

Brazil's GINI coefficient: Can it be beaten?

DOING WELL OR JUST BETTER?

The sayings countries tell about themselves are often quite revealing. A phrase many Brazilians cite is “Brazil is the country of the future—and always will be.” While the origin of that phrase is lost, another is known to come from one of Brazil’s last military presidents: “Brazil is doing well; Brazilians are not.” In 2010, it appears that the first saying might finally be wrong. A recent cover of *The Economist* showed Rio de Janeiro’s famous statue of Christ lifting off into the stratosphere, with a special section inside to tell “Latin America’s Big Success Story.” The question is whether Brazil’s new status as an emerging power means the other saying may be untrue as well. Does a rising power lift all boats? Can Brazil beat its long-standing, deep inequality as measured by the GINI coefficient?

The answer looks a lot like those sayings, encompassing two contradictory but true things at once. Yes—since income inequality peaked in 1989, the GINI coefficient has tracked a remarkable drop in inequality in Brazil (0.64 to 0.56 on a 0–1 scale). Much of this improvement can be traced to concrete government policies that have pulled many out of poverty. But no: the contradictory true point is that while many Brazilians are doing much better than they were, this is not the same as doing well, as individuals or as a country.

STILL HIGHLY UNEQUAL

Despite Brazil’s real improvements in its GINI coefficient, it remains one of the most unequal countries in the world. In addition, while many of Brazil’s poor have risen in status, a disproportionate number of those who remain poor have characteristics that may not be as readily fixed by the income policies that helped their counterparts.

Brazil’s problems with inequality have been around for a long time, but they became much worse in the 1980s, rising and then accelerating with the inflation

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rate. Inflation means special pain for the poor in the informal sector, since they live in a cash economy that has none of the indexing that protects middle- and upper-class wages and bank accounts. In addition, Brazil’s multiple efforts to use different kinds of shock therapy to stop inflation hurt the poor. In 1994, when then Finance Minister Fernando Henrique Cardoso’s neoliberal *Real* plan finally stanching rising prices, the GINI index also quit on its bouncing path upward and stabilized, albeit at a level above the very high historical average. Brazil needed policies aimed explicitly at the poor and working class to bring the GINI index down.

“I WANT ALL BRAZILIANS TO HAVE THE OPPORTUNITY TO EAT THREE MEALS A DAY”

The first steady declines began near the end of Cardoso’s second term as president. His administration nationalized an innovative program that had begun in the Federal District—the *Bolsa Escola* (School Budget). The *Bolsa Escola* provided families with small cash payments conditional on the school attendance of the children. Cardoso’s succes-

or, Luiz Inácio Lula da Silva, made the campaign promise, “I want all Brazilians to have the opportunity to eat three meals a day,” and took that small program and expanded it into the often-copied *Bolsa Familia* program.

In exchange for meeting the basic schooling and health requirements of their children, the program provides a small monthly cash payment to parents with remarkably few of the clientistic trappings that often go along with assistance to the poor. The *Bolsa Familia* program directly reaches about 44 million Brazilians, nearly a quarter of the Brazilian population, making it the largest such program in the world. The rhetoric behind the program is a simple one of rights: Brazilians have a right to a minimum income, and the conditions of the program—health and education—are themselves rights that citizens have an obligation to claim.

The *Bolsa Familia* program, which focuses on children, is matched at the other end of life by a steady widening of eligibility for minimum wage pensions, available even to people who have never worked in the formal sector and paid into the social security system. Regular retirement pensions have risen modestly as well. Increases in the minimum wage have helped too, but these have more effect on the higher-income poor. Although none of the resulting payments are large—the *Bolsa Familia* pays \$10 a month—they have had a remarkable effect on levels of extreme poverty, which dropped by 1.1 percent annually between 2001 and 2005. It is largely through such payments that the incomes of the poorest 10 percent of Brazilians have risen by Chinese growth rates of almost 10 percent annually through the first decade of the 21st century, while the incomes of wealthier Brazilians have grown more slowly. This represents part of the reason for the decrease in the GINI coefficient.

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INCLUSION BEYOND INCOME

Emerging evidence suggests that programs like the *Bolsa Familia* may have unintended, positive spillover effects. Potential participants are motivated to seek official documents like birth certificates and labour cards, which they then have for other kinds of entry into the formal political economy. Since the cash payments are distributed via bank-cards, participants become familiar with banks. Educational participation among children is at its highest level ever—97.3 percent of children between the ages 7 and 14 are in school, up from 81.4 percent in 1992. In focus groups of *Bolsa Familia* recipients, Wendy Hunter and Natasha Borges Sugiyama found that participants were able to articulate their claims to basic citizenship rights and were well versed in how to protect those claims—from calling the program's toll-free number in Brasilia to using their votes to make sure politicians continued the program. They are not just less poor, but more engaged citizens.

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JOB GROWTH RETURNS AT LAST

A final piece of the inequality puzzle is that Brazil's economy finally began to grow in the 2000s after several lost decades, a confluence of high commodity prices, and government policies designed for that result. After dropping throughout the 1990s, formal employment grew from 44.5 to 49.6 percent of the employed population between 2002 and 2008. The global economic crisis

stopped the rise, but Brazil still had among the lowest unemployment rates of the G20. The largest set of these new jobs were in the private sector, and all of them generally mean rising incomes for the poor who move out of the informal sector.

BRAZIL IS DOING WELL; RURAL, DARK-SKINNED, NORTH/NORTHEASTERN BRAZILIANS ARE NOT

Against this rosy picture of improvement, it is discouraging to note that Brazil is still less equal than 90 percent of the countries of the world. In addition, the same patterns of exclusion remain. Whether the indicator is inequality, income level and depth of poverty, education, life expectancy, or practically any other known measure of development and well-being, the same Brazilians are still clustered in the lowest categories: those who are rural, dark-skinned, and/or in the north and northeastern regions of the country. Some of the gaps have narrowed but others have not. What the Brazilian experience suggests, however, is that creative government policies and the political will to put them in place can further lower inequality. 🍁

NOTE

All data are from the Brazilian governmental statistical agency, the Instituto Brasileiro de Geografia e Estatística (IBGE)

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The return of Raúl Prebisch

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Prebisch's last words urged a new generation toward this great task. "A new rationality must be sought," he said, "but not one based on hegemonic interests; rather one based not merely on economic and social objectives but on eminently ethical ones." 🍁