

Brazil resumes uneven growth and coexists with extreme poverty

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Praised by the Jair Bolsonaro (PL) government, the recovery of economic growth has been accompanied by an expansion in the share of the population in extreme poverty, a perverse combination that indicates income concentration in Brazil. The problem was exacerbated by the Covid-19 pandemic, but it had been observed since 2016, in the wake of the economic and political crisis that hit the country. Between 2016 and 2021, there was an average increase of 1% per year in GDP (Gross Domestic Product), an indicator that depicts all the wealth generated in the country in a given period. The share of the population in extreme poverty grew by 0.2 percentage point a year, according to data gathered by economist Laura Muller Machado, former secretary of Social Development for the Government of São Paulo and an expert in the area. "We are taking care of GDP growth, but not so much about reducing poverty. GDP is growing, but it is being distributed more unequally than before the pandemic", he says. One of the possible reasons for this combination of results, according to her, is the worsening of the focus on social benefits. Despite the expansion of the amounts paid and the efforts to reduce the lines of those who still do not receive, the programs are reaching people who would not be among the most immediate priorities. A sign that could corroborate this hypothesis is the fact that today, in Brazil, 33 million people are hungry, while Auxílio Brasil—the main income transfer program and successor to Bolsa Família—covers 21.1 million of families and 54.8 million people, a record. Another indication is the evolution of per capita income in Brazil. While the richest 10% had an average annual drop of 1.16% between 2014 and 2021, the fall was 7.59% per year among the poorest 10% in the same period. Between 2004 and 2014, GDP also grew, but extreme poverty experienced a decade of successive declines. In this period, the annual growth of per capita income was higher among the most vulnerable (7.74%), while the top of the social pyramid had a more timid advance (3.49%), even below the national average. "We never spent so much on income transfers. We spent R\$ 30 billion a year, with the pandemic we spent ten times that and poverty got worse. We didn't focus, it was a disorderly expense", says Machado. "We organized the queue to receive the vaccine, first the elderly, health professionals, then vaccinating everyone until today we reach the children. It should be the same in the policy against extreme poverty, have an effective order, centered on those who need it most", says. Economist Luiza Nassif, director of Made/USP (Center for Research in Macroeconomics of Inequalities at the University of São Paulo), believes that the recent recovery in Brazilian growth, in addition to being small, is uneven. "When you look at the average income from work, there is no general recovery. It has not returned to the pre-pandemic level, nor in the aggregate, much less for certain groups, such as black women", she says. "Recovery comes faster for those who were already at the top of the pyramid." She highlights that the poorest half of the population accounts for 9.8% of the country's income, while the richest 10% account for a share of 59.8%, according to 2019 data from the World Inequality Database. One way to correct this, according to Nassif, is to tax profits and dividends distributed to individuals. Today, these incomes are exempt from IRPF (Individual Income Tax), benefiting investors and the so-called "pejotization", when workers act as if they were companies, providing services to other companies. Meanwhile, the earnings of those who have a formal contract are taxed at a rate of up to 27.5%. In March, the Sheet showed that the income declared by Brazilians with profits and dividends rose to R\$ 384.3 billion from 2019 to 2020, a rise of 7% in the year in which the emergence of the pandemic destroyed millions of jobs and led companies to cut salaries of workers. In addition, of every BRL 100 declared as profits and dividends, BRL 70 was in the hands of the richest 1% — a select group of 316,348 declarants who had income between BRL 603,100 and BRL 2.6 billion in the year 2020. "Putting the rich on the Income Tax is extremely important", says Nassif. "Reducing inequality in itself generates growth, those at the base of the pyramid consume more. So there are two points, one for social justice and the other for improving the economy", he adds. Vulnerable families live with income roller coaster. In 2020, the Bolsonaro government created emergency aid to help vulnerable families amid the severe economic impacts of Covid-19. The benefit reached 67 million Brazilians in the first rounds. In addition to the cases of improper receipt, the program also suffered a series of interruptions. In January 2021, the families fell into limbo, without government help, and remained in this situation until the renewal of the benefit in April of that year. The values also fluctuated. First, emergency aid was BRL 600 per person, then BRL 300, then BRL 150 to BRL 375. With the transformation of Bolsa Família into Auxílio Brasil, the minimum amount increased to BRL 400 per family. This year, the waiting list for the benefit grew and approached 2 million. Bolsonaro maneuvered and obtained support from the National Congress to approve a PEC (proposed amendment to the Constitution) that authorizes him to boost social spending in an election year. With that, the wait was zeroed, and the program floor reached R\$ 600 again. In the midst of these comings and goings, experts believe that the program's focus was penalized. Low-income Brazilian families also began to experience a "roller coaster of poverty", as researchers Marcelo Neri and Marcos Hecksher classified in a work published by FGV Social. "The problem with these fluctuations is the low capacity of the poorest to deal with them, generating extreme states of unmet needs", say the researchers, who emphasize that more stability is needed for these families, since they have low access to emergency sources. resources, such as credit. The format of Auxílio Brasil is also criticized. By setting a minimum amount per family, the government ignores the fact that households with more members may have broader needs. In the current configuration of the program, a couple with two minor children ends up receiving a lower per capita benefit than a couple without children. In the electoral campaign, both Bolsonaro and former president Luiz Inácio Lula da Silva (PT) promise to maintain the minimum R\$600 per family starting next year, but with changes. The current president promises a 13th for female-headed families starting in 2023. In August, 16.9 million beneficiaries would meet this criterion. The PT campaign promises an additional R\$ 150 per child up to 6 years old. In August, around 8.9 million children between zero and six years old were reached by the cash transfer program. "The vulnerable family needs income stability. Giving a little more at the end of the year does not solve the whole year's problem. It is better to have a stable criterion for that family to make the purchases of the month, not to produce peaks", evaluates Laura Machado. For her, giving an additional value for children is "a little better", but the ideal would be to review the model of the program and resume the value by number of members, as was the case with Bolsa Família. LEAVE A REPLY

