, spent a larger proportion of their income with consumer goods and services. While in 1987/88, 91.21% of total household monthly payments of these low-income families were destined to consumption, this percentage had increased to 92.97% in 1995/96. On the other end of the income spectrum, households in the highest income group (more than 30 minimum monthly salaries) experienced a reduction in consumption expenditures, from 64.04% to 59.50% of total household payments. High-income households, therefore, had a budgetary surplus that they could use to increase their assets or savings. It is important to point out that this survey considers automobile expenses, real estate and investments as increases in assets rather than consumption. The following table summarizes the survey's results:

TABLE 20

Types of expenditures	Average monthly household expenditures (percentage)										
	Total	Monthly income classes (minimum monthly wages)									
		up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
Global expenditures	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
95/96 Average global expenditures in R\$ <sup>37</sup>	3.350,53	232,00	365,33	484,63	629,90	787,75	935,60	1.251,63	1.766,20	2.350,87	4.922,58
95/96 Average global expenditures per capita	365,01	78,64	107,45	130,62	168,42	207,30	239,92	323,94	449,41	621,92	1.341,30

<sup>34</sup> This is an essential product in Brazil due to the pollution in tap water

<sup>35</sup> Household Budget Survey, conducted by IBGE on an irregular basis. The previous ones were conducted in 1987/88 and 1995/1996 – IBGE.

<sup>36</sup> The current minimum monthly wage in Brazil is R\$120.00, equivalent to US\$104.00

<sup>37</sup> The current exchange rate is R\$ 1,00=US\$ 1,15 dólares

<b>Current expenses</b>											
87/88	84,50	93,94	95,78	93,30	92,05	90,55	89,83	89,49	85,16	81,00	79,45
95/96	80,96	94,88	93,26	92,04	90,71	88,36	87,15	84,91	83,51	79,20	73,78
95/96 average expenditures (R\$)	1.093,45	220,09	340,69	446,03	571,38	696,21	815,45	1.064,51	1.474,98	1.861,94	3.631,79
<b>consumption expenditures</b>											
87/88	73,87	91,21	92,04	88,44	86,45	84,82	82,98	81,44	75,96	71,53	64,04
95/96	71,15	92,97	90,37	87,97	85,27	82,60	80,65	77,70	76,51	70,29	59,50
95/96 average expenditures (R\$)	960,94	215,68	330,13	426,31	537,11	650,70	754,59	974,05	1.351,26	1.652,51	2.929,03
95/96 average per capita expenditures (R\$)	259,71	73,11	97,10	114,91	143,61	171,23	193,48	251,69	343,83	437,17	798,10
<b>other current expenditures</b>											
87/88	10,63	2,73	3,74	4,86	5,60	6,13	6,84	8,09	9,22	9,47	15,43
95/96	9,81	1,90	2,69	4,07	5,44	5,78	6,50	7,22	7,00	8,91	14,28
95/96 desembolso médio em R\$	132,50	4,40	10,56	19,72	34,26	45,51	60,86	90,45	123,72	209,43	702,76
<b>increase in assets</b>											
87/88	14,07	5,82	3,69	6,11	7,52	8,24	9,14	9,33	12,66	17,42	18,85
95/96	17,17	4,69	5,61	7,11	8,81	10,59	11,89	13,20	14,87	18,80	23,69
95/96 average expenditures (R\$)	231,94	10,88	21,23	34,46	55,51	83,39	111,29	165,45	262,58	441,95	1.166,04
<b>decrease in liabilities</b>											
87/88	1,43	0,24	0,53	0,59	0,43	0,81	1,04	1,17	2,16	1,58	1,70
95/96	1,88	0,44	0,93	0,85	0,48	1,03	0,96	1,89	1,62	2,00	2,53
95/96 average expenditures (R\$)	20,94	0,99	2,90	3,74	2,25	6,46	6,67	21,35	22,12	37,55	106,37
<b>number of households 95/96 (thousands)</b>	<b>12.544</b>	<b>1.228</b>	<b>1.020</b>	<b>1.821</b>	<b>817</b>	<b>1.274</b>	<b>897</b>	<b>1.529</b>	<b>862</b>	<b>853</b>	<b>1.272</b>
<b>average size of household 95/96</b>	<b>3,70</b>	<b>2,95</b>	<b>3,40</b>	<b>3,71</b>	<b>3,74</b>	<b>3,80</b>	<b>3,90</b>	<b>3,87</b>	<b>3,93</b>	<b>3,78</b>	<b>3,67</b>

(1) – including no income

Obs.: The category "current expenses" includes tax and social security payments. "Decrease in liabilities" includes loan payments, installment payments on credit purchases and mortgage payments.

IBGE

#### 4.2.2. Monthly expenditures according to types of consumption:

In the time that passed between the two surveys, there was a reduction of household expenditures with food (from 18.72% to 16.39%), clothing (from 9.54% to 4.71%), transportation (11.09% to 9.72%), hygiene and grooming (1.41% to 1.35%), tobacco (1.11% to 0.99%), recreation and culture (3.18% to 2.51%) and miscellaneous expenses (4.00% to 3.52%). On the other hand, expenditures with health and education climbed from 5.31% to 6.53% and from 2.67% to 3.49%, respectively. The largest increase in household expenses, however, occurred in housing, jumping from 15.71% to 20.77%. Personal services also experienced a slight increase, from 1.15% to 1.17%.

#### Food

The data presented below reveals that the lower the income, the more it is spent with food. Therefore, the access of the lowest income strata of the population to other goods and services is more restricted. Next table shows the enormous outlay of low-income families on food and how this outlay varies among income groups. It also reveals, however, that the lowest-income groups had the largest reduction in expenditures with this item, especially among those who earn up to 2 minimum monthly salaries, who had their monthly food expenses reduced from 40.22% to 33.51% in the period under consideration. At the same time, those households in the highest income groups had the least reduction in food expenses—from 10.96% to 10.31%.

Differences in this pattern may be seen comparing income groups: while the poorest households spent 33.51% of their budget (or R\$ 77.74) with food, the richest families spent only 10.96% (or \$507.59) with this item—6.5 times the amount spent by the poor:

Monthly food expenditures by income groups	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
87/88	18,72	40,22	37,99	32,68	32,07	28,35	25,81	23,38	19,01	15,52	10,96
95/96	16,39	33,51	33,94	30,21	26,34	24,47	22,61	19,16	16,45	14,84	10,31
95/96 in R\$	221,33	77,74	124,00	146,42	165,94	192,78	211,56	240,23	290,48	348,96	507,59

IBGE

TABLE 21

Among the food expenditure items, there was a decrease in outlays for meat, entrails and fish, from 17.13% to 12.97% among them. All income groups experienced reductions in their food expenses. Other significant reductions were with cereals, vegetables and oil products (5.56% to 4.22%) and sugar and sugar-

derivatives (4.44% to 3.40%).

On the other hand, the weight of other items in the household budget increased, such as baked products (from 6.91% to 8.82%), prepared foods (1.29% to 2.27%), soft drinks (1.57% to 2.90%) and beer (0.97% to 1.60%).

Another aspect that merits attention has to do with the differences in monetary expenditures among income groups with regards to certain items of consumption. The poorest income groups spent R\$ 2.41 monthly on beans, while the richest groups spent R\$ 3.45, or 43% more. Expenses with vegetables reveal a 400% difference between these two extremes in the income distribution curve (R\$ 2.12, among the-poor, and R\$ 10.62 for the richest groups). The richest income groups spend 741% more on fruits than the poor (R\$ 22.71 vs. R\$ 2.70) and 827% more on first-class beef (R\$24.46 vs. R\$ 24.46). The richest groups spend 3,000% more on olive oil than the poor (R\$ 1.53 against R\$ 0.05).

Nutritional habits also experienced changes in the period between the two surveys. According to IBGE, "when total expenditure with each product is divided by its average price, based on the historical series available in the National Consumer Price Index data, nutritional habits show wide variations and a significant increase in per capita consumption of some products with high protein content." From 1987 to 1996, Brazilians consumed more chicken (16.56%), second-class beef (6.95%), first-class beef (5.97%) and biscuits (28.02%). During the same period, there is a decrease in per capita consumption of polished rice (-16.56%), beans (-15.56%), wheat flour (-29.73%) and dairy milk (-19.31%). Other that changes that could have taken place in the period under analysis refer to changes within certain expenditure items. In the case of food, there was only a slight difference on whether it was spent on meals inside or outside the household: outside meals increased from 24.49% to 25.45%, while household meals fell from 75.51% to 74.55%. The most significant increase in expenditures on meals outside the household was in lunch and supper (8.10% to 13.05%).

Monthly Expenditures with Food by Income Group, according to Type of Meal	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
Food expenditures	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
<b>Household Meals</b>											
87/88	75,51	90,14	85,32	84,21	80,43	70,79	80,49	76,49	74,76	72,06	65,46
95/96	74,55	87,53	88,16	84,12	80,82	80,93	78,48	75,32	69,97	71,77	63,75
<b>Non-household Meals</b>											
87/88	24,49	9,86	14,68	15,79	19,57	21,21	19,51	23,51	25,24	27,94	34,54
95/96	25,45	12,47	11,84	15,88	19,18	19,07	23,52	24,68	30,03	28,23	38,25
95/96 in R\$	56,33	9,70	14,69	23,25	31,83	36,77	49,75	59,29	87,22	98,49	184,02

IBGE

TABLE 22

Differences among income groups in monthly food expenditures outside the household are quite evident: while the poorest households spent R\$ 4.00 per month on outside meals (i. e., eating out is very rare), the wealthier households spent R\$ 120.83—a 2,920% difference.

### Consumption of other goods and services

Household expenditures by income group, according to type of good or service	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
<b>Housing</b>											
87/88	15,71	19,74	19,57	19,12	18,29	17,92	16,53	17,09	14,73	14,54	14,47
95/96	20,77	24,86	23,76	23,79	24,11	22,91	22,46	22,21	21,85	19,88	17,74
95/96 in R\$	280,51	57,69	86,81	115,30	151,85	180,47	210,18	278,37	385,84	467,40	873,26
<b>Clothing</b>											
87/88	9,54	7,84	9,58	10,44	10,33	10,98	11,50	11,44	10,38	8,98	8,27
95/96	4,71	5,00	5,61	5,71	5,82	5,63	5,57	5,49	5,24	4,35	3,77
95/96 in R\$	63,58	11,59	20,51	27,67	36,64	44,31	52,13	68,88	92,52	102,27	185,41
<b>Transportation</b>											
87/88	11,09	6,85	7,85	8,37	8,53	9,42	10,38	10,89	12,10	12,21	11,71
95/96	9,72	9,18	9,20	10,78	10,53	10,69	10,15	10,83	11,28	10,31	9,12
95/96 in R\$	131,29	21,31	33,61	52,24	66,32	84,23	94,96	133,27	199,29	242,26	448,93
<b>Hygiene and Personal Items</b>											
87/88	1,41	1,72	2,12	1,98	1,97	1,83	1,67	1,81	1,58	1,26	1,02
95/96	1,35	2,05	1,74	2,02	2,19	1,96	1,77	1,60	1,33	1,46	0,86
95/96 in R\$	18,29	4,76	6,37	9,78	13,80	15,43	16,59	20,06	23,58	34,28	42,58
<b>Health</b>											
87/88	5,31	6,30	5,45	5,21	4,81	5,07	5,67	5,36	5,80	5,72	5,04

95/96	6,53	9,26	7,48	6,52	6,48	6,72	7,18	6,97	7,48	6,75	5,73
95/96 in R\$	88,25	21,49	27,32	31,62	40,81	52,90	67,17	87,40	132,08	158,65	281,99
<b>Education</b>											
87/88	2,67	1,44	1,70	1,82	2,01	2,20	2,54	2,52	2,78	3,44	2,77
95/96	3,49	1,39	1,43	1,75	1,87	2,09	2,21	3,03	3,96	4,47	3,98
95/96 in R\$	47,09	3,22	5,21	8,50	11,79	16,45	20,65	38,03	69,87	105,09	196,15
<b>Leisure and Cultural Activities</b>											
87/88	3,18	1,38	1,81	2,15	2,62	3,04	3,04	3,26	3,29	3,14	3,51
95/96	2,51	1,43	1,14	1,63	2,17	2,40	2,35	2,70	2,95	2,57	2,55
95/96 in R\$	33,87	3,32	4,18	7,88	13,68	18,92	21,94	33,86	52,09	60,53	125,47
<b>Tobacco</b>											
87/88	1,11	2,77	2,54	2,63	2,27	2,01	1,75	1,50	0,99	0,76	0,47
95/96	0,99	2,95	2,54	2,17	1,83	1,78	1,82	1,24	1,19	0,70	0,38
95/96 in R\$	13,30	6,84	9,29	10,52	11,55	14,01	17,04	15,49	21,06	16,47	18,83
<b>Personal Services</b>											
87/88	1,15	1,12	1,19	1,15	1,19	1,20	1,17	1,27	1,18	1,22	1,09
95/96	1,17	1,03	1,33	1,11	1,12	1,23	1,37	1,25	1,40	1,10	1,08
95/96 in R\$	15,83	2,39	4,86	5,37	7,06	9,68	12,85	15,66	24,81	25,86	53,00
<b>Miscellaneous expenses</b>											
87/88	4,00	1,82	2,24	2,88	2,56	2,81	2,92	3,12	4,13	4,74	4,75
95/96	3,52	2,30	2,18	2,27	2,80	2,73	3,18	3,41	3,38	3,86	3,98
95/96 in R\$	47,59	5,34	7,97	11,01	17,67	21,50	29,53	42,80	59,64	90,75	195,83

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TABLE 23

The most significant change in consumption patterns occurred in housing. Expenditures with housing rose 32.21%. For the poorest income groups, expenses with this item amounted to almost one-fourth of total monthly expenditures, suggesting that spending on other consumption items had to suffer cuts. The lowest income group had larger rates of increases in the expenses with this item than the wealthiest group (5.12% vs. 3.27% respectively). Another interesting difference is that the highest income group expenditure with housing is four times greater than the total household expenditures of the lowest income group (R\$ 832.26 vs. R\$ 232.00). The weight of tax and other expenses related to housing on the household budget increased 95% between the two surveys--from 3.90% to 7.63% of total household expenditures; lowest income groups experience a greater burden from this expense (8.63%, against 6.88% for the highest income group).

Public utilities also increased their participation in total household expenditures. Consumption of electricity rose from 1.44% of total expenditures, in 1987, to 2.18% in 1995—a 51.39% increase—and telephone bills climbed from 0.80% to 1.13%—a 41.25% increase—in the same period.

Consumption of household electric and electronic (including, sound and television) appliances are included within housing expenditures. In spite of the small participation of this item on total household expenditures, it is important to note a significant change among income groups with regards to these consumer goods. In 1987, these expenditures were proportionately smaller in the lower income groups than in the higher ones. By 1995/1996, this situation was inverted. The lowest income groups increased their expenditure on this item by 157%, suggesting a greater insertion of these groups in consumer society. The POF/Dieese report offers an explanation: "...at first, the supply of products tends to penetrate the upper-middle classes and, later, to complete the product's cycle, it is directed towards the lower income strata. Associated with this process, the values and habits are generated by the ideologically dominant social strata and propagated to other social segments, thus facilitating, promoting and "democratizing" consumption."

Price reductions of various products over time--partially as a result of globalization--, such as hi-fi equipment and TV sets, must also be taken into account, which may also explain the lower participation of these expenditures in the household budget of higher income groups (from 2.73% to 1.79%).

Household, Electric and Electronic Appliances	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
87/88	2,58	1,82	2,60	2,97	3,46	2,92	2,36	2,89	2,51	2,30	2,73
95/96	2,71	4,67	3,85	3,76	4,84	3,98	3,25	3,45	2,87	2,67	1,79
95/96 in R\$	36,62	10,83	13,33	18,24	30,47	31,34	30,41	43,25	50,65	62,68	88,10

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TABLE 24

Clothing expenditures experience a significant drop in their participation within the household budget. This drop took place across all income groups and may be partially explained by the effects the opening of the economy and imports had on prices of these products. While in the earlier survey higher income groups spend higher percentages of their budget on clothing than lower income groups, the most recent survey

reveals the opposite.

Transportation expenses also have considerable weight in household expenses. Although average expenditures on transportation decreased, lower income households experienced higher costs. The data reveals that while the cost of public mass transport increased—placing a greater burden on the lower income groups that depend on these means of transportation—the costs of automobile transportation decreased, benefiting the higher income groups. Thus, those with an average monthly wage of up to 8 minimum salaries experienced increases in their transportation expenses, while the opposite occurred to those with income above that limit. While the lowest income groups spent 4.85% less than the highest income group on transportation, in 1987, in the recent survey they spent 0.6% more.

Transportation	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
87/88	11,09	6,86	7,85	8,37	8,53	9,42	10,38	10,89	12,10	12,21	11,71
95/96	9,72	9,18	9,20	10,78	10,53	10,69	10,15	10,83	11,28	10,31	9,12
95/96 in R\$	131,29	21,31	33,61	52,24	66,32	84,23	94,96	133,27	199,29	242,26	448,93
<b>Urban transportation</b>											
87/88	2,25	5,26	5,76	5,24	4,76	4,30	3,80	3,32	2,35	1,74	0,85
95/96	3,08	7,59	6,88	7,44	7,06	5,69	5,07	4,13	3,81	2,36	0,99
95/96 in R\$	41,54	17,62	25,13	36,04	44,48	44,85	47,47	51,78	67,37	55,50	48,89
<b>Personal vehicle (gasoline)</b>											
87/88	2,49	0,67	0,72	1,23	1,82	1,75	2,72	2,71	3,68	3,53	2,19
95/96	1,72	0,48	0,62	1,00	1,32	1,66	1,59	2,01	1,64	2,09	1,92
95/96 in R\$	23,16	1,12	2,27	4,85	8,31	13,08	14,86	25,16	28,97	49,04	94,28

IBGE

TABLE 25

Changes in expenditures with hygiene and personal items between the two surveys were very small. As in the case of other expenditure items, lower income groups spent proportionately more on these items in 1995/96 than in 1987/88 (2.05% vs. 1.41%), while higher income groups spent less (1.02% vs. 0.86%).

Although expenditures on health show increases for all income groups, lower income groups experience a larger increase in the proportion of their household budget spent with health (from 6.30% in 1987 to 9.26% in 1996; while for higher income groups the percentage rose from 5.04% to 5.73%).

General expenses with medical care and health insurance increased 202%. The main reason for the rise in these expenditures is the deterioration of public health services, as previously noted in this report. The small amounts spent by lower income groups on these services reveal their lack of access to private health care.

Health	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
87/88	5,31	6,30	5,45	5,21	4,81	5,07	5,67	5,36	5,80	5,72	5,04
95/96	6,53	9,26	7,48	6,52	6,48	6,72	7,18	6,97	7,48	6,75	5,73
95/96 in R\$	88,25	21,49	27,32	31,62	40,81	52,90	67,17	87,40	132,08	158,65	281,99
<b>Health Insurance and Medical Assistance</b>											
87/88	0,63	0,15	0,14	0,19	0,29	0,29	0,44	0,50	0,71	0,59	0,89
95/96	1,90	0,76	1,02	0,89	1,49	1,50	2,17	2,10	2,57	2,20	1,90
95/96 in R\$	25,72	1,75	3,73	4,33	9,36	11,82	20,26	26,37	45,35	51,81	93,32

IBGE

TABLE 26

The amount of expenses with education increased their monthly participation in the budgets of Brazilian households by 30%. Educational outlays have a greater weight in the budgets of higher income families, the high costs of private schools being the reason that low-income families do not have access to their educational services. Thus, regular courses and pre-school expenses rose from 1.20% to 2.25%—an increase of 87.50%.

It must be recalled that the quality of public education drastically declined in recent decades, a fact that impelled households who could afford the cost to send their children to private schools. On the other hand, low-income households find it difficult to keep their children in public schools, as they frequently have to work in order to increase household income, as noted elsewhere in this report.

Education	total	up to 2 (1)	above 2 to 3	above 3 to 5	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
87/88	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20
95/96	2,25	2,25	2,25	2,25	2,25	2,25	2,25	2,25	2,25	2,25	2,25
95/96 in R\$	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20	1,20



	87/88	95/96	95/96 em reais	87/88	95/96	95/96 em reais	87/88	95/96	95/96 em reais	87/88	95/96	95/96 em reais
Regular courses	2,67	3,49	47,09	1,44	1,39	3,22	1,70	1,43	5,21	1,82	1,75	8,50
Elementary, Secondary, College and Pre-School	2,01	2,09	11,79	2,20	2,21	16,45	2,54	3,03	20,65	2,52	3,96	38,03
87/88	2,54	2,21	20,65	1,14	1,69	21,20	1,36	2,58	45,65	1,47	2,91	68,45
95/96	1,07	1,13	10,57	0,75	0,86	6,02	0,80	1,05	8,31	0,87	0,96	6,02
95/96 em reais	8,31	10,57	21,20	4,17	6,02	13,59	4,80	6,96	15,33	5,27	7,87	17,81

IBGE

**TABLE 27**

From 1987/88 to 1995/96, Brazilian households spent less on goods and services associated with leisure and cultural activities—an average of 0.67%, although the lowest income group experienced a slight increase (0.05%) in the proportion of their household budget spent in this sphere.

All income groups reduced their expenditures with music records and tapes.

	total	up to 2 (1)	above 2 to 3	above 3 to 4	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
Leisure and Culture	3,18	1,38	1,81	2,15	2,62	3,04	3,04	3,26	3,29	3,14	3,51
87/88	2,51	1,43	1,14	1,63	2,17	2,40	2,35	2,70	2,95	2,57	2,55
95/96	33,87	3,32	4,18	7,88	13,68	18,92	21,94	33,86	52,09	60,53	125,47
95/96 in R\$	0,30	0,20	0,22	0,30	0,35	0,40	0,33	0,38	0,37	0,31	0,24
87/88	0,02	0,03	0,04	0,03	0,05	0,04	0,03	0,02	0,03	0,01	0,01
95/96	0,29	0,07	0,16	0,15	0,31	0,28	0,27	0,31	0,55	0,33	0,57
95/96 in R\$											

IBGE

**TABLE 28**

Total monthly expenditures related to smoking habits experienced a slight, overall decrease, except for a small increase among lower income households. It is important to note how this unhealthy habit burdens the household budget among the lower income families. Households earning up to 2 minimum monthly wages spend more on cigarettes than on education, leisure and culture combined (or just as much, if those households earning up to 3 minimum monthly wages are included).

	total	up to 2 (1)	above 2 to 3	above 3 to 4	above 5 to 6	above 6 to 8	above 8 to 10	above 10 to 15	above 15 to 20	above 20 to 30	above 30
Tobacco	1,11	2,77	2,54	2,63	2,27	2,01	1,75	1,50	0,99	0,76	0,47
87/88	0,99	2,95	2,54	2,17	1,83	1,78	1,82	1,24	1,19	0,70	0,38
95/96	13,30	6,84	9,29	10,52	11,55	14,01	17,04	15,49	21,06	16,47	18,83
95/96 in R\$											

IBGE

**TABLE 29**

Finally, expenditures with automobile purchases (classified as increases in assets) jumped from 5.54%, in 1987, to 8.76% in 1996—an increase of 58.12%. This matter will be specifically examined elsewhere in this report.

### 4.3 – Regional differences in consumption levels and patterns

As was the case among different income groups, consumption levels and patterns of Brazilian households also varied among regions. Although average consumption expenditures as a percent of total household expenditures fell, less developed regions experienced an increase in levels of consumption. Households surveyed in the metropolitan areas of the South and Southeast regions showed a drop in consumption expenditures (more pronounced in Porto Alegre: from 75.13% to 68.77%), while the opposite was true of metropolitan households in the North and Northeast (especially in Salvador: from 75.56% to 80.22%).

Metropolitan Area	Belen	Foz de Iguazú	Recife	Salvador	B. Horizonte	Rio de Janeiro	São Paulo	Curitiba	Porto Alegre	Brasília	Goiânia
Global Expenditures (%)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
95/96 average monthly global expenditures R\$	1106,95	896,18	874,57	945,04	1454,43	1121,96	1610,16	1598,58	1434,59	1773,30	1247,07
average household size	4,47	4,38	4,06	4,02	3,80	3,40	3,70	3,68	3,36	3,92	3,66
95/96 expenditures per capita R\$	247,64	204,61	215,41	235,08	382,74	329,99	435,18	434,40	426,96	452,37	340,73
Consumption expenditures											
87/88 in % of total expenditures	75,49	74,23	76,81	75,56	74,26	75,62	73,36	70,12	75,13	70,77	67,46
95/96 in % of total expenditures	79,33	76,02	80,05	80,22	68,51	73,18	69,63	69,24	68,77	68,58	67,45

95/96 R\$	878,17	681,29	700,07	758,08	996,37	821,10	1121,2	1106,8	986,63	1216,1	841,19
<b>Food expenditures</b>											
87/88 em % of total expenditures	21,65	22,63	23,55	21,47	19,52	20,85	17,78	15,40	17,89	14,05	13,10
95/96 em % of total expenditures	22,34	23,33	23,30	22,80	15,62	17,50	14,80	14,79	15,91	14,63	12,68
95/96 R\$	247,27	209,08	201,97	215,50	227,11	196,34	238,38	236,39	228,21	259,47	158,16
<b>health expenditures</b>											
87/88 em % of total expenditures	5,19	4,59	5,07	4,12	5,52	5,12	5,43	5,99	5,94	4,52	6,38
95/96 em % of total expenditures	6,49	5,14	7,52	6,36	6,20	6,89	6,65	6,71	5,90	5,57	6,86
95/96 R\$	71,86	46,07	65,78	60,14	90,20	77,30	107,03	107,26	84,61	98,73	85,51
<b>education expenditure</b>											
87/88 em % of total expenditures	2,36	2,65	2,72	3,03	2,94	2,75	2,65	2,37	2,37	2,71	2,68
95/96 em % of total expenditures	4,39	4,62	4,00	5,79	3,33	3,29	3,31	3,56	3,36	2,35	5,11
95/96 R\$	48,56	41,37	35,00	54,75	48,36	36,87	53,29	56,88	48,25	41,60	63,76
	33,22	33,09	34,82	34,95	25,15	27,68	24,76	25,06	25,17	22,55	24,65

IBGE

TABLE 30

The evolution of the levels of food expenditures also reveals the unequal nature of development among the various regions. As previously noted, average food expenditures of Brazilian household fell from 18.72% to 16.39% in the period between the two surveys. However, households in the North and Northeast increased this type of expenditure in their budgets (except for a small decrease in Recife). The data reveals differences in the evolution of living standards of the population. Although the 1987/88 survey already showed marked regional differences (for example, households in the city of São Paulo, Southeast region, spent 17.78% of their budgets on food, while those in the city of Salvador, Northeast region, spent 21.47% on this item), these differences were more pronounced in 1995/1996 (São Paulo's household had their food expenditures reduced to 14.80% of their budgets, while Salvador's households increased those expenditures to 22.80%).

Food expenditures	Belém	Fortal.	Recife	Salvad.	Belo Horiz.	Rio de Janeiro	São Paulo	Curitib	Porto Alegre	Brasília	Goiânia
87/88 (% of total expenditures)	21,65	22,63	23,55	21,47	19,52	20,85	17,78	15,40	17,89	14,05	13,10
95/96 (% of total expenditures)	22,34	23,33	23,30	22,80	15,62	17,50	14,80	14,79	15,91	14,63	12,68
95/96 (total expenditures in R\$)	247,27	209,08	201,97	215,50	227,11	196,34	238,38	236,39	228,21	259,47	158,16

IBGE

TABLE 31

This trend is also present in other consumption indicators. The general tendency observed is that the more essential the product or service, the greater the percentage of these expenditures in the households of the least developed regions. If, for example, average expenditures with food, health and education are taken into account, their proportion in household budgets is lowest (22.55%) in Brasília—the region with the highest average household income in the country—, followed by São Paulo (24.76%), the region with the second highest income. The highest proportion of expenditures with these goods and services occurs in Northeastern households (34.95% in Salvador and 34.82% in Recife), followed by Northern households.

Expenditures with Food, Health and Education	Belém	Fortaleza	Recife	Salvador	Belo Horiz.	Rio de Janeiro	São Paulo	Curitiba	Porto Alegre	Brasília	Goiânia
% of Global Expenditures	33,22	33,09	34,82	34,95	25,15	27,68	24,76	25,06	25,17	22,55	24,65

IBGE

TABLE 32

Given that consumption patterns and levels are associated with income, higher income households spend more in consumer goods and services, in absolute terms, but, at the same time, spend relatively less of their income on consumption. Also, the fact that the less developed regions have a higher proportion of low-income households, with more members than those high-income households relatively more concentrated in the developed regions, lowers per capita consumption in those poor households and regions. Thus, household consumption in São Paulo's metropolitan area is 64.57% higher than in Fortaleza's households, but per capita consumption is 94.81% higher.

Metropolitan Areas	Belém	Fortaleza	Recife	Salvador	B.Horizonte	Rio de Janeiro	São Paulo	Curitiba	Porto Alegre	Brasília	Goiânia
95/96 average monthly global expenditures R\$	1106,95	896,18	874,57	945,04	1454,43	1121,96	1610,16	1598,58	1434,59	1773,30	1247,07
95/96 per capita expenditure R\$	247,64	204,61	215,41	235,08	382,74	329,99	435,18	434,40	426,96	452,37	340,73
<b>Consumption expenditures</b>											
95/96 in R\$	878,17	681,29	700,07	758,08	996,37	821,10	1121,2	1106,8	986,63	1216,1	841,19
95/96 per capita expenditure in R\$	196,45	155,54	172,43	188,58	262,20	241,50	303,02	300,76	293,64	310,23	229,83
average household size	4,47	4,38	4,06	4,02	3,80	3,40	3,70	3,68	3,36	3,92	3,66

IBGE

TABLE 33

## 5. The Consumer Protection Movement in Brazil<sup>38</sup>

In Brazil, the issue of "consumer protection" began to be discussed in the 70's as a direct result of the influence of the industrialization process and also from the intense consumer movement in the United States and Europe. The first private initiatives directed to promote consumer defense mechanisms began with the creation of consumer associations between 1974 and 1976. In May of 1976, the first State agency was formed, the Procon of the state of São Paulo.

The consumer defense movement in Brazil, in contrast to those movements in developed countries, had its original impetus in the public sector rather than through private entities. From 1975 to 1985, there were public entities in almost all of the states (more than 20), as well as municipal entities, while only 5 associations with representation originated in the private sector. This resulted in distortions since government organizations mainly handle individual consumer problems and do not question the structure of public policies.

It was not until the 1980's that the consumer movement gains momentum. In 1985, Law 7347 was created, allowing the legal processing of collective actions (class-action suits) and in the same year the National Consumer Protection Counsel was created. These two events contributed to the significant growth of the movement, to the extent that the consumers gained an instrument by which they could act collectively and therefore manage to represent themselves in the decision-making spheres of the Federal Government.

The intense mobilization of public agencies and private associations to pressure the Constituent Congress permitted the inclusion of new language in the constitution in defense of the consumer. By the end of the decade, the country had 42 civil associations, among which was the IDEC<sup>39</sup> - *Instituto Brasileiro de Defesa do Consumidor* (Brazilian Institute for Consumer Defense) (1987) and *Cidadania* (Citizenship), from Rio Grande do Sul (1988). In 1989, only three states remained without Procons and there were already 144 municipal consumer protection agencies just within the State of São Paulo.

In the early 1990's, one of the most advanced pieces of legislation in the world, even by developed countries' standards, was approved: the Consumer Protection Law. This new law regulates in detail such matters as: (i) products' and services' safety; (ii) the civil responsibility of suppliers; (iii) the regulation of contractual clauses and abusive practices; (iv) the prohibition of misleading and abusive advertising; (v) crimes against consumption relations; (vi) class-action suits, among others.

Numerous debates were necessary in order to obtain the approval of this law (1988/90), given the opposition of business and advertising interests to some of the bill's clauses. After the law was sanctioned, there was widespread exposure of its contents, which were published in September of 1990, and went into effect on March 11, 1991.

It may be asserted, however, that large industrial companies were not opposed to the law as a whole, as they understood that Brazil's insertion in the world economy required the enactment of legislation which would improve the quality of domestic products. By 1991, fifty companies had established customer support services to solve problems related to the supply of products and services. In 1997, the number of complaints surpassed 3,000. This is one way the law had an impact on business. However, this does not mean that there no longer is a long road ahead in seeking some form of equilibrium in the relations of consumption. Even today, many of the consumer rights established in the Consumer Protection Law are not guaranteed, the greatest challenge being that of implementing the law in its entirety.

In fact, we still lack a national consumer-protection policy<sup>40</sup> and there are deficiencies with regard to the dialogue, which should exist between both public and private organizations, and between those two groups and other national and international social movements, particularly with regard to the consumer protection groups in other countries.

A balance of the current situation shows that the number of governmental institutions--more than 500 Procons, inspection agencies and counsels--is much higher than that of the non-governmental groups (about 50). The governmental institutions are marked by an individualized approach to customer service, focusing

<sup>38</sup> This text is based on material written by Marilena Lazzarini.

<sup>39</sup> A text specifically dealing with IDEC shall be presented in a separate section, since this is the most important consumer protection group in Brazil, with more than 42,000 members.

<sup>40</sup> In spite of this mobilization, the National Consumer Defense Counsel of the Federal Government is now defunct and consumer groups are not represented in public-policy discussions.

on penalties, with little emphasis on collective legal actions. Research and public information to the consumer is even more reduced in these institutions. Consumer protection provided by these public institutions is limited even further when the Government itself is violating consumer rights.

IDEC conducted research on the behavior of NGO's in this area. It showed that 55% of them utilize advertising campaigns regarding abusive prices, banking tariffs, body-building drugs, public services, etc. Legal assistance is provided by 75% of these organizations, 40% of which participate in public civil suits and 20% carry out collective consumer advocacy activities. A majority of the organizations (55%) publish articles and studies in magazines and 65% conduct market research and disseminate their findings.

The consumer movement is part of the broader struggle for social justice and quality of life. It is characterized by marked participation of the middle classes. The fact that legal regulation determine the proper boundaries of producer-consumer relations generates the mistaken notion that consumer protection is a prerogative of lawyers. In fact, it is an area where a multidisciplinary approach is of fundamental importance to obtain solutions to problems within a social context. What is actually occurring is a turnabout in the evolutionary tendency of governmental and non-governmental institutions, which will most certainly benefit the citizenry. In spite of all obstacles, non-governmental institutions are progressively gaining strength.

An important fact which illustrates the previous point is the creation of the Forum of Non-Governmental Consumer Protection Groups during the third ENEDEC<sup>41</sup>, held in São Paulo on July 21-22, 1997, and which has as its basic objective: to strengthen the consumer movement in Brazil by promoting exchanges and linkages between the groups. About 50 consumer NGO's met at this forum. It is relevant to note that one of the pillars of this forum is a code of ethics, which deserves to be transcribed:

**"1 - Ethical Principles of the Civil Consumer Defense Associations**

These principals shall be applied to those civil entities which act, exclusively or not, in defense of the consumer within the country, participants which (network of entities, or forum of entities, or...). For effects of this document, it shall be understood that a consumer protection association is a private institution under civil law, with social objectives, of a non-profit nature, independent, which has as its mission the defense of consumers, as individuals. These principles shall apply to those entities, which are local, regional or national in scope.

**Principle of Independence** - the civil consumer defense entities shall be independent of companies, governments, political parties, and unable to accept donations or funds which could compromise their independence or ability to act or emit opinions.<sup>42</sup>

**Principle of Transparency and Democracy** - the group's by-laws shall contain mechanisms which assure the democratic and transparent nature of the group's proceedings, just as they guarantee that the assets and revenue of such shall be made up of revenue from pertinent and legitimate activities pursuant to the nature and institutional interests of the group. The activities of the consumer defense groups shall ensure transparency in the administration of the group, and in its relations with its members and society. The assets and resources of the consumer defense group shall be used exclusively to reach those objectives. In the case of abolition, the assets of the consumer defense entity shall be destined to other groups which have similar objectives and that are non-profit.

**Principle of Solidarity** - The consumer defense groups shall establish, whenever possible, mechanisms for the exchange of information and mutual assistance in order to promote linkages among them relating to joint actions and support of other groups, so that the entire consumer movement as a whole is strengthened.

**Principle of Social Commitment** - Consumer defense groups shall be committed to social issues and to the citizenry, always contributing to the improvement of the quality of life.

The redefinition of the role of the State, through the tendencies toward privatizations and downsizing of State structures, and the importance achieved by a society organized in civil institutions (NGO's), should contribute significantly toward a new world socioeconomic framework.

It is in this "new wave" framework of economic globalization that the consumer movement in Brazil is trying to become organized, in order to deal with new products, technologies, regional and inter-regional economic blocs, as well as social exclusion and unemployment.

<sup>41</sup> National Meeting of Consumer Protection Groups.

<sup>42</sup> During the deliberative session, it was understood that this principle should be developed further after the National Forum of Civil Entities, so as to facilitate its interpretation.

## 6. FINAL CONSIDERATIONS

“To the thesis that the unsustainable development of our planet is due to unsustainable models of production and consumption, and to the collapse of variables that regulate both of these models, we should add now the fact that, under the historical conditions of countries like Brazil, these patterns, besides being unsustainable character, also perpetuate a model of subordinate, peripheral and dependent development, and end up blocking the possibilities of change towards a less pernicious social and environmental model.”

Brazilian Forum of NGO's and Social Movements  
for the Environment and Development<sup>43</sup>

The specification of causes and effects is always an extremely complex endeavor, given the number of intervening variables that may be involved. Nevertheless, based on the preceding chapters, it is possible to assert that in the decade under scrutiny several processes have taken place simultaneously: (1) a rapid opening of the Brazilian economy to the international market; (2) an extremely unfavorable balance of trade; (3) an increase in the number of bankrupt firms that interrupted their activities; (4) an enormous increase in unemployment and in the fragile character of the labor market; (5) the end of inflation, with temporary gains for the low-income strata; (6) a reduction in State intervention, as public policies retracted; (7) generalized increases in household expenditures with health and transportation; (8) increase in the expenditures of specific social strata with transportation and education; (9) permanence of a strong pattern of high concentration of income; (10) increase in expenditures with tariffs of public goods and services; and (11) growth and internationalization of the consumer protection movement.

In addition, four other factors should be considered: (12) increase in advertising investments; (13) growing consumer debts; (14) rising urban violence; and (15) environmental pressures caused by the preferred model of development.

Globalization must be seen within this context.

Brazil's insertion in the process of economic globalization, in spite of some positive results (as, for example, improvements in the quality of some products, price reductions in electronic appliances as a result of international competition, etc.), does not provide, in itself, solutions to the main problems faced by the country's population. Now, besides the old problem of income concentration, aggravated in recent years, there is the internal and sometimes irrational wish of every Brazilian to become part of the global consumer market, with its advantages and disadvantages.

A new culture emerges, in which citizenship is defined as access to the consumer market at any cost. Brazil's inequality has two sides: on the hand, irrational consumption and waste, and, on the other, personal frustration and violence that results from the obstacles found in the road to participate in this “new world”.

However, it would be naive to believe that advertising is the only culprit in the rise of this new culture. In fact, these values are the expression of an entire system which uses that instrument to create new needs whose satisfaction is unattainable by everyone. This leads to an anxious consumerism for consumerism's sake.

### 6.1. Increases in Advertising Investments

An examination of the evolution of investments in advertising from 1992 (in the midst of the Brazilian crisis) to 1996 reveals an increase of 230.7%

#### Evolution of Investments in Advertising (in thousand of US\$)

ano	91	92	93	94	95	96
Investment	3,221,191	3,879,740	5,011,624	6,603,899	8,5574,512	10,653,305

Source: Nilsen

TABLE 34

<sup>43</sup> Guimarães, Roberto P. & Maia, Kátia D., “Padrões de produção e padrões de consumo: dimensões e critérios de formulação de políticas públicas para o desenvolvimento sustentável”, Ch. 2, *O Brasil Século XXI – Os Caminhos da Sustentabilidade Cinco Anos Depois da Rio-92*”

Most of the investment in the advertising is directed to the television media, which means that advertisements are available to all, including those that cannot buy the products advertised: 84.4% of all Brazilian homes and 91.3% of urban households have a television set.

#### Advertising Investment by Type of Media (US\$ thousands)

Media	TV	Radio	Magazines	Newspaper	Outdoors	Total
1996	5.402.519	476.679	855.080	3.793.350	125.675	10.653,303
%	50,71 %	4,47 %	8,03 %	35,61 %	1,18 %	100 % -

Source: Nilsen

TABLE 35

Furthermore, most of the advertising investment is in the retail area of commercial activities:

#### Investment by Area 1996

AREAS	US\$ THOUSAND	% PARTICIPATION
Commerce (Retail)	2.794.309	26,23
Services (Government)	1.523.486	14,30
Education/Media	886.749	8,32
Building Industry	846.853	7,95
Toys/Entertainment	753.957	7,08
Financial Market	724.879	6,80
Perfumes/Pharmaceutical	551.737	5,18
Food	504.277	4,73
Beverages	363.432	3,41
Photo/Optical/Movie/Sound	349.795	3,28
Textile/Clothing	275.615	2,59
Transportation and related fields	270.066	2,54
Mixed areas	236.033	2,22
Home appliances	148.672	1,40
furniture/office equip/department stores/school	142.681	1,34
Cleaning/Domestic hygiene	118.825	1,12
Tobacco	59.920	0,56
Furniture/Decorations	40.576	0,38
Agriculture	35.131	0,33
Capital goods/Raw Materials	26.310	0,25
TOTAL	10.653.303	100

Source: Nilsen

TABLE 36

In spite of the dangers of blaming everything on advertising, it is not incorrect to affirm that advertising has an enormous influence in shaping needs and consumer patterns, especially when consumer society is being structured at the international level.

And that tendency will grow. Today, the era of world propaganda reigns. Among the 10 most important advertising agencies in Brazil, 7 have been bought by or became partners with international agencies. World advertising campaigns are increasing (for example, Nike, Coca-Cola, Levi's) and become divorced from local reality, while creating needs for everyone: for those who can and for those who cannot purchase those products. The social effects of these developments still remain to be studied.

However, certain hypotheses can be raised. The case of tennis shoes is illustrative.

Tennis shoes are considered a symbol of globalization as a result of several factors. One of the main factors is that Nike<sup>44</sup> is considered a model of a successful global enterprise. Without a single factory, a single worker or a single machine, the firm was able, in just one decade, to sell tennis shoes throughout the world and impose its brand beyond any conceivable limits. Many companies like this trade their assets for purely marketing strategies and are able to create strong needs among consumers.

<sup>44</sup> Do I believe that Nike creates images of athletes who exceed their performance capacity as athletes or as real people? – Knight reflected...- Well, my answer, in short, is this, it is not only us. It is television which actually defines these athletes. We only add details to the image. But perhaps our efforts are in fact associated to television's power to join forces and create something that nobody can fulfill. – quoted from the book *Just Do It: The Nike Spirit in the Corporate World*, by Donald Katz.

Recent research<sup>45</sup> on low-income consumers revealed the effectiveness of this type of propaganda:

"Responses were unanimous across the groups. They all mentioned tennis shoes as the preferred consumer product. They all evaluate brands and know the styles and attributes. When asked about consumption, tennis shoes are desired by all groups."

Research conducted by IBOPE-NPD shows that, until September, 1997, consumption of tennis shoes in Brazil increased 52% in comparison with the same period last year.<sup>46</sup> DIEESE's household budget survey that tennis shoes represented 43% of adult expenditures on shoes and 50% of children's, for households in general as well as for low-income households.

The most serious problem with this type of propaganda is that it is watched by both those who can buy the product and those who cannot. Access to consumption is limited, but the propaganda is seen by all. The IBOPE-NPD research concludes:

"When advertising promotes one of these products to its target-audience, it is not just a marketing effect that is produced, but a lifestyle and a welfare standard for society as a whole. It is in this arena that its social responsibility and its ethical involvement are felt in their broadest social meaning."

Ethical standards, however, are absent. This fact may be illustrated by a case of tennis shoe propaganda. In 1992, a large Brazilian manufacturer of tennis shoes launched an advertising campaign, with the participation of Brazil's leading hostess of children's television programs. The hostess taught children how they could destroy their used tennis shoes and ask their parents for new ones when they arrived home. This campaign was launched throughout Latin America. PROCON<sup>47</sup> sued the manufacturer, aiming to end this campaign and obtaining an on-the-air rebuttal<sup>48</sup>—a new campaign, with the same hostess, and aired in the same channels and times, where children would be educated on how to conserve their used tennis shoes. After a four-year court battle, a favorable legal decision considered that the campaign should end. However, the courts decided that it was too late and, thus, senseless to require a rebuttal campaign, since probably people had already forgotten about the original campaign. This case illustrates the difficulties faced in the attempt to change the principles that guide the advertising world. A completely distorted campaign geared for children cannot be used to finance educational campaigns.

Nonetheless, the most worrisome topic has to do with the influence advertising exerts on those lacking economic resources to purchase the products. In spite of the lack of studies on this subject, several known situations suggest some clues.

## 6.2. Consumerism and defaults on payments

The end of inflation in Brazil permitted that people without mechanisms of defense against the inflationary process could obtain some increase in their income. Research was then conducted<sup>49</sup> to detect where the lower-income groups were spending their income gains. When asked what aspect in the act of buying products of higher value they considered most important, 38% of those with consumer status "D" and "E" who were interviewed responded that the amount of the installment payments was of major relevance to them. When buying on credit, 51% answered that they only checked the amount of the installment payment and did not calculate interest rates involved. This type of behavior—only emphasizing the amount of the installment payment—is widely encouraged by advertising, and has led to unparalleled levels the defaults on installment payments in Brazil.

### Evolution of Checks without Cover

Period	Jan 87	Sep 87	Sep 88	Sep 89	Sep 90	Sep 91	Sep 92	Sep 93	Sep 94	Sep 95	Sep 96	Sep 97
base	100	102	101	92	70	103	92	89	83	242	219	403

SERASA

TABLE 37

<sup>45</sup> IBRACO-Instituto de Altos Estudos de Comunicação, Estudo sobre a influência da propaganda em televisão no comportamento e atitudes dos consumidores de baixa renda.

<sup>46</sup> It was the highest growth experienced this among consumer items. Other increases were: milk in cartons (34%), prepared desserts (13%), cream cheese (12%) and deodorants (10%). (*Folha de São Paulo*, newspaper, 01/12/97)

<sup>47</sup> A consumer-protection agency of the government of the state of São Paulo.

<sup>48</sup> The Brazilian Consumer Protection Code expressly foresees this possibility

<sup>49</sup> Conducted by advertising agencies and the newspaper *Folha de São Paulo*.

One of the most popular forms of financing purchases—much more than credit cards—is the so-called pre-dated check. The pre-date check is a frequently used credit instrument for the consumer. At the moment of purchase, instead of signing a contract, the consumer signs several checks which will be deposited each month, at a date agreed upon between the seller and the buyer. The data in Table above shows the huge growth of checks without cover after the price stability that followed the Real Plan, in 1994. During that year, 0.13% of checks were returned for lack of cover, the percentage successively increasing in 1995 (0.38%) and 1996 (0.4%), and reaching 0.57% in the first semester of 1997.

	94	95	96	97*
checks without cover % of total	0,13	0,38	0,4	0,57

Source: Serasa

TABLE 38

\* first semester

Another significant fact is the growth of default auto<sup>50</sup> payments (more than 30 days). In December, 1996, 12,500 out of 500,000 consumers<sup>51</sup> had defaulted on their payments (2.5%). By September, 1997, 45,000 out of 780,000 consumers (6%) were not complying with the payment schedule.

Stimulated by a real need, as well as a search for status, and by advertising, and holding euphoric expectations about the period of price stability, Brazilian consumers have contracted more debts than they are able to pay off.

Several factors have contributed to the rise in default payments: (i) at first, middle-class household budgets were quite burdened by the increase in the costs of rents, health, education and other services; (ii) next, public tariffs—as well as consumption of new electronic appliances—increased, while increases in income remained below the rate of inflation; as a result, household budgets were squeezed; (iii) the rise of unemployment resulting, on the one hand, from the re-structuring of enterprises in relation to technological transformations.

A survey conducted by the Commercial Association of São Paulo (*Associação Comercial de São Paulo*) show unemployment and uncontrolled expenses as the main causes of default payments.

Causes of Default Payments 1997 (March)	%
Person lost his job	31,63
Somebody in the family is lost the job	12,72
Family illness	10,79
Uncontrolled expenses	12,52
Income decreased	15,54
Others	16,80

Commercial Association of São Paulo

TABLE 39

However, it would not be an overstatement to affirm that one of the major causes in the increase of default payments is the frenetic appeal to consumerism induced by advertising, especially after the post-inflation period, when it lured consumers with fixed installment payments, ignoring the interest rates already embedded in prices. In 1995-1996, as a result of the end of inflation, purchases based on installment plans rose, accompanied by a governmental policy that attempted to control demand through an increase in interest rates and a huge rise in unemployment. This was also accompanied by advertising campaigns that attempted to lure consumers to buy on installment, especially those who had been excluded from the market for several years. The combination of these factors resulted in the enormous indebtedness of the population.

<sup>50</sup> A specific case regarding automobiles in Brazil is presented elsewhere in this report.

<sup>51</sup> Source: ANEF-Associação das Empresas Financeiras das Montadoras de Veículos (Association of Financial Enterprises of the Automobile Industry)—responsible for financing 50% of all vehicles sold on installment plans by resellers.



The same survey indicates that 30% of default payments are related to the purchase of electronic appliances and 21% to clothing and shoes. Thus, 51% of default payments are related to purchases of non-essential products.

As an aid for understanding this situation, it is worthwhile to transcribe a newspaper story<sup>52</sup> dealing with newcomers in the consumer market:

"On September 1995, Fabiano Severino da Silva, aged 16 at that time, began to work as a messenger in a five-star hotel in São Paulo. Two months later, he bought a pair of imported tennis shoes for R\$ 210 with installment payments of \$ 70.

"I had four pairs of tennis shoes, but wanted one pair for each day of the week and needed another, of good quality. I thought that pair of Nikes was the prettiest. It was also the most expensive one in the store. My father wanted to pull my ears off.", Fabiano said, laughing.

A year later, Fabiano was already regretting that purchase. "I was proud of my Nikes, but its price is much lower now..."

Today, Fabiano earns R\$ 360 per month. Part of his wages goes to his father, a garage assistant, to help pay for a 1992 car, a Voyage, bought recently.

He already saved R\$ 300 to buy a pair of famous-brand pants and some shirts at the end of the year.

"I want to buy good pants," he explains. "You can find cheap clothes out there, and people buy expensive ones. That's my case. As long as I have the money, I'll spend it on good things," he said.

Nevertheless, the main problem is not consumerism or default payments, but violence.

### 6.3. Consumerism and Violence

One of the main causes of violence in recent years is related to the thefts of tennis shoes. Two cases serve as examples.

The first one is the case of a kidnapped couple. Before taking the couple into captivity, the kidnappers went by a shoe store to buy a pair of tennis shoes with the victim's credit card.

The other case is a survey conducted in a shanty-town in Rio de Janeiro. If the youth have imported tennis shoes, they do not wear them on their way home fearing they will be assaulted and robbed. Therefore, although many of them buy tennis shoes promoted in ads, they take them off when they walk through certain risky areas where they may be stolen.

In spite of the lack of specific research on the relationship between advertising and violence, it is not difficult to observe their strong association. The cases of tennis shoes are only examples, other cases could be mentioned.

One of the few studies dealing with this topic—Poor Youth and Consumption (*Juventude Pobre e Consumo*)—concludes that "imported tennis shoes and powerful sound-systems, consumer goods desired by the majority, are an exhibition of power. The poor youth wants to find his citizenship in name-brand clothing. However, this research also reveals that the youth give up on consumer symbols—as caps and tennis shoes—for fear of violence."

Poor youth are willing to give up acquiring those brand products so they can return home..., but, on the other hand, middle-class youth give up going to the streets (since they do not give up their brand products).

The reality of middle-class youth in urban areas is reclusion. The number of youths who live in enclosed residential areas and leave their homes exclusively to attend school or shopping centers is increasing. These enclosed places are the only ones considered safe by the families. In this manner, middle-class children are totally educated in completely enclosed spaces oriented towards consumption. All the famous brands of products and international (global) fast-food restaurants are in the shopping centers, real temples for consumption, meant to be understood as leisure. Consumption and leisure are becoming synonyms. Buying has become a leisure activity.

### 6.4. Consumerism, waste and environmental degradation

<sup>52</sup> Newspaper *Folha de São Paulo*, Nov. 27, 1996

A topic not yet explored in this report is the lack of consciousness of Brazilians with respect to the preservation of their natural resources. There are no national campaigns which associate consumer habits, environmental destruction and waste.

The prevalent idea is that natural resources are infinite. This may be due, in part, to the country's size—the belief that it will always be possible to preserve a part of existing resources. An appendix to this report will include three cases related to this topic: (i) the destruction of the rainforest, especially one of its trees—mahogany; (ii) the destruction of the forest for the extraction of heart of palms; (iii) the lack of respect with the lands and cultures of the indigenous peoples. The cases are self-explanatory. However, they have in common the increase of pressures on the environment, especially as a result of the impoverishment of part of the population, unemployment and fragile employment (which somehow are related to the process of insertion of Brazil in the international economy). Increasingly, the unemployed look for a minimum income for survival through activities that extract natural resources with methods that damage the preservation of biodiversity and indigenous cultures. Data from the Missionary Indigenous Counsel (CIMI-*Conselho Indigenista Missionário*) will be presented that asserts that the violence against indigenous communities, in the past three years, has reached historically unsurpassed levels.

Another topic has to do with wastage and the effect of certain products in the destruction of the environment. National governmental campaigns to reduce waste do not exist in Brazil<sup>53</sup>. A large part of the refuse is left in open-air dumps, without incentives to the recycling of products and materials. The data reveal that the small gains in income of a part of the low-income population, in the post-inflationary period, actually resulted in an increase in the production of refuse.

#### Collection of Refuse in Certain Cities

Year	CURITIBA		BRASILIA		PORTO ALEGRE		SÃO PAULO	
	Tons	%	Tons	%	Tons	%	Tons	%
91	6.852	32,7	-		-	-	2.877.693	-
92	6.325	-7,7	-		127.836	-	2.810.343	-2,41
93	7.278	15,1	347.372		185.900	45,4	2.852.407	1,50
94	7.478	2,7	352.190	1,4	192.532	3,5	2.896.571	1,50
95	8.852	18,4	409.912	16,4	218.960	13,7	3.264.845	12,70
96	12.078	36,4	511.354	24,7	245.207	11,9	3.639.723	11,39

Source: Cempre

TABLE 40

If there is no effective treatment of refuse today, this situation would be explosive if the majority of the population, at present without access to basic consumption, would begin to enjoy this right. It is a contradictory situation: if, on the one hand, the vast majority of the population must have greater access to consumer goods and services, on the other, this growth in consumption would increase the production of refuse to levels impossible to manage properly. Collection and final destination of refuse is the sole responsibility of municipalities—local governments—that do not have the technical and economic capacity for its proper management. On the other hand, the effective solution to the problem is in the hands of the federal government, since it has the authority to implement national policies regarding economic production and imports. The federal government, for example, has not adopted policies to minimize refuse. The local governments, that are the recipients of refuse, do not have the authority to legislate on matters related to the production of refuse, and the federal government, that holds this authority, does not have refuse in its doorstep and cannot perceive this serious problem.

This situation is aggravated as a result of increases in per capita production of refuse:

#### Production of Household Refuse – city of São Paulo<sup>54</sup>

Year	91	92	93	94	95	96
Kilos/inhabitant/day	0,82	0,80	0,80	0,81	0,91	1,01

Source: Cempre

TABLE 41

<sup>53</sup> There is a small campaign for energy conservation, with very little efficacy.

<sup>54</sup> National data do not exist.

The same survey indicates that 30% of default payments are related to the purchase of electronic appliances and 21% to clothing and shoes. Thus, 51% of default payments are related to purchases of non-essential products.

As an aid for understanding this situation, it is worthwhile to transcribe a newspaper story<sup>52</sup> dealing with newcomers in the consumer market:

“On September 1995, Fabiano Severino da Silva, aged 16 at that time, began to work as a messenger in a five-star hotel in São Paulo. Two months later, he bought a pair of imported tennis shoes for R\$ 210 with installment payments of \$ 70.

“I had four pairs of tennis shoes, but wanted one pair for each day of the week and needed another, of good quality. I thought that pair of Nikes was the prettiest. It was also the most expensive one in the store. My father wanted to pull my ears off.”, Fabiano said, laughing.

A year later, Fabiano was already regretting that purchase. “I was proud of my Nikes, but its price is much lower now...”

Today, Fabiano earns R\$ 360 per month. Part of his wages goes to his father, a garage assistant, to help pay for a 1992 car, a Voyage, bought recently.

He already saved R\$ 300 to buy a pair of famous-brand pants and some shirts at the end of the year.

“I want to buy good pants,” he explains. “You can find cheap clothes out there, and people buy expensive ones. That’s my case. As long as I have the money, I’ll spend it on good things,” he said.

Nevertheless, the main problem is not consumerism or default payments, but violence.

### 6.3. Consumerism and Violence

One of the main causes of violence in recent years is related to the thefts of tennis shoes. Two cases serve as examples.

The first one is the case of a kidnapped couple. Before taking the couple into captivity, the kidnappers went by a shoe store to buy a pair of tennis shoes with the victim’s credit card.

The other case is a survey conducted in a shanty-town in Rio de Janeiro. If the youth have imported tennis shoes, they do not wear them on their way home fearing they will be assaulted and robbed. Therefore, although many of them buy tennis shoes promoted in ads, they take them off when they walk through certain risky areas where they may be stolen.

In spite of the lack of specific research on the relationship between advertising and violence, it is not difficult to observe their strong association. The cases of tennis shoes are only examples, other cases could be mentioned.

One of the few studies dealing with this topic—Poor Youth and Consumption (*Juventude Pobre e Consumo*)—concludes that “imported tennis shoes and powerful sound-systems, consumer goods desired by the majority, are an exhibition of power. The poor youth wants to find his citizenship in name-brand clothing. However, this research also reveals that the youth give up on consumer symbols—as caps and tennis shoes—for fear of violence.”

Poor youth are willing to give up acquiring those brand products so they can return home..., but, on the other hand, middle-class youth give up going to the streets (since they do not give up their brand products).

The reality of middle-class youth in urban areas is reclusion. The number of youths who live in enclosed residential areas and leave their homes exclusively to attend school or shopping centers is increasing. These enclosed places are the only ones considered safe by the families. In this manner, middle-class children are totally educated in completely enclosed spaces oriented towards consumption. All the famous brands of products and international (global) fast-food restaurants are in the shopping centers, real temples for consumption, meant to be understood as leisure. Consumption and leisure are becoming synonyms. Buying has become a leisure activity.

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Because of its dimensions, it would appear that the country would have adequate facilities for final disposal of refuse based on traditional techniques, such as landfills occupying large areas. But this is not the case. Large urban centers have sizeable populations and lack areas available for refuse disposal. The peripheral areas of urban centers, besides being inhabited by a low-income population, are normally protected water-supply sources. The improper disposal of wastes causes health problems in this population and also pollutes the water sources that supply the entire population.

Another problem is the lack of legislation with regards to the correct packaging of products or the extent of industrial responsibility after their products are consumed.

The growth in the use of a plastic known as PET, for example<sup>55</sup>, is very detrimental to the environment. And so is the increasing tendency of beer and other beverages in disposable containers. The aforementioned IBGE survey shows a very strong tendency of household consumption of beer and soft drinks.<sup>56</sup> In the early 90s, PET soft-drink bottles did not surpass 164,500,000 liters, while in 1996 this volume climbed to 2,106,670,000 and is expected to reach 7,124,260,000 by the year 2000. The Brazilian model is strictly following the U.S. model, based on disposable bottles (one-way) and withholding advances in returnable ones, mainly due to the complex systems required for collection and sanitary treatment of the containers. Current Brazilian legislation does not place responsibility on industrial or commercial establishments for refuse, this being the entire responsibility of the public sector.

Economic instruments could be used to educate the population on buying products that are less damaging to the environment, but these have not been implemented.

Even those products whose disposal should under control are dumped, without any concern with the environment: batteries are improperly discarded and end up in garbage dumps, causing soil, water and other forms of pollution. The situation worsened following the immense growth of cellular telephones in the last three years.

Year	91	92	93	94	95	96	97	98	99
batteries	275	275	825	825	1.100	1.650	2.750	3.850	4.950
batteries discarded	-	-	275	275	550	550	550	1.100	2.200

Source: Nec do Brasil - (date for reference only)

The appendix presents the specific case of refrigerators and CFC emissions, as well as of autos and environmental pollution.

Brazil has entered the global consumer society, but environmental safeguards have not accompanied this trend.

## Final considerations

The scene described would not be complete if the benefits of globalization were not noted, as was mentioned in Chapter 4: (i) reasonably generalized access to products that enhance the quality of life of the population; (ii) improvements in the quality of products; (iii) access to previously unreachable information. The problem lies in the socially restricted nature of these improvements.

The computer market may be mentioned as a social benefit brought by globalization. Expenditures with personal computers—which practically did not exist in 1987—were 0.40% of total household expenditures in 1996. This represents a 400% growth since 1987, and is significant in almost all localities surveyed. The question is whose buying computers. According to the IBGE survey only the people from the rich class are buying computers.

How widespread is the access to the Internet?

<sup>55</sup> Another problem is the growth of refuse resulting from the increase in pre-packaged foods, as opposed to bulk foods, as pointed out by the Survey on Family Budgets.

<sup>56</sup> See the data presented in Chapter 4.

An IBOPE/CADÊ? survey of August 1997, with 25.316 interviews, reveals which Brazilians access the Internet, the most significant consumer pattern of a globalized society. The income distribution pyramid is inverted in the consumption of this service. Only 3% of the 62% of the population who earn up to 5 minimum monthly salaries have access to the Internet. On the other hand, 60% of those with access to the network-of-networks are among the 7% of the population with incomes above 20 minimum salaries.

#### Purchasing Power of the Internet User and of the Brazilian Population

	Up to 5 salaries	5 – 10 salaries	10 – 20 salaries	20 – 50 salaries	+ de 50 salaries
Population %	62	20	11	6	1
Internet User %	3	10	27	41	19

IBOPE/CADÊ?

TABLE 42

The survey also shows that 38% of Internet users have university education and 38% completed or are studying in secondary school. English is spoken by 62% of the users. The Southeast region concentrates the majority of users (57%--the Southeast has 43% of the country's population).

#### Internet Users by Region

	South east	South	North east	Central-West	North
Population %	43	15	29	7	7
Internet Users %	57	18	14	8	3

IBOPE/CADÊ?

TABLE 43

All this means that Internet access is only available to an elite.

Consumerism. Indebtedness. Pollution. Waste. Violence. And also better living standards and access to products previously out of reach of a part of the population. These are some of the consequences of the unbridled and globalized creation of consumer needs in the entire population.

## **II - Cases:**

### **1. THE SCHOOL-GRANT PROGRAM: EDUCATION AND INCOME**

Beginning in 1995, a successful experience in the field of education was implemented in the Federal District, where Brazil's capital, Brasilia, is located. The School-Grant Program—as it is called—has shown positive results and served as a model for other Brazilian regions.

By September, 1997, the program had assisted 22,700 families and guaranteed school attendance for 43,000 children. Among these children, the school drop-out and repetition rate fell to almost one third of its previous level. The number of children abandoning school fell to less than 5%. Grade promotion among students during the regular school period jumped to 84%, and reached even higher levels with make-up classes. These are the most visible results, in both urban and rural areas.

The program provides assistance to low-income families to ensure that their children attend school. The mother<sup>57</sup> of the household receives a minimum wage provided her children aged 7 to 14 attend school. This financial aid reduces the need for children to look for sustenance by working in the streets and, therefore, the risks of involvement with violence and drugs. It is a simple concept: a child's place is in school. The basic reason why children work, beg or steal is rooted out. In Brasilia, each family receives the equivalent of 120 USD. The total annual amount spent in the program is 32 million USD. This amount represents less than 1% of the local government's annual budget.

The selection criteria are transparent: (1) the family must live in the most destitute areas, as revealed by social indicators; (2) per capita household income must be less than half the amount of the grant; (3) time of residence in the Federal District must be at least 5 years, to prevent the program from encouraging migration into Brasilia; (4) all children aged 7 to 14 must be enrolled in the public school system and the family's state of health is taken into account; (5) housing conditions, available urban infrastructure and presence of aged household members are also considered.

An initial selection is carried out by a local commission in each administrative district. These commissions are composed of three members—two from local government agencies and one from a non-governmental organization chosen by the community. The families selected are once again screened by an eight-member Executive Commission, that includes the Counsel for Children's and Adolescents' Rights and the Street-Children's Movement—both NGO's.

Brasilia's experience suggests that the first stages of such a program should not cover a very large area. Local characteristics, cultural habits and customs should determine the particular details of the mechanisms which need to be improved for the program's proper functioning.

The child must regularly attend school if the family wishes to continue receiving the grant. Two unjustified absences in a month cuts the family from the program. The school's administration, under the supervision of the program's local commission, is responsible for controlling these absences. Thus, the family must not make the mistake of thinking it will still receive the money if the child is not sent to school. Furthermore, the family will be visited once a year for an evaluation. If the family's situation improves, their child finishes secondary education or leaves the school, its grant will be given to another family which meets the selection criteria. Therefore, there's a certain turnover of families entering and leaving the program.

The program does not require additional investments in human resources—such as hiring of teachers—or infrastructure—such as construction of school buildings. However, it's greatest advantage is the absence of paternalism. Its relationship to education means that its cost should not be considered an expenditure, but rather an investment.

<sup>57</sup> Due to social problems involving men, such as high rates of alcoholism, it is wise to transfer money to women. As a result, women obtain a bank account, which seldom takes place among low-income women.

## 2. ENHANCING THE INDIVIDUAL AND ACTIVE DEVELOPMENT

One of the most serious problems, within the context of social exclusion and globalization, is the disintegration of the social fabric in the poorest regions and the concomitant adoption of new habits by the population, including nutritional ones, which are no longer associated in any way with local traditions.

Faced with this situation, and in conjunction with other neighborhood movements, VIDA-Brasil, an NGO in Fortaleza, capital city of the state of Ceará, in Brazil's Northeastern region, with a population of almost 2 million, has sought an alternative form of social organization. These stakeholders are involved in the area of nutritional care, enabling residents of low-income neighborhoods to acquire knowledge related to more adequate and healthier nutritional behavior. VIDA-Brasil trains local leaders to teach the population courses on nutrition and nourishment, hygiene, food sanitation and food conservation, storage and proper handling, food waste and nutritional practices.

In other words, to the extent that they are incorporating healthy nutritional habits, it is possible to assert that these active citizens are building citizenship with only common, every-day behavior. As they join other 100, 200 or 1,000 families and generate breast-fed children, creative youngsters, productive senior citizens, energetic parents, they also become economic actors in the marketplace, especially where they purchase food.

Their organizational goal is to create a balance in producer-consumer relations by creating a legitimate instrument through which they may even obtain access to the judicial system, through local conciliation hearings, arbitrated by community leaders chosen by the population. These leaders are then trained to settle issues and resolve conflicts between suppliers and consumers which were previously considered irrelevant by the courts.

Another important objective is to organize housewives in groups that will compare the prices and quality of products and services in the local market and transmit the information to the community. As a result, a new attitude, called "conscious buying", tends to substitute consumer behavior conditioned only by commercial advertisements.

Even though geared to the solution of concrete, everyday problems, these activities often to popular participation in the design of governmental policies, forcing these to reflect social demands. Government officials are forced to recognize the presence of low-income consumers, their vulnerability and need for protection.

As the population learns how to obtain a balanced nutrition, at a low cost, it overcomes what appears insurmountable: make life possible—almost in the 21<sup>st</sup> century--without refrigerators, and proper nourishment with only US\$ 110,00 per month. Alternatives are found to enable mothers, which previously felt incapable of caring for their children's and family's health, to reduce malnutrition and illnesses that result from improper feeding habits. The path is opened for nourishment that goes beyond the purely physical and reaches other human dimensions, including the emotional sphere, developing self-esteem and transforming passive patients into active stakeholders.



### 3. SELECTIVE GLOBALIZATION: THE CASE OF REFRIGERATORS<sup>58</sup> AND MEDICATIONS<sup>59</sup>

One of the fundamental arguments in favor of globalization is that it allows everyone to have access to “world-class” quality in goods and services. According to its advocates, globalization brings about an overall improvement in the quality of products and services. To what extent does this argument hold true? Although future developments are not yet clear, some current indicators suggest that these arguments are not quite valid. In spite of the global market, many companies produce two types of products, one for the European or U. S. market and another for the market of developing countries. This segmentation may be illustrated by two examples: the cases of refrigerators and medicines.

#### THE CASE OF REFRIGERATORS

Brazil is a signatory of the Montreal Report and has participated in the international effort to protect the ozone layer through curtailment of production and consumption of CFCs and other substances which destroy ozone in the atmosphere.

In 1996, the entire production of 5.5 million refrigerators and freezers in Brazil was undertaken by multinational firms, such as Whirlpool, Eletrolux, Bosch-Siemens, Merlone and General Electric. Economic globalization has allowed those firms to transfer their production units and technology processes prohibited in certain countries to others, such as Brazil.

These manufacturers benefit from the lack of competition from imported products, since imports of refrigerators and freezers face high freight costs. As a result, these transnational firms are able to continue producing in the Brazilian market appliances which have become technologically obsolete, while introducing advanced models in their home countries.

Recently, these companies began to produce a new refrigerator model which substituted CFC with HFC—technically called R134a. But, although this gas substitute does not harm the ozone layer, it strongly contributes to climate warming, with a heating potential 3,200 times higher than carbon dioxide (CO<sub>2</sub>).

One of the manufacturers tried to induce consumers to purchase this model through an advertising campaign that presented it as being the same “ecological” or “green” model sold in the European market, which actually use natural cooling gas—or isobutane—technically known as R600<sup>60</sup>. This same manufacturer is the leading European supplier of truly environmentally safe refrigerators, but supplies the Brazilian market with models that do not follow the same standard, thus practicing a condemnable double-standard.

The Brazilian section of Greenpeace, based on legal dispositions dealing with fraudulent or misleading information, within the Brazilian Consumer Defense Code, appealed to CONAR—the National Council of Self-Regulation in Advertising—requesting the suspension of the model’s advertising campaign, as it contained phrases like “Eletrolux launches Brazil’s first ecological refrigerator” or “This is a real refrigerator, it doesn’t even allow the Earth’s temperature to rise”. Greenpeace points out that the assertion “is entirely misleading, and would merely be considered scientifically ludicrous, if it wasn’t for the fact that is the sale of a product for mass consumption.”

The environmental group was successful in interrupting the advertising campaign. The group also denounced the campaign in the Consumers Police Precinct of the state of São Paulo (*DECON-Delegacia de Policia do Consumidor*) in order to force the company to publish countervailing advertising. Until now, the precinct has not taken a decision on this matter.

<sup>58</sup> Based on a Greenpeace/Brazil Report.

<sup>59</sup> Based on an IDEC (Brazilian Institute for Consumer Defense) Report.

<sup>60</sup> Since 1992, Greenpeace, in association with a German university, developed a technology—known as *greenfreeze*--to produce refrigerators and freezers that use hydrocarbonates (natural gases derived from petroleum). This is an ecologically sustainable response to the world’s chemical industry’s proposed usage of HCF and HFC gases as “transitional” substitutes of CFC’s. Currently in the European continent, all major manufacturers produce *greenfreeze* models, including Whirlpool (whose brands in Brazil are *Brastemp* and *Consul*), Eletrolux (previously known as *Prósdocimo* in Brazil, but currently using its international name), Merloni (a joint venture with *CCE* in Brazil) and Bosch (which is currently starting to produce its appliances in Brazil under the *Bosch*, *Siemens* and *Continental* brands).

### THE CASE OF MEDICATIONS

Various medications are banned in developed countries, home-base for the multinational manufacturers of these drugs, and freely sold by the subsidiary branches of the same companies in underdeveloped countries. Such is the case of the association of antibiotics, which in spite of their ban in Europe are being sold by European pharmaceutical companies through their branches in Brazil. For the past ten years, consumer groups have been fighting to ban the sale of this products in Brazil also. A court-case victory<sup>61</sup> was necessary to force the Federal Government to ban these drugs. However, a temporary court decision on an appeal by the manufacturers allowed the continued sale of these harmful medicinal drugs. -

The real lesson that these examples provide is that globalization does not necessarily result in the supply of safe and technologically up-to-date products in every country. Therefore, a question may be raised: in a global market, why does a transnational firm take radically different stances with consumers which are fundamentally the same?

Reality reveals that globalization is selective.

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<sup>61</sup> IDEC vs. Laboratories and Federal Government.

#### 4. THE IMPACT OF THE GLOBALIZATION PROCESS ON THE INDIGENOUS PEOPLE OF BRAZIL<sup>62</sup>

In Brazil, there are no studies regarding the impact of the globalization process and the changes within the consumer patterns of the indigenous people. Nevertheless, the annual report of the Indigenous Missionary Counsel (CIMI) regarding violence practiced by the indigenous people, offers some clues regarding these effects during the last three years. Today, these traditional populations represent some 0,2% of the Brazilian population and the lands destined for their possession and use are equivalent to approximately 10% of the national territory.

The consumer patterns of the indigenous societies are being modified more quickly over the last decades. These changes, elaborated according to cultural patters which rule the life of each tribe - are directly connected to three basic aspects: (i) the appropriation and utilization of natural resources; (ii) the sedentary lifestyle resulting from the limited territory available to the indigenous communities, in some cases insufficient for their economic, physical and cultural reproduction; and (iii) the contact with the regional population and the national society.

It can be observed from the information contained in the CIMI annual report that in the last three years the basic existence of the indigenous societies became even more precarious as a result of two basic reasons.

The first is attributed to the omission and ineffectiveness of the public sector - mainly the federal government - with regard to the assistance owed to the communities and the protection of indigenous lands against the depredation of its natural resources. The second is in reference to the accelerated invasion of the indigenous territories, with the main objective of confiscating lands and exploiting the natural resources which exist therein. The invaders are, in the majority of the cases, made up of dispossessed, marginal workers<sup>63</sup>, who, to survive, take on illicit activities in indigenous lands, especially working as illegal miners of gold and the extraction of what are considered "luxury" woods, particularly mahogany, cherry and cedar.

These two associated factors indicate that the economic accumulation underlying the process of globalization - plays a determining role in the life and survival of the indigenous people, altering their traditional sustainable economic patterns and forms. This happens when the State stops doing its part - including that of regulating the productive process - thus protecting an illegal and clandestine market, which survives thanks to a mass of excluded workers. This market has the ability to absorb and accommodate them according to rules that, at the same time, generate further exclusion.

Some of the indicators which demonstrate the impoverishment of the indigenous people of Brazil and the depletion of their natural patrimony are alarming.

The number of invasions in 1996, increased 164%, affecting around 43% of the indigenous population existing in the country, which inhabit 12% of the territories officially recognized by the federal government. These invasions were carried out by diverse agents, including the public sector itself, with the intent of building highways and hydro-electrical power plants, among other infrastructure projects.

In about 42% of the cases, the invasions were motivated by the illegal exploration, theft and larceny of timber, mostly located in the States of Pará and Amazonas. On the other hand, in only 1% of the cases, the federal government acted to prevent these crimes, which were perpetrated by at least 45 thousand people!

The logging activity is carried out illegally within indigenous lands in more than half of the Brazilian states. In Rondônia, 40% of the indigenous lands are subject to illegal activities. In Maranhão, about 37% of the territories are invaded by loggers and in the states of Pará and Mato Grosso, there is exploration of the "luxurious" species of hardwoods in 33% of the indigenous lands.

The cases of environmental damage within indigenous lands increased eight times in 1996. The illegal exploitation and depredation of natural resources and the usurpation of indigenous land were responsible for the devastation of vegetation in their lands, provoked the contamination of products derived from mining and agriculture, and endangered fish species. For all these reasons, it aggravated the survival conditions of nearly 33% of the indigenous populations of the country. Deforestation was the kind of aggression toward the environment which had the worst effect on indigenous lands.

<sup>62</sup> The present case was entirely based on the annual report of CIMI - Indigenous Missionary Counsel, prepared by Lidia Luz, anthropologist.

<sup>63</sup> As shown in chapter 3, formal jobs diminished substantially in the last ten years.

The information regarding epidemiological and nutritional aspects of the indigenous people are even more dramatic. According to the CIMI report, in the same year there was a 92% increase in the number of cases of diseases. The cases of diseases caused by body weakness and low nutritional levels increased 96% and were responsible for 38% of all registered cases. At the same time, the illnesses caused by the precarious conditions of the environment increased 96.5% in 1996, corresponding to some 33% of the total number of cases detected. Other kinds of illnesses increased 86,5%. Illnesses caused by direct contact with the regional population contributed with more than 6% of the cases. In 1996, the eleven most frequent illnesses, in decreasing order, were: respiratory, diarrhea, vermin-related, malaria, skin diseases, leishmaniosis (a form of parasite), malnutrition, anemia, tuberculosis, and hypertension.

Hunger and deaths resulting from malnutrition still victimize a large proportion of the indigenous population. In 1995, still according to CIMI, approximately 45% of the indigenous population in Brazil was suffering from hunger.

## 5. FOREST MANEGEMENT AT LOGGERHEADS

The Brazilian Amazon produces 75% of the lumber in Brazil. The exports are still modest (close to 4% of the total commerce of tropical lumber). This situation is changing as a result of the depletion of the Asian forests. Some Asian companies have even begun to settle in Brazil.

According to the study by Amigos da Terra<sup>64</sup>, an NGO, in less than three decades the Amazon region will be the most important center of worldwide production of tropical woods. This fact is extremely disturbing, since its extraction does not follow the norms for sustainable production and greatly endangers the rainforest. The exploitation of the rainforest in the southern Amazon basin has become a sort of "forest mining" venture.

At present, between 20 and 25 million cubic meters of industrial lumber are removed annually from the Amazon, from a total area of between 8 and 10 thousand square kilometers. Inspections of the extraction process carried out by IBAMA<sup>65</sup> show that at least 71.2% do not conform to existing legislation (in the opinion of the non-governmental environmental organizations, even these numbers underestimate the real situation.)

This process of predatory (and illegal) exploitation offers the market, in an abundant form, clandestine lumber, lowering its price and making more difficult the adoption of sustainable production practices. The sustainable exploitation of forests depends totally on the maintenance of attractive prices for lumber in the market. If clandestine lumber exists at low prices, properly produced lumber will never find a market.

The problem could be solved by adopting two measures: (i) effective deterrence of depredatory extraction, increasing significantly its costs of production and thus raising its price to the levels of the lumber extracted in a planned manner; (ii) creation of forestal zones and institutionalized subsidies for legal lumber. Today, there are no criteria to determine where exploration may occur and where it should be prohibited, just as there is an absence of a policy of subsidies for lumber extracted with sustainable processes. The consequence has been an increase in the illegal and unplanned exploration of lumber, especially in the indigenous areas.

An extremely important fact to take into account is the extremely low monetary fines paid by those punished for illegally extracting lumber in the Amazon region. What seems even worse is that, comparing the total amount of fines collected to the costs of IBAMA's inspection of these illegal activities, the result is a net financial loss for the federal government. There is a vicious circle whereby the absence of resources and capability of the legal departments of the local offices of IBAMA to act effectively, in addition to the lack of legislation, allows offenders to escape payment of fines, which, in turn, increases the costs of deterrence measures. These high costs, in turn, are used to justify the reduction of direct governmental efforts. The result is further increases in the illegal extraction of lumber.

At this time, a project is being carried out in an attempt to certify the lumber extracted in a sustainable manner, and in this way, the consumer-- whether national or international--can be kept informed with regard to the origin of the lumber which he is buying. Perhaps the certification and granting of an eco-label on the lumber may have some effect on the international market. However, the consciousness level of the Brazilian consumer is very low regarding this matter. In general, the consumer would not take into account whether or not the lumber which he is buying comes from some sort of depredatory practice. In Brazil it is very fashionable to have mahogany furniture at home...

<sup>64</sup> "Forest Manegement at Loggerheads", Friends of the Earth - Brasil

<sup>65</sup> Brazilian Environmental Institute, an agency of the Federal Government, responsible for the enforcement of environmental controls.

## 6. THE CONSUMPTION OF HEART-OF-PALM, AND THE DEVASTATION OF THE ATLANTIC FOREST

There are numerous examples in Brazil as to how social exclusion causes the destruction of the environment in order to satisfy consumption desires of the most privileged segments of the populations. One of these examples may be found in the extraction of hearts-of-palm in the Ribeira Valley, one of the poorest regions in the richest state of the country - São Paulo. The heart of palm is extracted from the trunk of a palm species, which is of fundamental importance in the equilibrium of the ecosystem in the Atlantic forest. The plant is called "Euterpe Edulis, Mart."<sup>66</sup>, it is part of the native vegetation and was once abundant in this region.

This palm tree occupies a key role in the forest's ecosystem balance because it produces a fruit which feeds various kinds of birds and other animals who pollinate the forest and renovate flora and fauna. In some parts of the year, it is practically the only food source for the local fauna. Because of the tree's single trunk, the extraction of the heart kills the tree, which takes almost a decade to bear fruit. Today, it is estimated that the population of "euterpe edulis" in the region does not surpass 5% of the original.

Even though its extraction is subjected to severe legal restrictions, it continues as a clandestine activity. This is a result of the lack of alternatives for the survival of the local population. Years ago, this was mainly a hog-raising and agricultural region, mainly centered on the production of rice, tea and bananas, in addition to those products used for local consumption, such as beans, manioc and corn (which was also produced to feed hogs). The extraction of hearts of palm was a secondary activity and was considered a complement to regular income. Only mature trees were affected, and, to a certain extent, the forest naturally recovered. However, a series of external factors caused the decline of the central economic activities, leaving the vast majority of the local population no other option than the exploitation of the palm tree.<sup>67</sup>

On the other hand, the product carries a high commercial value, with prices rising in the domestic market, since a 400 gm. can of heart of palm costs around US\$ 7.52 in 1995 (US\$ 2.74 in 1987). The expanding market for the product amounted to some US\$ 438 million dollars in 1994 (US\$ 336 million in 1991), and 20% of heart-of-palm production is exported (Brazil produces 85% of canned heart of palm worldwide), but it's biggest market is internal (80%). Even though present-day production mainly centered around another species of palm tree, found in northern Brazil (see Footnote 1), these numbers help to explain the intensification of clandestine exploitation by a segment of the population without alternatives, even if the palm tree worker is the one who receives the least profit in the commercial activity.<sup>68</sup> Social exclusion doesn't leave them any other alternative. They confront the risks of an illegal activity, and many times, suffer the consequences - prisons and violence that sometimes even end in death.

What is the destiny of this product which has contributed so much to the devastation of what is left of the Atlantic forest? Recent surveys of family budgets, conducted by Dieese<sup>69</sup> in the city of São Paulo reveal that 72.2% of household consumption of hearts of palm is done by 33.3% of the highest income population.

<sup>66</sup> Heart-of-palm is also extracted from other palm species, such as the "Euterpe Oleracea", abundant in the Brazil's North and from which 90% of the harvesting is done in Brazil. The exploitation of this species also results in environmental problems.

<sup>67</sup> In a study sponsored by the Secretariat of the Environment of the State of São Paulo in 1996 - *A Exploração do Palmito na Mata Atlântica, na Região do Vale do Ribeira* ("The Exploration of the Palm Tree in the Atlantic Forest, in the Region of the Ribeira Valley") - Ademar Romeiro and Rinaldo Fonseca analyze the effect of the decline of the local economy: "the traditional context declined due to several factors, including the problems involving the low productivity of local agricultural and cattle-raising activities, unable to compete with the expanding production in other regions at the end of the 60's. Pig farming, for example, was wiped out by intensive techniques. For sanitary reasons as well, the small pig farmer was unable to compete against large, industrial installations. The environmental policy which was implemented in the region, especially beginning with Decree 99.547/90, affected the local traditional agricultural practices. due to the restrictions it imposed on slash-and-burn practices. This practice is of fundamental importance for cultivation of poor soils without fertilizers. In addition, these producers did not receive the necessary support to increase their production in more favorable areas, based on more modern technology, without having to burn the forest".

<sup>68</sup> A large portion of the clandestine product obtained from the Atlantic forest ends up on the tables of restaurants, which buy most of production. Another relevant factor is the quality of the product. The heart-of-palm from the palm tree species which exist in the Atlantic forest, is larger and more flavorful.

<sup>69</sup> Inter-Union Department of Statistics and Socio-Economic Studies. The survey was carried out in the period from December 1994 to November 1995 and the population was divided in three income levels, each one corresponding to 1/3 of those households surveyed.

Other data indicate that the highest level of consumption is in restaurants in the larger urban centers, whose customers are among the higher-income population.

In recent years, the Secretariat of the Environment of the state of São Paulo has made great efforts to find alternatives for the population involved and for the preservation of the Atlantic rainforest.

Nevertheless, it is clear that the solution may only be found in the long-term, since public policies must be first be implemented to allocate resources for the development of the region, introduce land-tenure reform, make agricultural credit available and generate income through employment. All this must be done in conjunction with the protection of the Atlantic rainforest.

## 7. IDEC - BRAZILIAN INSTITUTE FOR CONSUMERS DEFENSE

IDEC is a non-profit organization created in July 1987 to implement consumers' organization, provide information and defense against abuses and to make them aware of their rights. IDEC is a full member of Consumers International (formerly IOCU).

IDEC's main and statutory objectives are:

- To promote and support works and researches on consumption matters, with emphasis on information to consumers of their rights;
- To defend and represent consumers interests before the legal, official and social forums;
- To perform research and testing of products and services, aimed at the introduction of better standards;
- To influence the official powers at local and national levels, for the development of policies and legislation concerning consumer protection and defense.

IDEC has a present staff of 60 people and relies also on the work of volunteers and collaborators. At present IDEC has about 42,000 members, who contribute with fees of about US \$45.00 yearly. Besides the contributions, IDEC sells publications as guides and books.

With a loan obtained from FINEP (Financing Agency for Studies and Projects, a governmental agency) IDEC publishes, since September 1995, a monthly magazine with 24 full colour pages, about its legal activities, consumer problems and comparative tests, replacing the black and white newsletter from 1989. Just after the launchment of the magazine IDEC started off the first campaign for new members.

IDEC also published a edition of the "Brazilian Code for Consumer Defense with Comments and Examples by IDEC" and, recently, a new guide "Consumer Rights from A to Z" was launched.

The development of IDEC can be summed up by the following graphic:

**TABLE**

Year	91	92	93	94	95	96	97
membership	4.000	6.000	7.000	14.000	30.000	38.000	42.000

Source: Idec

approximated numbers

### IDEC'S MAIN ACTIVITIES

Besides the internal structure necessary to control and keep running our activities, IDEC's main activities are:

#### Legal

Provides consumers with judicial defense and tries to get consumers involved in direct demand of their rights by translating judicial jargon into laymen's language, so that participants can understand legal proceedings. IDEC always deals with these interests in collective ways, through public civil actions or group actions.

Examples of public civil actions:

- Savings accounts - monetary correction below official rates in 1989 and 1991, due to governmental economic plans.
- Private health insurance companies by abusive increase of fees.

Examples of group actions:

- Illegal toll on federal highway - 500 plaintiffs, 100 won immediate exemption. Later the Federal Government revoked the charge.
- Cruzados novos (Brazilian currency from 1989 to 1990) blocked in current and savings accounts by the Central Bank.

All lawsuits filed by IDEC's Legal Advisory Bureau have achieved appreciation and sympathy from the media and general public. The work also arose interest on the part of researchers and foreign organizations.



Another crucial aspect of the Legal Advisory Bureaus activities concerns a great number of grievances affecting consumers collectively and mainly those in the poorest strata of society.

### **Technical**

Promotes researches, comparative testing programs and market surveys for products and services. Comparative testing and results divulged in an independent publication are the best way to inform and guide consumers to make better buying decisions with awareness. In addition it is a mean to improve quality standards.

The first test of products was published in December 1989. It dealt with Brazilian regulations for toys. Since then each issue of *CONSUMIDOR S.A.* holds tests of products or services. Besides that, newspapers, radio and TV broadcast our tests in interviews both locally and nationwide.

During the initial steps IDEC found some help from entities as the Ministry of Science and Technology at some special projects and Consumentenbond<sup>70</sup> in a joint comparative testing of condoms. The last test gave us strong projection at the media when published. IDEC has been supported, up to now, by the Ministry and other foundations at specific projects, related to health and safety.

In 1994 the technical staff itself began its structuration and expertise, with the help of federal grants for a minimum team and the consultancy of a Dutch specialist in comparative testing procedures. Part of the team is still covered by those grants. In 1996 and 1997 some members of the team performed training periods in foreign organizations from America, Europe and Australia, covered by grants.

The activity has yielded highly positive results. Tests performed and published by IDEC have worked as triggers to activate standardization and inspection agencies into playing a more accountable role. The importance of this work has been recognized by several social and official groups. The consumers' behaviour has been changing significantly with regard to products and services tested by IDEC.

### **Members services**

Personal and phone information on legal actions and consumer rights: Deals with public information on the state of the legal actions IDEC is dealing and informs consumers on how to put into practice their rights, based on Brazilian Consumers Law.

### **Center of Documentation**

Since IDEC's foundation the Center receives books, articles, periodicals, papers, etc, from members, governmental and non-governmental institutions and sister associations from Brazil and abroad. Our Information and Documentation Section gathers data from newspaper clippings, books, periodicals (both Brazilian and foreign) and operates as a reference library for the internal sections like Technical and Juridical. All IDEC's sections and sometimes external organizations are beneficiaries of the Centre's activities.

### **Consumers representation and campaigning**

IDEC has stepped in several Brazilian consumer problems, as the ones dealt by the Juridical Section and regulation of products found unsafe by the Technical Section. Some press and public campaigns against problems like the use of hazardous hormones in the fattening of cattle, medicine and drug associations and more recently on private health care plans. We have also concentrated our efforts in the enforcement of consumer defense laws, mainly regulations that guarantee health and safety.

Due its work IDEC is frequently invited to take part of forums, commissions and councils to represent consumers interests. Our participation in most of the invitations, although their importance, was declined due our lack of personnel and funds. People from our Technical and Juridical sections are used also at these activities, what means more charge to these professionals.

<sup>70</sup> Holland consumer defense organization.

## 8. THE HEALTH CRISIS

The health crisis in Brazil is obvious, simply from reading the daily papers. Cases, which would be shocking to civilized people, are daily fare. It runs the entire gamut, from the mass death of hemodialysis patients as a result of incompetence and negligence (as the case of the hospital in the city of Caruaru, in the Northeastern state of Pernambuco), to dozens of babies in various parts of the country (from Roraima in the North to the rural areas of São Paulo, and more recently, in this state capital itself), to those anonymous individual cases that the media does not even mention anymore. On the other hand, Brazil holds the world championship for cesarean births, according to recent data.<sup>71</sup>

The lack of resources, as a result of low levels of funding by successive governments throughout the years, is combined with a mostly corrupted system to make matters worse. As if that were not enough, the series of crises within the Ministry of Health itself, have revealed profound differences between those people responsible for the administration of various areas in this vital service, resulting in serious management problems.

At the same time, it is obvious that there is a complete lack of control with regard to the public policies oriented towards preventative measures, such as the battle against insects that transmit diseases, which cause malaria (449,092 cases in 1996), dengue fever (155,107 cases in 1995), and the Chagas illness (various estimates indicate there are some 5 million people infected).

Outbreaks of illnesses such as measles, which was practically eradicated, are a result of a faulty vaccination system. The Ministry of Health registered 2,637 cases in Brazil in 1996. In that same year, first as a result of a lack of the triple vaccine, and later due to a two-month delay in in the vaccination campaign, resulting from a quality control problem within the Ministry of Health--among other reasons--many children were not vaccinated. Until the end of September 1997, there were 11,371 confirmed cases of measles only within the State of São Paulo, of which 15 were confirmed deaths as a result of this illness.<sup>72</sup>

A lack of control of blood banks has resulted in thousands of cases of contamination with hepatitis, AIDS, etc. Between 1990 and May of 1997, 1,946 people were contaminated with the AIDS virus as a result of blood transfusions, according to data from the Division of Sexually Transmitted Diseases within the Ministry of Health. According to data released by the president of the Pro-Blood Foundation, recently dismissed from the Ministry of Health's Division of Blood and Hemo-derivatives, the number of persons contaminated with hepatitis, AIDS, Chagas disease and HTLV could reach 40,000.<sup>73</sup>

Hospital care has deteriorated over time. Between 1980 and 1990 the number of available beds in the public sector fell from 5 per 1000 inhabitants to 4/1000. In 1992 it fell even further to 3.7 per thousand and in 1996, to 3.2 per thousand. Brazilian authorities recognize that they need to allocate more funds to this sector, as well as reorganize its structure in order to make it more efficient.

The public at large, however, has not felt the "winds" of change. In October of this year, five doctors from Belo Horizonte, the capital of the state of Minas Gerais, filed suit against the President of the Republic, the Ministry of Health, and the National Congress, to require the government to assume its responsibility for public health, and announced that the medical profession is no longer willing to play "Russian roulette" in hospitals.

"The doctors are being forced to decide who lives and who dies. If there is a vacant bed, the doctor decides who can occupy it. Sometimes the doctor must choose the youngest, or the person who has the best chance of survival. This is absurd and should not be up to the doctors to decide," declared the President of the Physicians' Labor Union of Minas Gerais, one of the plaintiffs in the suit.<sup>74</sup>

<sup>71</sup> 32% of births in Brazil are cesarean, compared to 24.7% in the United States of America. Source: IDEC Magazine, No. 23.

<sup>72</sup> According to an interview with José da Silva Guedes, the State Secretary of Health in São Paulo, in the newspaper *Folha de São Paulo*, Sept. 1997.

<sup>73</sup> Newspaper *O Estado de São Paulo*, Oct. 7, 1997.

<sup>74</sup> FSP, Oct. 1997

The seriousness of the situation demands rapid and drastic changes. Otherwise, Brazilian society will continue to witness the macabre ritual of "Russian Roulette", which is part and parcel of the majority of Brazilian public hospitals, and to pay for the increasing costs of cesareans.

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