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Social policy in Brazil

Targeting the poor

MACETÓ

Lula's government has made a curiously disappointing start to tackling poverty. That may be about to change

Few of Brazil's states are as poor as Alagoas, in the north-east. Odd then that in last year's presidential election it was the only state not won by Luiz Inácio Lula da Silva, who stirred the downtrodden because he was once one of them. Vanquishing poverty and inequality is supposed to be the strong suit of President da Silva's Workers' Party (PT), which likes to denounce the previous government as heartlessly neo-liberal. Yet seven months after Lula took office, in Alagoas people question whether his anti-poverty initiatives will live up to those of his predecessor, Fernando Henrique Cardoso, whose government was the first to have "focused on the poor," says Arnóbio Cavalcanti, Alagoas's economic-development secretary.

For a party dedicated to social justice, in government the Workers' Party has been strangely wobbly in pursuing it. Its *Fome Zero* (zero hunger) programme captured the imagination in Brazil and outside, but is damned by many experts as fuzzy and outmoded. It sowed bureaucratic confusion by creating extra ministries to tackle social problems (one for hunger and another for social assistance). Left-wingers in the PT accuse Lula of pandering to financial markets with tight budgets while neglecting the poor. They are squabbling with fiscal hawks who want to redirect social spending to the poor rather than expand an already large welfare state.

The muddle may soon end. In the next

few weeks, Lula is expected to relaunch his government's anti-poverty drive. Half-a-dozen programmes that transfer money to the poor are to be combined, or at least coordinated. Their reach and value is to increase and they are to be run more efficiently. This bureaucratic fix may bring back a familiar model, a souped-up version of the one so popular in Alagoas. But the results could be striking. "This may be the greatest experiment in history" by a big democracy with economic problems to address poverty without making these problems worse, says Vinod Thomas, who heads the World Bank office in Brazil.

Brazil does not yet have an official poverty line. Experts wrangle over the scale and intensity of poverty. They agree that it dropped sharply in the mid-1990s, when Mr Cardoso finally tamed inflation, and has budged little since then (see chart on next page). Ana Lucia Saboia of IBGE, Brazil's statistical institute, estimates that a "hard core" of 40m people, nearly a quarter of the population, live on less than half the minimum wage of 240 reais (\$80) a month. The government-linked Institute of Applied Economic Research puts those in extreme poverty (lacking the money to feed themselves properly) at 23m. By one estimate, closing the "poverty gap" (the amount needed to lift the poor out of poverty) would cost just 1.6% of Brazil's GDP (though there is more to ending poverty than raising incomes).

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More than half the poor and even more of the indigent live in Brazil's north-east. Others are in the big cities, to which many north-easterners flocked in the last half-century. Blacks, women and the young are over-represented. Then there is what Marcio Pochmann, of the São Paulo city government, calls the "new poverty", of educated whites thrown out of work by free trade, privatisation and economic change. In greater São Paulo, unemployment has risen from 180,000 in 1989 to 1.3m today. Most are not hungry, but they are angry.

It has not helped that economic growth over the past five years has been disappointing, nor that income in Brazil is distributed more unequally than almost anywhere else in the world. In practice, growth and redistribution will both have to play a role if poverty is to fall.

The state already spends an ample 16% of GDP on social programmes at the federal level alone. But little of this reaches the poor. Pensions consume two-thirds of social spending; health and education, universal programmes that offer little extra benefit to the poor, account for much of the rest. Social assistance specifically for the poor accounts for just 0.4% of GDP.

Income transfers

Mr Cardoso shifted social spending towards the poor, in two main ways. The first involved programmes to transfer income directly to poor families; in exchange, they agreed to other steps, such as keeping their children at school. The second was to exploit information technology to identify the needy and make sure resources reached them. The aim was to avoid the twin plagues of welfare: handouts that encourage dependency, and the hijacking of funds by corrupt functionaries or vote-grubbing politicians. Both solutions are likely to figure large in Lula's new plan. ▶▶

