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A special report on the future of the state **Favelous**

Sometimes the best ideas for government are the simplest

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HELIÓPOLIS sounds a rather futuristic place. In fact São Paulo's biggest *favela* (slum) crams some 200,000 people into a small area just below a road called the Street of Tears. Despite its obvious poverty, it seems fairly law-abiding. Even though they don't pay taxes, the cafés enforce a 2009 smoking ban. A gym full of predictably skilful football players has plaques celebrating its two most famous visitors: Zinedine Zidane, of Real Madrid fame, and Luiz Inácio Lula da Silva, Brazil's president from 2002 to 2010.

Lula remains a folk hero. Posters from the election last year show him endorsing his less charismatic successor, Dilma Rousseff. The other thing that rallied Heliópolis to Ms Rousseff's cause was the (unfounded) rumour that her opponent was going to scrap Bolsa Família, Brazil's conditional cash-transfer programme. It works because it is simple: poor families get cash if they send their children to school and take them for health checks.

Outside a crèche stand three claimants, all migrants from the north-east. Maria Lucineide has three children, Márcia four and Maria Lúcia five, entitling them to 66-112 reais (\$40-68) a month, but Maria Lúcia's children skipped school and now she gets nothing.

A nudge in the right direction

The money from Bolsa Família goes on small luxuries—sweets or snazzier sneakers. But it is enough to make a difference. "If you don't go to school, you are going to be a nobody," Maria Lucineide lectures her children. "And it will also mean that we can't buy the things that you like." Asked for their views on the state, the three mothers, who missed out on education themselves, give an answer you would rarely hear in the rich world: "Government is wonderful."

Bolsa Família goes to 13m families, around one in four. It has had a fairly dramatic effect on poverty and inequality. Marcelo Neri, a Brazilian economist, attributes 17% of the narrowing in inequality since 2001 to the programme: pensions and other welfare payments had a similar effect, but at a massively higher cost. He thinks it should be extended to students to improve their grades as well. It also counts as a form of affirmative action, since a disproportionate amount goes to blacker Brazilians.

It is not universally popular. Snooty Paulistas whinge about the "Bolsa Miséria" going to the undeserving poor. And it may work better in the countryside than the cities. Jonathan Hannay, who has worked with Brazilian street children for 17 years, thinks that Bolsa, which has absorbed other social programmes, has reduced their impact significantly.

Against that, Bolsa Família is very cheap, costing only about 0.4% of GDP. And it is a paragon of efficiency when set beside the rest of the Brazilian state, which although of first-world size (eating up 40.9% of GDP in 2008) delivers third-world services, such as a legal system that cannot enforce contracts. Much of this is down to the perks of public-sector unions. Teachers have the right not to turn up to work for a set number of days a year—and enjoy some of the world's cushiest pensions. Ms Rousseff has pledged reform, but half the country's civil servants are members of her party.

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