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Marcelo Neri

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NERI, Marcelo C.

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ABSTRACT

Brazilian inequality has been stable with a Gini of per capita income around 0.6 between 1970 and 2000. In the recent 2001-2006 period, however, inequality has been in decline. The fall of inequality observed in this five-year period is comparable to the famous rise observed in the 1960s (roughly 70% of the change in the Gini). As a result Brazil presents falling poverty rates despite meager growth until 2004. Brazil already reached the first Millennium Development Goal of reducing extreme poverty to half of its initial value in approximately half of the time required. According to household survey-based estimates, since 2005 average growth has been higher: 8% per year on per capita incomes. Brazil average performance became comparable to the others BRICs but just in this recent period, replicating the growth rates observed during its economic miracle. Although, the poor have been experiencing Chinese growth rates since 2001.

This paper analyses the role played by income policies on income distribution in Brazil, discussing some of its political economy determinants, its short-run impacts and its potential long-run effects through the distribution of opportunities. This paper summarizes my previous work on the determinants of the recent trends and cycles of income based on Brazilian social indicators. It shows the existence of electoral cycles behind the expansion of official monetary transfers. The paper also evaluates the targeting efficiency of the main income policies through the fiscal costs to short-run social welfare benefits ratio.

The paper maps the impact of income policies on a series of state variables that allows envisaging how permanent could be the effects of compensatory policies in Brazil. It evaluates the impacts of these income policies using a difference-in-difference approach between income strata. We take advantage of the recent expansion of these benefits between 2004 and 2006 and the special supplement on social programs of the Brazilian National Survey (PNAD) that were collected in these two years. We use this as an experiment to test how this expansion affected the distribution of opportunity-related social indicators such as work decisions, fertility, child mortality, education, migration, physical assets accumulation, and access to credit. In the light of this evidence we discuss desirable upgrades of Brazilian income policies such as changes in targeting strategies, new conditionalities, possible links with the supply of financial instruments and the use of social targets to isolate policies adopted from the electoral cycle.

¹ Neri, Marcelo, "Income Policies, Income Distribution, and the Distribution of Opportunities in Brazil", in Lael Brainard and Leonardo Martinez-Diaz (eds.)

1. INTRODUCTION

During the last 30 years, changes in Brazilian social indicators based on per capita income such as inequality, poverty and social welfare have reflected the marked volatility of the macroeconomic environment: until 1994 the source of instability was the rise and failure of successive stabilization attempts, while after this period the main source of instability was the arrival (and the departure) of external crisis. This paper argues that to understand the mechanics of these sharp macroeconomic fluctuations, as well as their consequences on income based social indicators is key to understand the role played by various state sponsored income policies. During the inflationary instability period until 1995, income policies were behind both the core of chronic inflation and stabilization attempts. That is to say they were part of the problem and of the solutions offered. Anti-inflation plans, such as Cruzado, Collor and Real Plan just to mention the main examples, tried to interfere directly with the process of price formation - and income determination - through various ingredients such as price freezes, exchange rate policies, wage de-indexation rules and currency change. Only the *Real* Plan was successful in bringing down and controlling inflation. Similarly, besides price stabilization, state sponsored regressive income policies are also key to understand the causes behind high inequality and attempts to fight it in Brazil. In the more recent anti-inequality policies, other types of income policies are used where the state acts transferring incomes directly from the public budget. At this point there is considerable evidence of the short-run income inequality changing role played by the specific income policies. We show here that this role offers a diversity of results depending on which specific policies we are talking about – for example, CCTs or social security benefits linked to the minimum wage (or the traditional role played by the minimum wage itself on the labor market). These impacts may also change over time given the changes observed in the coverage and values of the policies parameters and the economic circumstances.

Brazil is an interesting case study. During the 1992-2006 period, there was a fall in poverty levels despite the meager growth observed. Brazil reached the first millennium development goal in this period, the share of the population with incomes below U\$S 1 a day PPP fell 58%. The poorest income segments have been experiencing Chinese growth rates since the beginning of the present decade. The cumulative variation of per capita income of the 10% poorest was 57% in the 2001-06

period, falling monotonically as we reach the top of the income ladder 6,7% for the top 10%. This redistributive movement is noteworthy since Brazil has been notoriously known as one of the countries with the highest income inequality in the world (DFID 2003, Li et al 1998, Psacharopoulos 1991). After its steep rise in the 1960s, Brazilian income inequality has been high and stable with a Gini of per capita income around 0.6 between 1970 and 2000 (Hoffman 1989, Bonelli et al. 1989, Barros et al. 1992, Ramos 1993, Barros et al. 2000). In the period 2001-2006, however, inequality has been in decline. The fall of inequality observed in this five year period is comparable (roughly around 71%) to the rise observed in the 1960s (Langoni 1973, Fishlow 1972, Bacha and Taylor 1978). This change reflects the combination of improvements in the labor market performance of the low-skilled workers, increase in their respective education attainment and the adoption of increasingly targeted official income policies.

The fact is that Brazilian inflation is at its lowest levels in decades and inequality of per capita incomes is at the lowest level since 1976 when PNAD are available. In both cases, stability of prices and equity of results, the so-called income policies have played an instrumental role. The same name, income policies, is shared by redistributive programs and anti-inflation plans. They attempt to target the problem, be it of price stability, be it of income equality. The common aspect is the speed that they impose to the process of seeking the objectives. Maybe a function of the capacity of rapidly affect their targets both types of income policies were used in fine tuning with the electoral cycle as the evidence here indicates.

The role of stabilization plan is played now by redistributive income policies. Obviously, stabilization and redistribution are both sides of the same coin, since there is no way to obtain a permanent reduction in inequality with high inflation - although we are talking about necessary conditions, not sufficient ones. President Cardoso stabilized the currency; President Lula continued this process and redistributed this stable currency through a social programs structure initiated under its predecessor. In the same way that the Brazilian society has taken a long time to learn about the importance of the macroeconomic fundamentals in the achievement of lasting stability, the achievement of the sustained decrease in inequality depends on other fundamentals, the equality of opportunities, represented by the access to stocks of

productive assets such as health, education physical assets and their impact work decisions and outcomes. The main challenge facing the new generation of income policies is to track changes induced in income flows with the high stocks of future productive wealth by the poor – the best representative of this movement is Bolsa-Família, its predecessors (Bolsa-Escola, Bolsa-Alimentação, Peti etc) and its Latin American counterparts (Oportunidades and Progreso in México, Praaf in Honduras). The structural side of income policies is yet to be shown and consolidated in the social policy in Brazil: to reinforce the structural side of compensatory policies with individual incentives turned to the accumulation of productive capital.

We map here the impact of income policies on a series of state variables that allows envisaging how permanent could be the effects of compensatory policies in Brazil. We take advantage of the recent expansion of these benefits between 2004 and 2006 and the special supplement of the Brazilian National Survey (PNAD) on social programs that went to the field only on these two years. We use this experiment to test how this expansion affected the distribution of opportunity-related social indicators between income strata and also between low-income individuals that benefit versus those low-income individual that did not benefit from these new income transfers. We evaluate the impacts of income policies using a difference-in-difference approach to test the impacts on elements such as work decisions, fertility, child mortality, education, migration, physical assets accumulation, and access to credit.

PLAN OF THE PAPER

This paper summarizes my previous work on the role played by redistributive income policies in Brazil, discussing some of its political economy determinants, its short effects on income distribution and its potential long-run effects that operates through the distribution of opportunities. We also discuss desired upgrades for the next generation of income policies in the country exploring changes in targeting strategies, the need for imposing new conditionalities and possible links with the supply of financial instruments to be explored. The paper is organized as follows: section two discusses the main features of the changes observed in Brazilian public policy and income distribution during the last years. Section three discusses the role played by electoral cycles in the adoption of different income policies for different income

sources and age groups. Sections four and five describe the main Brazilian income policies and assess how targeted were they through the ratio between their fiscal costs versus its short-run social welfare benefits. We devote special attention to Conditional Cash Transfers (CCTs), non contributory social security benefits and the minimum wages studying the close relationship between them. At the end of this section we discuss how income policies affected the distribution of income by age groups across the years in Brazil. Section six goes beyond the short run impacts of income policies on income distribution and discusses its long-run impacts gauging its effects on a series of state variables such as health, education, access to credit, physical assets accumulation and on work decisions taking advantage of recently released data. In the light of this evidence we discuss the desirable upgrades of official income policies in the last section.

2. SUBJECTIVE WELL-BEING, POVERTY, AND INCOME DISTRIBUTION TRENDS

a. General Background

The Brazilian experience has been quite peculiar in the sense that structural reforms, and in particular trade liberalization, started comparatively late only a few years ago. Whereas other countries in Latin America started opening their economies in the early or mid-1980s, the same process started in Brazil only in the early 1990s. The same happened with inflation control: while Mexico started its stabilization process in the mid-80s and Argentina in the early 1990s, Brazil achieved successful price stabilization only after 1994.

Brazil presented the world's highest inflation rates in the period 1960-1995. From at least the beginning of the 1980s, curbing inflation became the focus of public policy in Brazil. Successive macroeconomic packages and three major stabilization efforts have been attempted since then: the *Cruzado* Plan in 1986, the *Collor* Plan in 1990 and the *Real* Plan in 1994. The *Real* plan belongs to the 'exchange-rate based stabilization' type of plans that led to consumption booms instead of recessions but the need to support an overvalued exchange rate for stabilization purposes increased

the fragility of the Brazilian economy to the waves of external shocks that hit it such as the Mexican (1995), Asian (1997) and Russian (1998) crises.

The 1999 Brazilian devaluation crisis triggered important changes in macroeconomic policy that can be still observed today, such as: i) the adoption of floating exchange rates; ii) the adoption of inflation targets; iii) the implementation of the Fiscal Responsibility Law binding all government levels and state enterprises alike² but with an increase in the size of the tax burden of about 10 percentage points of GDP from 1995 onwards, reaching around 37 percent in the end of 2008. One also has to bear in mind that there was very high real interest rates and an expansion of public expenditure that contributed to the rise in the Brazilian public debt that reached more than 50 percent of GDP and to the slow growth trend assumed. During 2002 elections, Brazil faced another crisis that was controlled by the new Government in the following year. This was done by means of a so-called confidence shock that meant keeping the previous directions of macroeconomic policy in the country. There was a recession in 2003. From 2003 onwards the boom in the world economy and the improved internal fundamentals isolated the Brazilian economy from adverse external shocks. Since 2005 average growth has been higher in Brazil: 8% per year on per capita incomes based on the national household survey (PNAD) which reedited the per capita GDP growth rates observed during the economic miracle of the 1968-73 period. According to the new estimates published first hand here, Brazil became a BRIC but just in this recent period. Taking into account the 2004 to 2007 period, Brazil generated around 10 million new jobs in these last 4 years, in particular around 6 million formal jobs with no recent labor reforms attached to it.

b. Life Satisfaction

I remember when years ago, I wore a pair of glasses for myopia correction for the first time. Beginning to notice the depth and clarity of things around me gave me an indescribable feeling. I marveled at the shape of the world around me, much more subtle and interesting that I had seen that far! Similarly, the possibilities of seeing the details in Brazilian society have evolved through the years. An important landmark in

² The Lei de Responsabilidade Fiscal represents a milestone in the new public finance regime at the different levels of the state. It constitutes a key element in accomplishing enduring fiscal adjustment by restricting public expenditure to the budget approved for the year in question.

this process was the decision made by the IBGE in 1995 to release its household surveys micro-data concomitantly to the release of the Institute's tabulations and reports. This small great leap forward gave individuals the freedom to look at the Brazilian social data from their own perspective, as opposed to a pre-established one. Nowadays, at the release of each PNAD, Caged and others among this amazing bundle of acronyms and numbers, Brazilian society debates its own achievements and drawbacks with increasing interest and knowledge. The more democratic environment in the political arena and in the access to information (enabled by the so-called information and communication era) has both contributed to the transparency and integrity of the public debate. I remember reading in the New York Times in 1994, more or less at the same time when I began wearing those glasses, some news on social issues such as the determinants of women's unemployment or the weight of children, and I would think how distant we were from all of this in Brazil. At that time, we would think first and foremost in inflation rates that distorted senses and concerns of Brazilians on a daily basis.

There is a new breed of international survey of which Gallup's World Pool is maybe the best example. It brings two important innovations. Firstly, they apply one single questionnaire to representative samples in more than 130 countries, allowing a global comparison allied to the flexibility that is enabled by the processing of individual answers (microdata). The second novelty refers to the type of question that is asked, side by side with traditional survey questions. The respondent is asked directly about individual and collective subjective matters, be they local, national or global. This feature allows the researcher to dive into the way that people form their aspirations, attitudes and expectations, as the questionnaire starts by enquiring about the interviewee's perceived life satisfaction, moving on to assessments about the national educational system and about his city's local economy.

The Centre for Social Policies has been selected along other Latin American institutions by the Inter-American Development Bank to help digest Gallup's global data. This ambitious project will mark IADB's 50th anniversary by bringing quality of life, as perceived by the respondents themselves, into the debate's center stage. How is the Brazilian's perceived level of satisfaction with life (in 2006) vis-à-vis the remaining inhabitants in this global community? In a subjective scale from 0 to 10

points, Brazilians rate 6.61 compared to 5.25 from the rest of the world and 5.64 from Latin America's countries. Comparatively, the USA have rated 7.09, whilst Belgium and India – both that have recurrently been references in the Brazilian social debate - have rated 7.15 and 5.27 respectively. Denmark holds the world record for happiness with 7.98, while Chad ranks last with 3.36.

How has happiness evolved in the last five years in the world? It has gone up from 4.84 in 2001 to 5.26 in 2006. That is, the first five years in the new millennium showed a considerable and consistent advance as a result of the expansion in world economy. The same question for the year 2011 points to a rate of 6.0 to the world. In other words, we expect a 25% growth in the world level of perceived happiness when comparing how we used to see ourselves five years ago and how we see ourselves five years ahead – 2/3 of this advance is expected to happen in the second half of the decade. This positive scenario is at risk today given the recent turmoil in markets. With regard to the expected level of happiness 5 years from now, Brazil beats all the other 130 countries in the sample by reaching a rate of 8.24. Consequently, in the opinion of the Brazilian themselves, we will be happier in 2011 than the Danish – which would rank second with its current 7.86. The least optimistic country about its own future happiness is Paraguay with 4.08. Obviously, Brazil's result could be only an imaginary representation of our innate optimism. In order to control for cultural aspects, we have compared our expected happiness leap for the next five years with the current levels. According to the survey, Brazilians expect to gain 2.56 in the next five years, exceeded only by 10 countries in the sample, of which the Chinese impresses with its 3.04.

On average, our economic growth is not Chinese-like. What would be the determinants of the Brazilian optimism? The reduction in inequality since 2001? Gains from the 2006 elections? See next sections.

c. Income Changes in 2005 and 2006

In last section, I presented some evidence of the positive expectations of Brazilians towards their lives in the future. In a sample of 132 countries in 2006, Brazil is where citizens are most optimistic about their happiness in 5 years time. The world's greatest prospective happiness! Now, why expect so much if our economic scenario does not

rival other emerging countries'? At the pace of the national accounts statistics, and GDP in particular, we would not be real BRICs (Brasil, Russia, India and China) or building bricks of future global wealth. Intrinsic optimism helps to explain why the Brazilian expectation and reality are out of beat with each other. Inebriated by this optimism, Brazilian's glass is always half full. Nonetheless, even by calculating the difference between future expectations and the current reality and by cleansing the psychological biases off subjective questions, Brazil's ranking is still remarkable because it has nearly equaled the Chinese increased rates of expected happiness. If we are not growing as much as the Chinese, however, why do we experience such a similar feeling of prosperity about our future?

What I'll try to assert here about this Brazilian future happiness paradox is not that our growth seems Chinese-like, but that it is Chinese-like in fact. Making a long story, short: national accounts in 2005 and 2006 show an accumulated per capita GDP growth of 3,84%. In its turn, PNAD per capita household income growth, excluding the population growth rate, was 16,4% for the same period or 4,3 times larger than per capita GDP, even after the adjustments made to the national accounts. In any case, either Brazil is growing more than suggested by its GDP, or poverty is not falling as much as the PNAD celebrated figures (23,9% in the 2005-06 period).

In order to reconcile this statistical problem, we could look into the growth of GDP elements that are not captured by the PNAD – i.e. consumption movements unrelated to income. The issue here thus concerns the order of magnitude of the observed discrepancy. Another issue is that these explanations increase the paradox, instead of reducing it. In particular, consumer credit boom points to an increase in consumption expenses that are larger than increases in income. In addition, the Bovespa index increase of 60% in 2005 and 2006 suggests that the Brazilian economy has not undergone a strong reduction of income gains that could explain part of this discrepancy in growth rates.

PNAD income is the result of nine direct questions about how much people received from different income sources. PNAD, however, with its well-balanced sample including more than 400,000 individual answers, has not undergone a single methodological change, nor has the INPC (inflation index) used in its adjustment. The Chinese looks of the PNAD statistics are reflected in other indicators for 2005-2006,

such as: retail sales (11,8%) and 4,6 million jobs created, amongst which 2,5 million refer to new formal job positions.

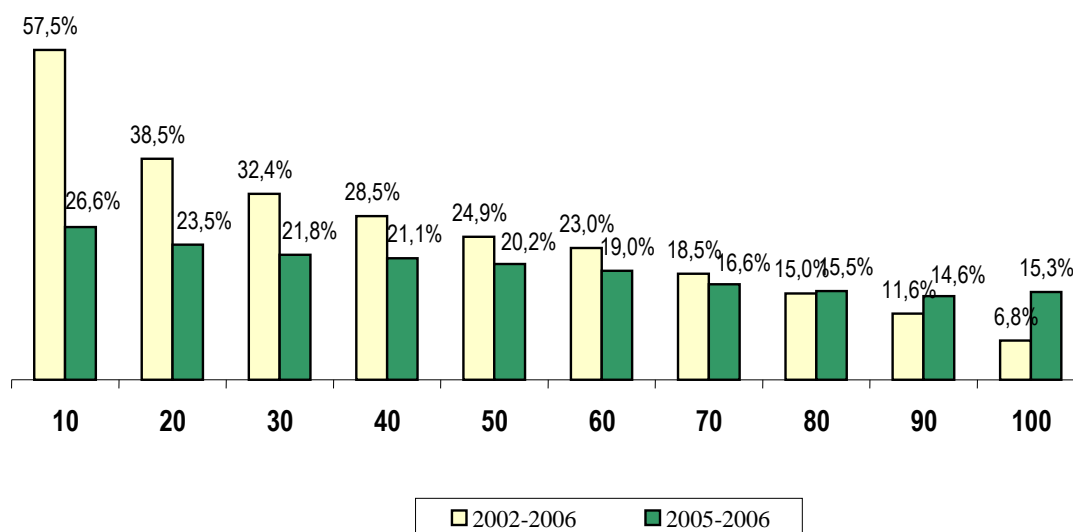
As we are going to see in the next subsection, Brazil's poorest (and only them) experienced a Chinese-like growth at the beginning of the present decade, but in the past few years, all social groups have had this kind of growth (please see, <http://www3.fgv.br/ibrecps/RET3/engl/index.htm>).

The recent Brazilian boom is even of a better quality than the Chinese's because it is combined with greater equity, while China has an increasing inequality – similar to Brazil's rates during the economic miracle in the 1960s. Another parallel with Brazil in the second half of the 1960s is the lack of political freedom in China – while Brazil currently lives in a democracy. Growing in a strict political regime is easier in the short-term, but not in the long-term. In environmental terms as well China has been noticed as the pollution “black sheep”, whereas in Brazil a conservative management by the Ministry for the Environment hampers growth while also making it more sustainable. To sum it up, Brazilian Chinese-like growth of the last couple of years is better than theirs.

d. Income Distribution Changes 2001 - 2006

We move now to the analysis of recent income distribution changes. The graph shows that Brazil's poorest (and only them) experienced a Chinese-like growth at the beginning of the present decade, but in the past few years, all income strata have had this kind of growth.

Accumulated Variation in Income by Per Capita Income Decile - Brazil



Source: CPS/IBRE/FGV processing microdata from PNAD/IBGE

Isolating individual years, the Brazilians' average income increased, according to Pnad, 9,16% in 2006 against 2,3% of per capita GDP growth in the same year, even after the methodological revision of national accounts. The first figure suggests a Chinese-like growth, while the second figure points to a Haitian-like stagnation. In 2006, the average income of the 50% poorest increased 11,99% against 7,85% of the 10% richest, or 9,66% of the 40% intermediate group. Summing up: all have won larger increases than in all years of the decade, that is, the 2006 improvement is greater than previous years', including 2004.

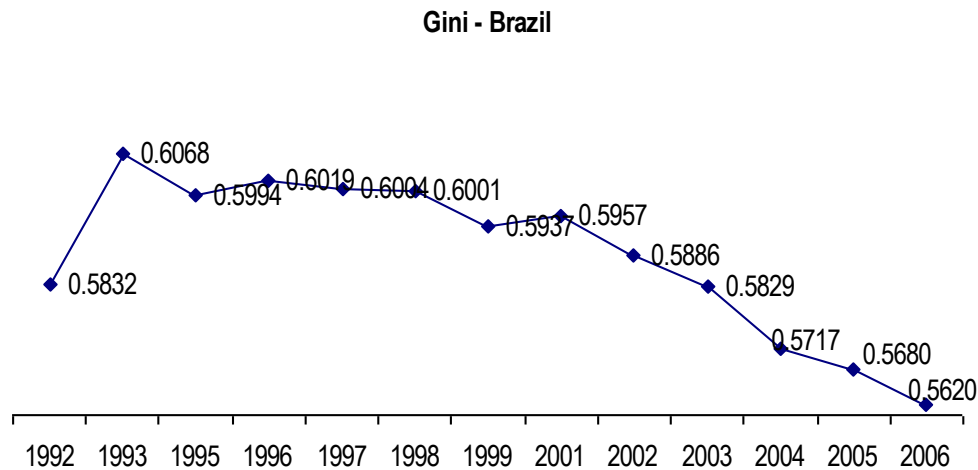
Variation in the per capita income of Brazilians per year %

	Total	50% poorest	40% intermediate	10% richest
2006	9,16	11,99	9,66	7,85
2005	6,63	8,56	5,74	6,89
2004	3,14	8,34	4,13	0,68
2003	-5,81	-4,15	-4,67	-7,32
2002	0,30	3,65	0,34	-0,68

Source: CPS/FGV from PNAD/IBGE microdata

Conversely, the inequality measured by the Gini index decreases at an intermediate value of -1,06%, much lower than values from three previous years: -1,2% in 2002, 1% in 2003, -1,9% in 2004 and -0,6% in 2005. The well known Brazilian income

inequality has been high and stable between 1970 and 2000. The fall of inequality observed in the 2001-2006 period is comparable to the rise observed in the 1960s (roughly around 71% of the change in the Gini – measured by individual incomes while below we use per capita incomes).

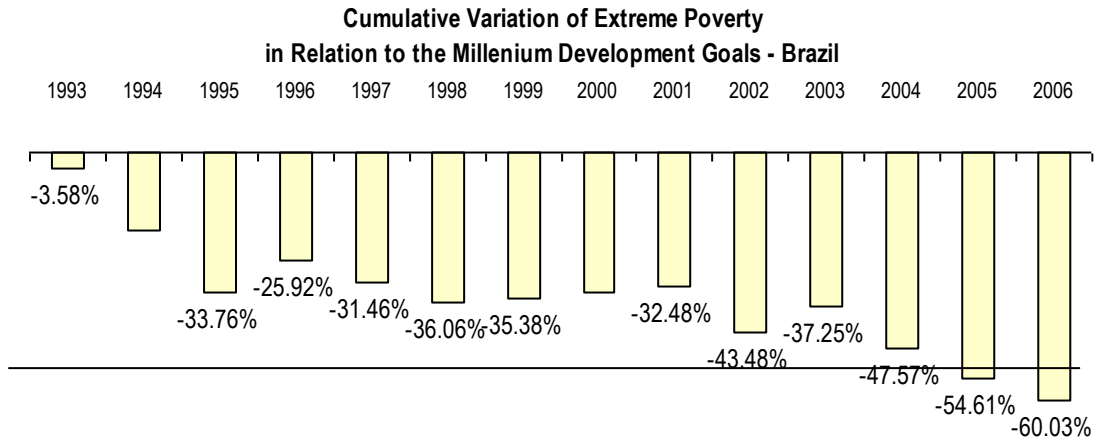


Source: CPS/FGV processing PNAD/IBGE microdata

Given this decrease in inequality has occurred since 2001, so much so that we may call it the decade of reduction in inequality, in the same manner as the previous decade could be coined the stabilization decade or the 1980s may be called the re-democratization decade – all of which are part of the same process.

e. Poverty Trends

We describe long-run poverty movements by monitoring the achievement of the first goal of the Millennium Development Goal (MDG) of reducing poverty as insufficiency of income. Brazil had already accomplished the first – and maybe the most famous - goal of the MDGs referring to the reduction of extreme poverty by 50% in 25 years: the accumulated reduction reaches 58,54%, as the graph below illustrates.



In 1994 and 2000, PNAD data was not collected so these are average values

Source: CPS/FGV processing PNAD/IBGE microdata

The proportion of poor is calculated using extreme poverty lines of 1U\$/day line, calculated according to the MDGs falls from 11.8% in 1992 to 4.69% in 2006.



In 1994 and 2000, PNAD data was not collected so these are average values

Source: CPS/FGV processing PNAD/IBGE microdata

The graph above points the dates of presidential elections where there seems to point reductions that are clear to the naked eye. In the same way that we used the MDGs to consider the long term trends in poverty, we use in the next section the electoral cycles to understand some of the per capita income oscillations across different income sources.

3. INCOME POLICIES AND ELECTORAL CYCLES

a. Description

The literature on electoral cycles studies the behavior of politicians who try to entice the electorate by signaling improvements in the election years as a way to influence the result of the elections. According to the political economy literature the median voter is the one who decides the election - hence, the option for the median income, which is dated close to the first round of the elections, at the beginning of October, when the PNAD is usually launched. As PNAD did not collect data in 1994 and 2007, it is not possible to capture the full effects of cycles associated to the two episodes. As the table below demonstrates:

Variation in Median Income and Electoral Cycles*					
1982	3%	1989	6%	1998	2%
1983	-23%	1990	-2%	1999	-4%
1984	-1%	1992	-3%	2001	2%
1985	20%	1993	-2%	2002	1%
1986	53%	1995	25%	2003	-4%
1987	-27%	1996	0%	2004	6%
1988	-11%	1997	3%	2005	9%
				2006	10%

**In 1991, 1994 and 2000, PNAD data was not collected so these are average values
Source: CPS/FGV processing PNAD/IBGE microdata.*

The data in the table demonstrate that the median per capita household income has increased in all years that preceded a national election for both legislature or the presidency since 1980(that is: **1982, 1986, 1989, 1998, 2002 e 2006**) and that this income has fallen in all post-election years (*1983, 1987, 1990, 1999 e 2003*). The average variation rate in the median income in pre-election years was 12,52% against -11,87% in post-election years, when the adjustment account is made. In the most recent elections, the political cycles were less exacerbated, but still existed: 4,38% of election years against -3,68% post-election years. In the table below, we present a summary of the fluctuations in poverty rates in pre- and post- election years.

Variation in Poverty Rate and Electoral Cycles*					
1982	0%	<i>1990</i>	<i>1%</i>	1998	-5%
<i>1983</i>	<i>19%</i>	1991	0%	<i>1999</i>	<i>4%</i>
1984	-1%	1992	0%	2000	-1%
1985	-13%	1993	0%	2001	-1%
1986	-37%	1994	-10%	2002	-3%
<i>1987</i>	<i>47%</i>	1995	-10%	<i>2003</i>	<i>5%</i>
1988	13%	1996	1%	2004	-10%
1989	-5%	1997	-2%	2005	-10%
				2006	-15%

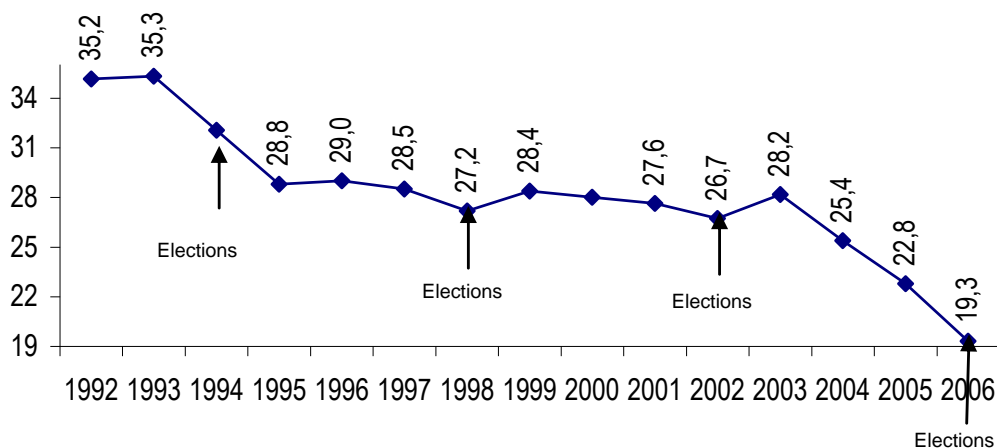
**In 1991, 1994 and 2000, PNAD data was not collected so these are average values*

Source: CPS/FGV processing PNAD/IBGE microdata

Similarly, when analyzing the poverty trends present in the following table, we observe a fall in almost all the seven legislative/presidential elections since 1980 (1982 is the exception), an increase in all post-electoral years and a fall in the electoral year. The average rate of variation in poverty in pre-electoral years was -7,69%, against 14,05% in post-electoral years.

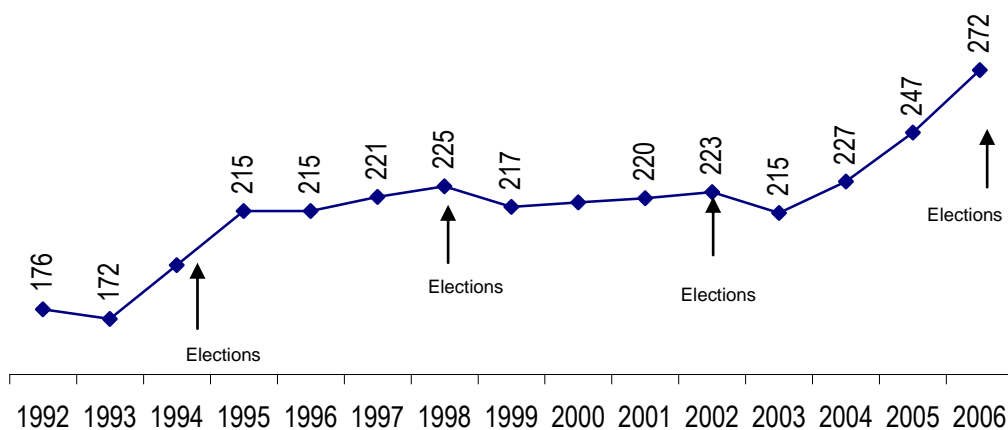
The graph shows the income poverty based on the Brazilian National Survey (PNAD) data (Ferreira, Neri and Lanjouw (2003) and Neri (2006)) of the 1992 to 2006 period, whose questionnaires and income concepts are more comparable. The evidence shows that during this period elections are periods of marked poverty reductions. The 1994 election may not have been captured in details since that year, PNAD didn't occur. Nonetheless, the reduction of poverty between 1993 and 1995 is visible, as a result of the Real Plan in July 1994. The 1998 and 2002 elections display temporary reductions of poverty, that is, poverty reduction beyond the previous trend. Finally, 2006 is the last electoral year available.

Elections and Poverty % - Brazil



Source: PNAD/IBGE microdata

Median Per Capita Income - Brazil



Source: PNAD/IBGE microdata.

In sum, election is the time of good illusionary, “inebriating” news, while in the following period comes the bill and the “hangover”. Political cycles have become less pronounced as the new Brazilian democracy of 1985 matures. We will inspect further the mechanism that connects elections and income-based social indicators in the Brazilian context.

b. Mincerian Equations and Electoral Cycles

In order to study the diversity of short-run impacts of elections between voters and non voters, we need data from electoral and non-electoral years for both of them. Our

sample is thus divided in 4 groups. The interactive effect between the voting age dummy (dV) and the electoral year dummy (dY), which as we will see gives us the difference-in-difference estimator. We applied this using a standard mincerian type regression applied to each of the main income sources and to total sum of sources for the new PNAD questionnaire period 1992 to 2006 using the INPC (Consumer Price Index) as the deflator. Mathematically, we can represent this difference-in-difference estimator (D-D) used from the following mincerian-type per capita income equations:

$$\ln Y = g_0 + g_1*dV + g_2*dY + (D-D)*dV*dY + \text{other controls}$$

We detail the income channels of public action that have recently affected mean income in electoral episodes and that has been captured by the new PNAD, that is, 1998, 2002 and 2006. The table below synthesizes the main findings:

Equation of the Per capita Household Income –various sources

	All sources	Main work	Social security	Social Programs
1) Votes	0,4192 **	0,3125 **	0,5129 **	0,2857 **
2) electoral	0,0611 **	0,0316 **	0,1051 **	0,2257 **
3) Votes * electoral	0,0136 **	0,0127 **	0,0274 **	0,0343 **

** Significant at 95%

Source: CPS/FGV from PNAD/IBGE microdata

Obs: controlled by sex, ethnicity, head of the household, educational level, size of the city, migration and State

Data clearly shows for all income sources (ie. Income from main work, income from the social security, income from social programs) that: 1) per capita income is lower for people aged above the minimum voting age ³ (16 years of age and above) in Brazil, which is not new in Brazil or elsewhere. The greatest differential in income is found in social security: 51,29% higher for voters and the smallest differential is in social programs, where income is 28,57%; 2) income increased more in election years, characterizing the electoral cycle. In this case, income from social programs increases more in election times 22,57%, followed by social security, 10,51%, and work 3,16% - already in another level indicating the use of income transfer programs according to the election cycle. 3) Finally, and more importantly, the more specific test is if – despite considering the per capita household income that smoothes the effects tested here –

³ Income from social programs include Bolsa-Família, unemployment benefit, among other public programs, but also the financial income whose main source is also the state. The income from all sources also include the income from other employments, rents, private transfers between households (maintenance payment, donations, etc).

the income of people in voting age increases more in an election year than the income of children and teenagers who do not participate directly in this market. This difference-in-difference is captured by the interaction of the two variables mentioned above. In this case, the main relative gain refers to social programs related income with 3,43% more in favor of voters in election years in relation to others, that is, children and teenagers below the voting age. Social security follows with 2,74%, followed by the indirect effect of income from main work with 1,27%⁴. Note that in this empirical test carried out last year the hypothesis #3 above presented the expected signal, but it was not meaningful for main work and social security income – which illustrates the potential magnitude of the impact of the last presidential elections for income data. The qualitative soothing factor that must be applied to the 2006 and 1994 elections, whose data were not collected (1994) or which are not yet available (2007, the 2006 post election), is that the effects seem to last longer than all the remaining election episodes that took place in the Brazilian democratic system. In other words, we are talking about expansions of a sustained character to people's lives, hence the expression “real” goes beyond the monetary denomination, and applies to these two episodes. In the final annex we detail the regressions summarized here.

4. INCOME POLICIES TRENDS

What is the role played by state-sponsored income transfer policies, as the expansion of the Bolsa Família and the minimum wage adjustments play in the changes observed? What are the specific channels of these policies operations? These are some of the questions which we would like to answer, so that the causes and consequences of the recent reduction in inequality could be assessed. We offer a mix of each of these elements by summarizing past research and updating with new data. We believe that this type of analysis helps to understand the social changes observed in the last years, as much as its challenges, limitations and opportunities.

⁴ We checked the importance of political cycles directly for the work income through raises in the wages of public servants in the three government levels, particularly the municipal level at the time of voting. In the case of hiring public servants, the effect is negative maybe given the electoral year's restriction in job openings.

It is true that other important achievements occurred, such as the universal provision of the primary school education in the second half of the 1990s, or the job market turning point in the last years also associated with the greater equity in income - but this last one is undoubtedly the most marked in a country with the greatest inequality in the most unequal continent in the world. To reinforce the structural side of compensatory policies with incentive to demand the accumulation of human capital, that has to be combined with an improvement in the quality in the structural policies where health and education are important. The Education Development Plan (PDE) and the new agenda for health involve sector specific actions to make supply of social services in pace with induced demand increase.

In what concerns the short-term aspect of fighting inequality, there is in Brazil a new generation of policies better focused and capable of redistributing income, than the policies implemented in the remote past but still applicable. The problem in Brazil is that it does not opt for new generation policies to the detriment of other less effective ones when attacking inequality and the improvement in the welfare (including the effects of the cake growth). Hybrid and less focused policy will have a lesser impact than if the resources were allocated today or in the future in the more focused policy. Brazil has opted for expanding both, new and old policies, focalized and non-focalized. In the words of Ricardo Paes de Barros from IPEA, Brazil keeps throwing money out of a helicopter, the difference being that now the doors have opened also over poor corners and slums, hitherto not targeted by previous policies.

A useful measure in the design of public policies is the income gap (P1). It allow us to calculate, how much income is still needed on average for the extremely poor to be able to meet their basic needs. Using FGV extreme poverty line as the basis of R\$ 125 at Sao Paulo prices, the average deficit in monetary terms of each extremely poor Brazilian would be R\$ 48,52. As just part of the Brazilian population is below the line, data shows that it would be necessary R\$ 9,37 on average to alleviate poverty in Brazil, at a total cost of monthly R\$ 1.717.955.185 or yearly R\$ 20.615.462.223 around 4% of Brazilian total income according to PNAD. This information reveals the minimum amount of transfers to lift each extremely poor person up to the basic need level.

This exercise should not be seen as in defense of certain specific policies, but as a reference to the social opportunity cost of adopting non-targeted policies. For example, if instead, a universal income maintenance was provided to all Brazilians to eradicate extreme poverty it would cost 5,6 times more than the minimum cost pointed above. If we were to use the lower millennium developing goals line the cost would be 11.1 times higher than the minimum cost.

Just to reinforce the point on the instrumental role played by inequality reduction in poverty reduction in the Brazilian case using a Ravallion-Datt (1994) methodology. The proportion of extremely poor people in Brazil (individuals living with less than R\$ 125 a month at São Paulo prices in October 2006) will fall from 19,3% in 2006 to 18,55% in 2007, a 3,95% drop, if per capita income grows 3% in the year. The reduction will be even greater if this growth comes hand in hand with some reduction in inequality. If the 3% expansion was combined with a slight decrease in the Gini index (move from Brazil to Rio de Janeiro's Lorenz curve which corresponds moving the per capita household income Gini from 0,562 to 0,5605) the Brazilian poverty would fall almost twice -6,55% which is 2,4 times faster than the 1st MDG of halving poverty in 25 years. The proportion of extremely poor people would be 16,50%.

a. Non-Contributory Pensions

During the so-called new Brazilian democracy period that started in 1985 the elderly group were able to achieve substantial gains in the income transfer by the state. Apart from the 1988 Federal Constitution that stabilized established the use of the minimum wage as the floor to social security benefits (either contributory or non-contributory benefits), other more recent social policies have caused changes in the lives of elderly Brazilian citizens. Among these policies, we highlight (i) the reduction of the minimum age for entitlement in 1998 to the, from 70 to 67 years of age and, more recently, to 65, (ii) the Elderly Statute in 2003, which establishes social rights and promotes equity between the elderly and the remaining members of the population in different fields increasing their self-esteem and their sense of citizenship.

In what concerns income transfers, according to Camarano & Pasinato 2004, following the reduction in the minimum age for the BPC (Continued Contribution

Benefits (Benefício de Prestação Continuada (BPC) - Lei Orgânica de Assistência Social (LOAS))⁵ eligibility in 1998, the number of beneficiaries increased 253% between 1997 and 1999 and 648% between 1997 and 2003. If we consider the BPC and the elderly monthly income for life, we observe that the number of payments benefits rises 72.9% between 1997 and 2003. Apart from an increase in the number of assistance benefits, there has been a real increase in the minimum wage deflated by the INPC, an inflation index that informs the calculation of social security benefits, of 22,3% between 1997 and 2003. According to the evolution of the real value of all benefits together, there was a 44.4% increase in the same period. As the adjustment policies of the social security benefits since 1998 have differentiated benefits payments that are equal to the minimum floor allowed by the Brazilian 1988 Constitution, the effect of the increase of the number of beneficiaries observed rose cumulatively. Besides, in 1998 an income policy was adopted to give higher real adjustments to the floor of social security payments (one minimum wage) that coincides with BPC and non contributory rural social security benefits.

Today, Brazil is the country in the Latin American region that transfers more income to the elderly relative to its GDP (OCDE 2005, Camarano and Pasinato 2007, Neri et al.1999). Note that this happens before the country has completed its demographic transition. The expansion during the last 15 years of non-contributory programs to the low-income elderly population explains a substantial part of this movement. Our calculations based on Brazilian national household surveys between 1992 and 2006 show that the elderly (60 and above) population's share in income increased from 7,9% to 9,96%. This same age group share of the individual income mass rose from 13.34% to 17,64% while their share of the per capita income mass rose from 10,8% to 14,51%. In per capita terms the elderly was able to get an additional income of 172 reais from the state in this period while children got direct transfers of 17 reais. Even after Bolsa Família was established in 2003 the elderly were able to get higher absolute income gains and relative poverty reductions. Some authors have argued that the elderly redistribute their incomes within households. Even under this assumption

⁵ BRASIL, LOAS - Lei Orgânica da Assistência Social, nº 8742 of 12/1993, DOU of 12/93, Brazil, Senado Federal.

the poverty levels in 2006 is more than 500% higher for children in comparison with the elderly.

Furthermore, Neri (2008) shows an improvement of health perceptions much smaller for the indirect beneficiaries of transfers than those observed for direct beneficiaries living in the same households. The fact that the elderly live with smaller families than others would also diminish the impact of this breadwinner effect (“efeito arrimo de família”). For instance, there were 3.23 HH members in families with people over 60 years of age against 4.98 in the total sample of families in 2003. This maybe relevant for policy purposes since people expected that the increasing transfer to the elderly poor in Brazil will generate a sizeable externality to other household members individual welfare level.

b. Bolsa Família

Bolsa-Família created in October 2003 is a direct descendent of Bolsa-Escola, Bolsa Alimentação, Vale Gás among other social programs that started to be designed in the aftermath of the 1999 Brazilian macroeconomic crisis and were gradually implemented during the last years of Cardoso administration. Lula integrated these different programs under the name of Bolsa Família and gave scale to it. Between the end of 2004 and 2006 there was a sharp expansion of Bolsa Família moving from 6.5 to 11 million families, nearly 25% of the Brazilian population.

The common feature of this new generation of income policies is to try to combine speed, targeting, and conditionalities. Families with a per capita income below 50 reais a month were entitled to an unconditional monetary transfer of 50 reais plus a transfer of 15 reais for children between 0 and 15 reais, up to a maximum of three children subject to specific conditions depending on the children’s age. Children between 0 and 6 years of age had to undergo vaccination while children and young teenagers between 7 and 15 years of age had to be enrol in school and to present a maximum of 15% of absenteeism. Families with incomes between 50 and 100 reais were entitled only to the conditional part of the monetary transfers. Another important feature of Bolsa Família was to elect the mother as the main beneficiary of the transfer betting on the high degree of altruism.

c. Inequality and Demographic Trends

As we have seen, the main transfers in terms of social income such as social security and cash transfers are aimed at specific age groups. Social security benefits attempt in principle to smooth living conditions specifically in the old age, while the new generation of cash transfer programmes in Brazil is mostly focused on children and teenagers. Labour income is also predominantly earned by non-elderly adults. There are however exceptions for cash transfers programmes included in the other source of non-labour income that attempt to provide income to other age groups such as the continuous assistance benefit (BPC) for the old and the disabled or unemployment insurance that benefits mostly adults. Non-social income accrues to individuals in very diverse age groups. To make things more complex, these programs are mixed in terms of different income concepts. One way to check the levels and trends of how total incomes affect different age groups in different ranks of the society is to compare per capita growth rates of these groups in the population with their respective pro-poor growth rates (meaning growth rates that are sensitive to inequality changes). Kakwani, Neri and Son (2006) propose a growth and a pro-poor growth account methodology that explains how intense and regressive were the income changes in the Brazilian National Household Survey (PNAD). The pro-poor growth measure comes from a combination of the weights attributed to individuals in a Gini type of social welfare function while the individual welfare follows a logarithm form. These two forces in combination make the pro-poor measure more sensitive than the one implicit in Gini and Theil inequality indexes in isolation.

We have divided the population in three age groups and calculated the levels and trends of the following variables:

- Per capita children and young teenagers in household, aged between 0 and 15 years.
- Per capita adults in household, aged 16-64 years.
- Per capita elderly in household, aged from 65 years and over.

Table: Demographic trends (%)

Period	Unadjusted			Inequality adjusted		
	Per capita child	Per capita adults	Per capita elderly	Per capita child	Per capita adults	Per capita elderly
1995-2004	-1.96	0.83	1.66	-1.64	0.96	-0.67
1995-2001	-1.94	0.90	1.37	-1.60	1.00	-2.03
2001-2004	-2.05	0.70	2.59	-1.81	0.90	2.31

Source: Nanak, Neri and Son (2006)

In 1995, children and young teenagers group represented 34.7 percent in the population the corresponding figure goes up to 39.3 percent when we use the inequality-adjusted weighting scheme. This implies that it is more likely to find a child in the lowest per capita income ranks of Brazilian society than elsewhere. Furthermore, the average annual growth rate of the population below 16 years of age in the 1995-2004 period has been -1.96 percent, while its inequality-adjusted growth rate has been -1.64 percent. This implies a declining trend in the number of children in average households, but with a much slower decline among poor households. On the other hand, the number of adults in household shows an increasing trend. These findings suggest that cash transfer programs relating to children can be further expanded because of the increase in the number of the active, working population in Brazil.

The situation is opposite in all aspects for the old-age group. The share in the total population is higher than that using inequality-adjusted weights and this gap has increased over the decade. Inequality-adjusted per capita elderly was represented 3.6 percent in average household in 1995. In the 1995-2004 periods, an annual growth rate of per capita elderly has been 1.66 percent against its inequality-adjusted growth rate of -0.67 percent. Overall, elderly population in Brazil is increasing. This trend in turn puts pressure on the cash transfer programs targeting the elderly. The good news, however, is that the increase in elderly population among the poor appears to be slower than elderly among the non-poor. Hence, sustainability of cash transfer programmes for elderly in the long-term calls for a targeting strategy in such a way that poor elderly receives greater benefits from the programmes compared to non-poor.

5. HOW PRO-POOR WERE MONETARY TRANSFERS?

a. Choice of Periods and Methodology

We focus our empirical analysis on income distribution trends on the period of relative price stability but frequent external crisis from 1995 to 2004, whose results – we believe - are more structural, less explored in the literature and more reliable. The deflation process of nominal incomes during a sharp inflationary transition such as those frequently observed before 1995 is rather complex and uncertain; the choice of specific price indexes and associated weights and lags involves arbitrary decisions that affect the average level of real incomes. Since incomes are nominally adjusted, received and spent at different moments, inflation also affects inequality measures in spurious ways. In other words, it is not only causality that explains the coincidence between the peaks of inflation and inequality that happened in Brazil in 1989 and 1994 but measurement error as well. The period starting in 1995 misses out the labour market boom and poverty reduction that were both observed after the *Real* plan stabilization. On the other hand, it captures the income inequality reduction of the 2001-2006 period which brought Brazilian inequality to its lowest levels in the last 25 years.

Economic growth impacts each individual differently during different periods of time. To calculate the level of social welfare, we have to be explicit as to how each individual values their income and how individual welfare levels are weighted in the whole. Kakwani, Neri and Son (2006) develop and apply to Brazil a growth and a pro-poor growth account methodology that explains how intense and regressive were the changes observed in different income sources found in the Brazilian National Household Survey (PNAD). We explore a new type of pro-poor social welfare function, in the way each individual extracts welfare from their income as well as how society values each individual's welfare. The assumed weight of each individual is of the type “the first will be last”: we order the population in a line from wealthiest to poorest. The wealthiest of the wealthy has the smaller weight, the second wealthiest has the second smallest weight, and so forth, so that when the poorest of the poor is reached, that individual has the largest weight amongst all individuals. In other words, the last in line for income is the first in line for the weight in the social welfare function. With regards to how each individual values their own income, we assumed a

logarithmic function giving more value to income variations in the poorest.⁶ Incidentally, the system of implicit weights is embedded in the calculation of inequality measure most popular in existence: the Gini index. With regards to how each individual values their income, we assume a logarithmic function, which is the most popular individual social welfare function, and that included in the second most popular inequality measure: the Theil index. In this sense, the mixture of Theil's individual social welfare function and the weight structure of the Gini can be denominated as the Thini. An advantage from the Thini is the possibility to isolate the contribution of different elements.

The separation of per capita total income into different components allows one to capture the contribution of the main sources of income in the total growth patterns assumed, pro-poor growth and to the inequality aspects of social welfare. The interaction between the high non-linearity of these last two concepts and the additive nature of income sources required the use of a Shapely decomposition to obtain the impact of each income source contribution to pro-poor growth. We review these results with particular emphasis on social security benefits and conditional cash transfers.

We calculate here the ratio between the additional fiscal cost and the benefit in terms of pro-poor growth of expanding the main public cash transfer programmes in the period studied at. To be sure, the final objective is to reveal the contribution of each income policy component discussed above to total per capita growth and to pro-poor growth⁷.

b. Social Security Benefits

Social security is the main component of social income in Brazil, and second only to labour earnings among all income sources collected by PNAD. Social security benefits information includes a contributory Pay as You Go system and non

⁶ The logarithmic function levels from below the diverse income possibilities of the same individual: for example, 1000 is one hundred times greater than 10, but if we use base 10 in the log: $\log 1000$ (which is 3) is three times larger than $\log 10$ (which is one). In other words, if an individual's income is multiplied by 100, going from 10 to 1000, the person's welfare level is multiplied by three. While if this same person's income is multiplied by 10, from 10 to 100, the welfare level measured in logs is multiplied by 2. Such that half of the growth from 10 to 1000 occurs from 10 to 100, and the other half from 100 to 1000.

⁷ It means growth in social welfare that is very pro-poor using a specification that uses the weights of a function that yields the Gini coefficient and an individual logarithmic welfare function like in the Theil Index. Given this combination one might call the similar to the one used.

contributory benefits, both subject to discretionary income policies from the government. Given the dominance of the public transfer aspect in this income aggregate, it is useful to observe the ratio of pro-poor growth to total growth contribution. This can be interpreted as an elasticity that shows how many public resources (measured by their share of total income) are translated into social welfare, a type of cost-benefit analysis. The corresponding elasticity of pro-poor growth with respect to total growth (i.e. its fiscal cost) both explained by social security rose from 0.45 in the 1995-2001 period to 2.82 in 2001-2004, demonstrating a marked improvement in the ability of social security benefits targeting the poorest segments of Brazilian society.⁸ After 1998 the government adopted the new policy of setting higher adjustment rates to lower social security benefits. In the entire 1995-2004 period, this elasticity amounts to be 0.74. This elasticity allows comparing to what extent different types of public transfers reach the poor.

c. Bolsa Família

Other non-labour income sources include very different types of incomes, ranging from cash transfer programmes such as the *Bolsa-Família* to capital income such as flows derived from interest rates paid on government debt. The pro-poorness aspects of these items are expected to be very different, despite the fact that both are not only subject to public policy choices but are mostly mediated by the state⁹, as well. Interest income is largely underestimated by PNAD data, hence this income concept is largely explained by public cash transfer programmes such as *Bolsa-Família*.

The elasticity of the contribution to pro-poor growth of a particular income transfer with respect to its contribution to total growth is useful to guide policies aimed at the poorest groups in the Brazilian society. The corresponding other non-labour income sources elasticity was 14.66 during the 1995-2004 period which is much higher than the one found for social security benefits. Each percentage point in the share of government transfers in this item bought 19.8 times more pro-poor growth in other

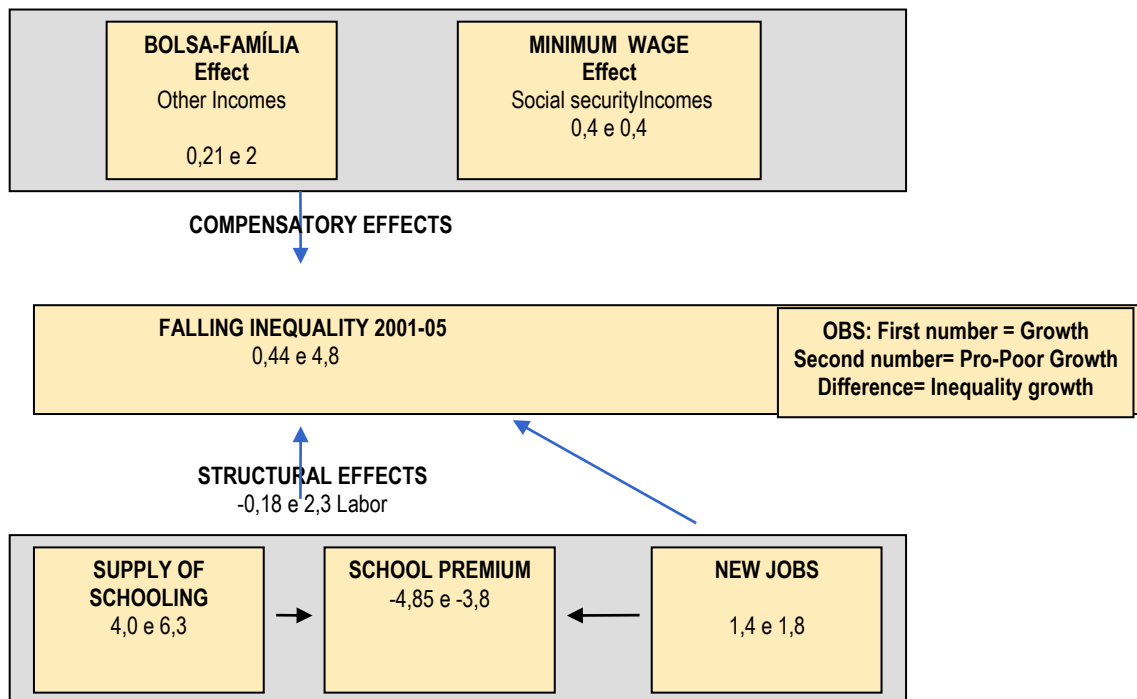
⁸ One possibility is to divide the information on social security benefits in two regimes: one with benefits equal to one minimum wage, the constitutional floor, and the rest. Neri (1998, 2001) followed this approach and showed that around 60% of social security benefits amounted to one minimum wage while 80% of social security income accrued to benefits above this level. Each additional real spent adjusting the social security benefits floor resulted in 4.5 times more poverty reduction than a uniform adjustment to all benefits.

⁹ The public debt is the main source of interest gains earned by Brazilian households.

non-labour income than in social security benefits, this result is consistent with the evaluation of conditional cash transfers done in Brazil and elsewhere (Lindert et al. 2005, Barros 2005, Hoffman 2005, Soares 2006, Bourguignon et al. 2003, Skoufias et al. 2001, Coady et al. 2004, Suplicy 2002).

The scheme below synthesizes the main channels affecting mean incomes and social welfare and inequality growth rates in the 2001 to 2005 period. Since mean growth was rather small, inequality changes are similar to social welfare changes (i.e. equality is equal to pro-poor growth minus growth). Making a long story, short: half of the inequality reduction is due to labor income change and the other half, to monetary transfers. Splitting this last term into pieces we have that the Bolsa Família effect equals to 80% of the income policies part while social security equals to the remaining 20%.

Determinants of Social Welfare, Mean and Inequality of Per Capita HH Income



In sum, other non-labour income sources besides social security benefits, Bolsa Família in particular have played a dominant role in pro-poor growth pattern assumed while having a minor contribution to total growth and to the Brazilian fiscal accounts.

It seems that a small increase in government cash transfers programmes had a high impact on poor people's living conditions.

6. IMPACTS OF INCOME POLICIES ON THE DISTRIBUTION OPPORTUNITIES (STILL PRELIMINARY)

This section takes advantage of the PNAD 2006 special supplement on social programmes that allows separating the beneficiaries of different official income transfer programmes. Since the same questions were also applied in PNAD 2004, there is the opportunity of testing the impacts of Bolsa-Família using a difference-in-difference estimator like the one used in the section on electoral cycles. The main advantage of this approach that compares the relative evolution of the eligible and the non-eligible is to allow inferences on causality.

The regressions use as controls gender, race, migration, state, city size, age, age square, per capita income without social programmes. The focus of analysis relies on the eligibility criteria to access Bolsa Família, year dummies for 2004 and 2006 indicating the evolution before and after the program expansion and their interaction which corresponds to an income below 100 reais per capita. This last variable corresponds to the difference-in-difference estimator captures the relative impact of Bolsa Família expansion on its potential beneficiaries with a direction of causality implied in the interpretation of the results. We implement the analysis in two stages, first comparing eligible and non-eligible individuals where eligibility is defined as per capita income without considering the public transfers below 100 reais in real prices of 2004. The second type of regression provides a zoom in the eligible group comparing poor individuals with and without Bolsa Família.

We take advantage of the richness of PNAD questionnaire to consider a variety of potential Bolsa Família impacts using a series of variables, namely:

Education Conditionalities (enrollment, school assiduity and motivations associated)

Education infrastructure (Hours studies, school lunches)

Health (babies born dead)

Communication and Information Technology (Computer with internet, celular phone)

Work (participation, occupation, multiple occupation, hours worked, contribution to social security)

Income (labor income, per capita income)

Public Infrastructure (Sewerage, Water,

Housing (access to toilets, house financing, land property right)

Durables (fridge, freeze)

All regressions were run for the 3 age groups: Children (and young teenagers) - 0 to 15 years, Adults - 16 to 64 years and Elderly – above 65 years of age. We emphasize during the text specific age groups where issues discussed are more relevant. In the case of education we divide the youngest group in three sub-groups: 0 to 6 years, 7 to 15 years and 16 to 17 years. We put the odds ratio of the interactive term of the two exercises performed for each variable between brackets. The first capture differences across time between eligible and non-eligible individuals and the second compares in the eligible group the performance of those with and those without Bolsa Família.

Labor Earnings and Hours

One of the main possible side effects of compensatory policies are work disincentive effects through rise in individuals reservation wages. This could create dependency to these policies. The results of a log-linear equation of continuous variables will be reinforced in the next item with other labor market categorical variables. The numbers in brackets are the returns measured directly from the interaction coefficients of a Mincerian equation. We observe the combination of a reduction of in the work load by the low-income active age individuals: per capita labor earnings (-0,0460), individual labor earnings (-0,0347), and working hours (-0,0312). This data is consistent with work disincentive effects for the poor induced by official transfers¹⁰. When we move to the elderly group above 65 years of age we see similar results comparing beneficiaries of BPC and those not eligible.

¹⁰ However when we open the low income groups between explicit Bolsa Família beneficiaries and those that are not, we did not observe any significant difference-in-difference between the group of Bolsa Família beneficiaries and the non eligible higher per capita income group.

Work Decisions

We move now to complementary discrete labor market variables. The numbers in brackets are the odds ratio measured directly from the interaction coefficients of binomial logistic regressions. This result reinforces the previous conclusions on the eligibility. There is a relative decrease of labor market activity for the low income group in comparison with the non eligible group: participation rates (0,89); occupation (0,9); multiple occupation (0,8655) and contribution to social security (0,8889). We also estimate the impact on occupation below two years of tenure that allows a finer look on the employment effect of this recent expansion of the programme. These results taken at face value do not allow rejecting the hypothesis that Bolsa Família decrease work efforts in all dimensions analyzed. The data with respect to the contribution to social security conditional on being occupied suggest a disincentive effect of Bolsa Família programme to work and formality. Beneficiaries may be hiding from official records their formal labor earnings.

DEMOGRAPHIC ASPECTS

Fertility and Health

Eligibility due to low-income from private sources among women 16 to 64 years of age group indicates a differential decrease in the fertility (is a mother (0,9806) but and increase in miscarriages (babies born dead (1,0264)). This point is relevant since it indicates that the income effect of expanding income transfers is possibly dominating other incentive effects of income policies on birth rates. Bolsa Família allows a maximum of three additional transfer conditionalities for children between 0 and 15 years of age. The programme might induce localized incentives for the families with less than three kids between 0 to 15 years of age but we did not test that here.

School Permanence

Bolsa Família presents two conditionalities for kids between 7 to 15 years of age, namely: school enrollment and a maximum limit of 15% of class missed. When we compare groups low income eligible and non eligible kids we see that group (to be completed). When we use qualitative data on income insufficiency (or need to work) as the main reasons behind non-enrollment and missed classes above Bolsa Família

15% limit we see that this motivation decreased for the eligible group with respect to the former (0,8179) but it increased with respect to the later (1,0494). This indicates that the program is pointing to the achievement of its objectives explicitly in its conditionalities.

Physical Assets Accumulation

A differential increase in the purchase of durables, public services and housing is generally associated to the impact criteria use. The only exceptions are access to landline phone among Bolsa Família beneficiaries and access to housing credit to eligible low-income group) which suggest that this item has still a luxury profile.

The Brazilian government is discussing the possibility of financing the acquisition of new fridges by the Bolsa Família beneficiaries in order to induce energy savings. The poor informal access to electricity inhibits the price effects for energy savings. Eligibility criteria are associated with an increase of Durables (fridge (1,1561)).

The improvement in Public Infrastructure (access to toilettes (1,01); Sewerage (1,0648; 6), Water (1,1323;)) may have relevant impacts on health indicators.

The access to Communication and Information Technology (Computer with internet (1,15;), cellular phone (1,0856), landline phone (1,164)) indicates a differential increase in the ability to generate income in the future. Finally, although access to housing credit (0,9819) is growing at smaller rates for the low-income eligible groups, Bolsa Família recipients are experimenting higher rates than for non beneficiaries. Finally, the higher access to land property right (1,18) may indicate an improvement among the poor ability to access not only to house financing but other forms of credit. This may be enhanced by explicit credit consignment clauses as it was applied to social security benefits from 2004 onwards. We turn back to this point in the next section of the paper.

Work Decisions – 16 to 64 years of Age

<i>Mincerian Equations (Log-Linear)</i> <i>16 to 64 years</i>			Per Capita Labor Income			Individual Labor Income			Weekly Hours Worked		
			Standard		Estimate	Standard		Estimate	Standard		Estimate
		Estimate	Error	Estimate		Error	Estimate		Error	Estimate	
Eligibility	Low Income	-1,1541	0,0058	**	-0,6254	0,0066	**	-0,1211	0,0043	**	
Eligibility	Non Eeligible	0,0000	0,0000		0,0000	0,0000		0,0000	0,0000		
Year	2006	0,0470	0,0026	**	0,0547	0,0028	**	-0,0196	0,0019	**	
Year	2004	0,0000	0,0000		0,0000	0,0000		0,0000	0,0000		
Eligibility * Year	Low Income	2006	-0,0460	0,0059	**	-0,0347	0,0087	**	-0,0312	0,0063	**
Eligibility * Year	Low Income	2004	0,0000	0,0000		0,0000	0,0000		0,0000	0,0000	
Eligibility * Year	Non Eeligible	2006	0,0000	0,0000		0,0000	0,0000		0,0000	0,0000	
Eligibility * Year	Non Eeligible	2004	0,0000	0,0000		0,0000	0,0000		0,0000	0,0000	

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

<i>Logistic Model</i> <i>16 to 64 years</i>			Labor Market Participation			Occupied			More than One Job			Contributes to Social S					
			Standard		Odds	Standard		Odds	Standard		Odds	Standard					
		Estimate	Error	Ratio		Estimate	Error		Ratio	Estimate		Error	Ratio	Estimate	Error		
Eligibility	Low Income	-0,3845	0,0006	**	0,6800	-0,6994	0,0006	**	0,5000	-0,3104	0,0016	**	0,7331	-0,9626	0,0009	**	
Eligibility	Non Eeligible	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		
Year	2006	0,0084	0,0004	**	1,0100	0,0004	0,0003		1,0000	0,0527	0,0008	**	1,0541	0,0280	0,0004	**	
Year	2004	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		
Eligibility * Year	Low Income	2006	-0,1112	0,0008	**	0,8900	-0,1035	0,0008	**	0,9000	-0,1445	0,0023	**	0,8655	-0,1178	0,0013	**
Eligibility * Year	Low Income	2004	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000	
Eligibility * Year	Non Eeligible	2006	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000	
Eligibility * Year	Non Eeligible	2004	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000		1,0000	0,0000	0,0000	

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

Consumption Decisions and Physical Assets – 16 to 64 years of Age

Logistic Model

16 to 64 years

			Has Cellular Phone			Has Computer with Internet Connection			Has Fridge		
			Standard	Odds	Standard	Odds	Standard	Odds			
			Estimate	Error	Estimate	Error	Estimate	Error			
			Ratio	Ratio	Ratio	Ratio	Ratio				
Eligibility	Low Income		-0,7791	0,0006 **	0,4588	-0,0117	0,0028 **	0,9884	-0,6445	0,0008 **	0,5249
Eligibility	Non Eeligible		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Year	2006		0,7760	0,0003 **	2,1729	0,1912	0,0007 **	1,2107	0,0520	0,0006 **	1,0534
Year	2004		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Low Income	2006	0,1208	0,0008 **	1,1284	0,3241	0,0039 **	1,3828	0,0676	0,0010 **	1,0700
Eligibility * Year	Low Income	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Non Eeligible	2006	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Non Eeligible	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

Logistic Model

16 to 64 years

			Has Bathroom			Has Sewerage			Has Water		
			Standard	Odds	Standard	Odds	Standard	Odds			
			Estimate	Error	Estimate	Error	Estimate	Error			
			Ratio	Ratio	Ratio	Ratio	Ratio				
Eligibility	Low Income		-0,3398	0,0012 **	0,7100	-0,3445	0,0007 **	0,7086	0,0339	0,0011 **	1,0345
Eligibility	Non Eeligible		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Year	2006		0,0448	0,0011 **	1,0500	-0,0423	0,0004 **	0,9586	-0,0250	0,0006 **	0,9753
Year	2004		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Low Income	2006	0,0372	0,0015 **	1,0400	0,0005	0,0011	1,0006	0,0847	0,0015 **	1,0884
Eligibility * Year	Low Income	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Non Eeligible	2006	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Non Eeligible	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

Logistic Model**16 to 64 years**

			Has Housing Finance			Has Property Title		
			Standard	Odds	Standard	Odds		
			Estimate	Error	Ratio	Estimate	Error	Ratio
Eligibility	Low Income		-0,3962	0,0017 **	0,6729	-0,5448	0,0011 **	0,5800
Eligibility	Other case		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Year	2006		-0,0028	0,0007 **	0,9972	-0,0708	0,0008 **	0,9300
Year	2004		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Low Income	2006	-0,0497	0,0025 **	0,9515	0,1073	0,0015 **	1,1100
Eligibility * Year	Low Income	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Other case	2006	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Other case	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata

Logistic Model**16 to 64 years**

			Is a Mother			Had Child Born Dead		
			Standard	Odds	Standard	Odds		
			Estimate	Error	Ratio	Estimate	Error	Ratio
Eligibility	Low Income		0,8239	0,0011 **	2,2793	0,2237	0,0018 **	1,2507
Eligibility	Non Eeligible		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Year	2006		0,0581	0,0006 **	1,0598	0,0610	0,0011 **	1,0629
Year	2004		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Low Income	2006	-0,0196	0,0015 **	0,9806	0,0260	0,0024 **	1,0264
Eligibility * Year	Low Income	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Non Eeligible	2006	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Non Eeligible	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

Logistic Model

7 to 15 years

			Enrolled in Public School			Misses More Than 15% of Classes - Enrolled in School			Not Enrolled due to Lack of Income			Miss Class due to Lack of Income - Enrolled		
			Standard			Standard			Standard			Standard		
			Estimate	Error	Odds Ratio	Estimate	Error	Odds Ratio	Estimate	Error	Odds Ratio	Estimate	Error	Odds Ratio
Eligibility	Low Income		1,5486	0,0030 **	4,7000	0,1848	0,0014 **	1,2030	0,2416	0,0064 **	1,2733	0,1864	0,0039 **	1,2049
Eligibility	Other case		0,0000	0,0000	1,0000	0	0	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Year	2006		-0,1792	0,0017 **	0,8400	-0,3068	0,0013 **	0,7358	0,6351	0,0057 **	1,8873	0,1219	0,0034 **	1,1297
Year	2004		0,0000	0,0000	1,0000	0	0	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Low Income	2006	-0,5759	0,0044 **	0,5600	-0,1848	0,0019 **	0,8313	-0,2010	0,0082 **	0,8179	0,0482	0,0049 **	1,0494
Eligibility * Year	Low Income	2004	0,0000	0,0000	1,0000	0	0	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Other case	2006	0,0000	0,0000	1,0000	0	0	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Other case	2004	0,0000	0,0000	1,0000	0	0	1,0000	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

Logistic Model

7 to 15 years

			Eats School Lunch			School Hours Up to 4 Horas		
			Standard			Standard		
			Estimate	Error	Odds Ratio	Estimate	Error	Odds Ratio
Eligibility	Low Income		0,4788	0,0014 **	1,6100	0,1670	0,0010 **	1,1800
Eligibility	Other case		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Year	2006		-0,1073	0,0009 **	0,9000	-0,1609	0,0007 **	0,8500
Year	2004		0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Low Income	2006	0,0082	0,0019 **	1,0100	-0,0353	0,0014 **	0,9700
Eligibility * Year	Low Income	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Other case	2006	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000
Eligibility * Year	Other case	2004	0,0000	0,0000	1,0000	0,0000	0,0000	1,0000

Source: CPS/IBRE/FGV processing PNAD 2004-2006/IBGE microdata.

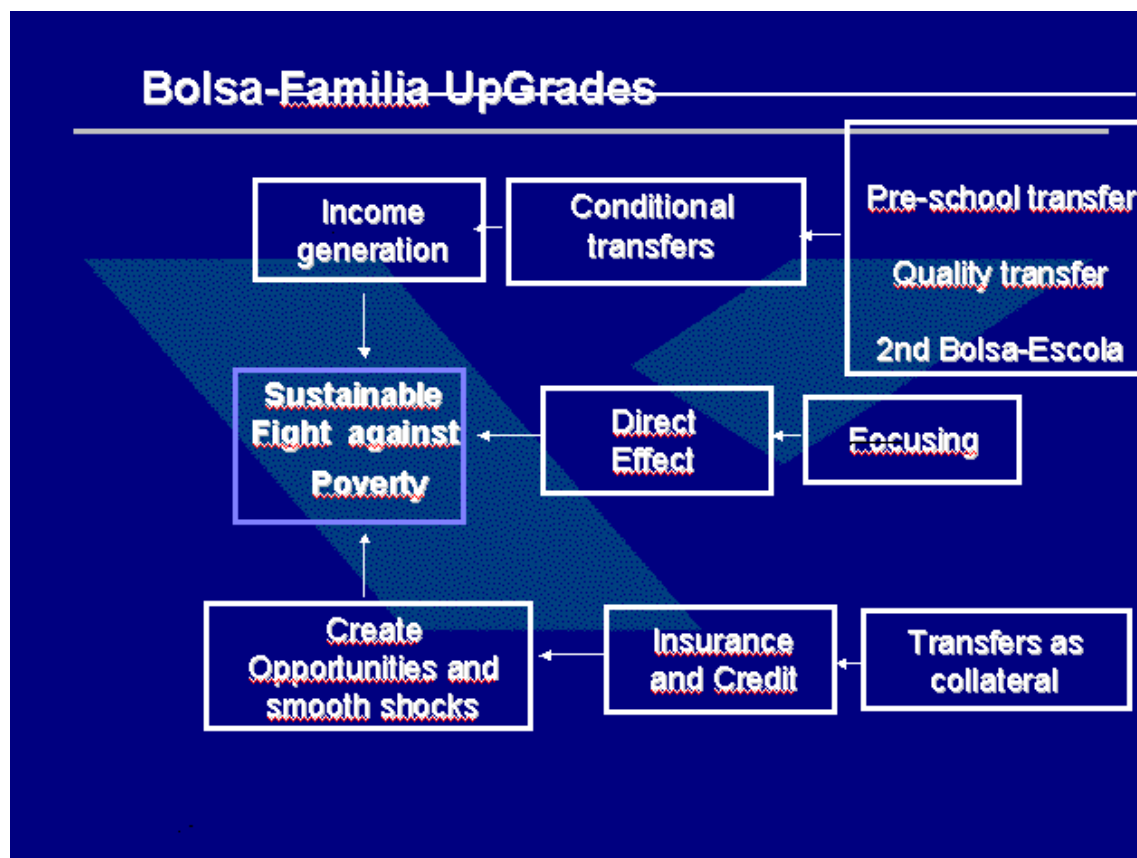
7. THE NEXT GENERATION OF INCOME POLICIES (CONCLUSIONS)

Overall, this paper revealed that Brazilian social policies combined an old and ineffective regime of income policies with a new, more modern regime, geared toward the young and the poorest segments of society. The excess of public expenses associated with the difficulty in choosing the social strategy that is preferred to others ends up locking growth through the means of a high tax burden (37% of GDP in 2007) and real interest rates (one of the highest in the world). Brazil lived recently a paradox: in spite of the decrease in average income, the income of those with a smaller purchasing power grows propelled by large income transfers from the state towards the population. This recent combination of economic stagnation with the reduction of poverty, resulting in a decrease in inequality, contrasts with the past Brazilian path. For instance, from 1967 to 1980, we observed high growth rates with growing inequality (especially in the sixties). Already in the following period, from 1980 to 1994, we observed low growth rates, while inequality remained high and persistent. This paradox of economic stagnation with poverty alleviation happened from 1994 to 2005, but it was more pronounced from 2001 to 2004 due to the expansion of better targeted income policies. As we have seen from 2005 onwards, Brazil is now growing at much faster pace, inequality is still falling but at a lower rate than in the previous period. There is remarkable expansion of both well targeted and not so well targeted income policies in this more recent period due to Bolsa Família expansion and minimum wage increases, respectively. Poverty could be falling more due to both even faster growth and inequality reduction. This context asks for a preferential option for better targeted income policies.

The advantage of expanding compensatory policies is, in general, the speed with which their effects are felt. In contrast, the associated metaphor for structural policies is that you teach how to fish, instead of giving the fish. The issue is not whether policies involve income transfers or asset stocks, but their social implications in the short and long terms. A compensatory action that hinders the productive de-structuring - as the task forces against drought - or that motivates the accumulation of capital - like Bolsa Família - can have persistent effects over poverty. The long-term impact of income transfers ranging from providing insurance or collateral to more

vulnerable and informal groups to incentives to the accumulation of human capital through explicit conditionalities is comparable to the transfer of productive assets.

The long-term objective of social policies is to enable individuals to realize their productive potential. This movement can be achieved in various ways: by completing the portfolio of their assets but also by providing access to markets where they are dealing. These public policies provide doors out of poverty by opening up opportunities and creating platforms of access to markets that allows to make use of these enlarged opportunities. In this last case, it is possible to generate welfare gains without fiscal implications, meaning a Pareto improvement, which makes them particularly attractive. We present here a scheme that nests different proposals of upgrades to Brazilian income policies with a particular emphasis on Bolsa Família.



The desired upgrades of the Bolsa Família, would be:

(i) Improve targeting Firstly, to seek a more effective targeting, meaning to improve the ability of the programme to reach the poor by improving this probability and/or to reduce its probability to reach the non poor.

a) Integrate income transfers under Bolsa Família framework The targeting objective gets more difficult as the Bolsa Família programme expands. But the main conclusion here is to avoid spending additional resources on income transfers alternatives less targeted than Bolsa Família such as real increases in the value of the minimum wage or the unconditional universal provision of the minimum maintenance income. Bolsa Família reaches nearly 25% of the Brazilian population and costs less than 0,8% of Brazilian GDP as oppose to more than 12% of GDP spend on social security payments (contributory pay as you go and non contributory benefits).

The ultimate objective here is to integrate all non contributory income transfers in a single programme, preferably under the Bolsa Família framework. A first step in this direction was already taken in 2007 when non contributory social security spending was splitted from the rest of social security accounts. This would allow better comparisons between the opportunity costs of different income policies. It is not fair to provide income transfers

Complementarily, one could instead use the Bolsa Família structure that reaches nearly 25% of the Brazilian population to distribute other services besides monetary transfers. The direct effects vary on the targets the individual budget constraint or his individual welfare through direct transfers. One important difference between Bolsa Família and the previous Fome Zero policy rely on the emphasis given to these two alternative channels. Fome Zero attempted to direct expenditures through food transfers leading to allocation inefficiencies. Incidentally Cedeplar experimental evaluation of Bolsa Família indicated that a large part of the transfers were directed to food expenses. However, there are situations where economies of scale and economies of scope will allow a better use of the programme structure than just pure monetary transfers. We will go back to this point later.

b) Avoid Fragmentation Brazil should avoid the temptation of fragmenting its income policies into different monetary transfers programmes according to region,

gender, race, housing conditions (favelas etc). The binomial income-age provide a straight-forward criteria that allows to take into account the main phases of the life-cycles such as education, working and retirement. Our empirical results on the determinants of the access to Bolsa Família shows an implicit affirmative action in practice when we compare individuals with identical observable characteristics (gender, region, age, per capita income etc) the chances of a black Brazilian to access Bolsa Família benefits is 24% higher than a white person with the same characteristics. Income transfers from a previous generation such as BPC present the opposite results where low income minorities are underrepresented. A similar effect is observed for those who live in slums (favelas). One interpretation is that these marginalized group characteristics provide a clearer signal that they are poor, hence favoring their access to a better targeted programme such as Bolsa Família than BPC for instance. In sum, Bolsa Família operation – not its designed - presents an implicit affirmative action mechanism favoring those groups traditionally associated with lack of opportunities.

c) Intra-Household Distribution Channels We discussed evidence that BPC transfers to the elderly benefits more the health of the recipient than the health of other household members. Bolsa Família instead uses preferably mothers (in 91% of the cases) as the recipients of monetary transfers. This strategy relies on the assumption that mothers direct better the resources to reduce intra-household inequalities of both opportunities and of results. Its is important to check both the redistributive and long run consequences of such strategy.

(ii) Conditionalities - Secondly, besides the ability of the programme to reach the poorest with monetary and non monetary transfers, another line of improvements of income policies is enhancing their ability to affect positively peoples life through the imposition of explicit conditionalities on relevant state variables where there is clearly market failures such as externality or credit constraints. Most of the current conditionalities of Bolsa Família seem to have a high degree of redundancy in the sense that the conditions they impose have been by and large already adopted by the beneficiaries before the start of the programme. Let see the specific age groups object of the conditionalities:

a) 0 to 6 years of age. The program only demands the children immunization: an experimental evaluation of the Bolsa Familia by the Cedeplar team has shown no improvement in the vaccination of the programme beneficiaries. This was expected since more than 90% of Brazilian children in this age range were already covered before the programme started. To provide incentives to pre-school and even in nurseries, integrating these demand incentives with new education supply elements such as the institution of Fundeb could be more interesting than the current Bolsa Familia itself;

(b) 7 and 15 years of age - Similarly the current conditionality of enrollment and maximum of 15% of classes misses are redundant. Only 3% of the children before the program started did not attend school before the programme started in 2001. In 2004 just before the programme double its size % of eligible low-income students missed more than % of classes and were not. Good programme conditionalities should become obsolete across time which means pursuing higher standards. Second, these conditionalities do also present intrinsic implementation difficulties. It is hard for a teacher to signal that his or, more likely, her poor student is not satisfying the programme minimum conditions. The teacher may be tempted to benefit a specific student in the short-run and harm all students, including this one, in the future by not following strictly the rules of the program. Third, conditionalities tend to increase the tension in the student-teacher relationship. It is perhaps better to avoid the personal student-teacher relationship by delegating the evaluation to a third party. Fourth and final, we should be perhaps less concerned with mean indicators such as school enrollment or attendance and more with end indicators such as learning outcomes. The final objective of an education policy is to make students learn rather than to attend classes. The conjunction of these weak points with the opportunity open by the implementation of Prova Brasil in 2005 and 2007 and now Provinha Brasil in 2008 lead me to the following proposition. Use these test results at the student level to track the learning process of each student. It is important to note that we are not talking about levels but differences of performance across time. A good school teaches someone who does not know and not one that picks an already good student that performs well during these tests (Neri () and Neri and Buchmann ()).

There are two application complementary possibilities. First, to use these scores as an additional monetary reward to the Bolsa Família class attendance. This means looking not only at necessary but also at sufficient conditions. The other is to use tests scores to conditional resources transfers provided to schools in the educational budget. In sum, we aim here to improve the quality of education for people, demanding not only quantity but also education quality, creating incentives for this based on new information sources.

c) From 16 and 17 years of age - to create not an incentive to the first job, but through a second Bolsa Família that would improve the low educational levels observed in all parts of Brazil. This was recently adopted and it is less subject to redundancy criteria because 18% of individuals in this age group were out of school. Although only 25% of these students said that do not attend school due to low-income (Neri 2006). The State of Minas Gerais created recently the Poupança-Escola programme which rewards students that concluded high school which may induce an excess in the approval rates. I believe that the best option would be to conditional these premiums to the recently created IDEB which is meant to balance both sides. Euristically, it is equivalent to create markets for social returns.

(iii) Access to Markets. The previous group of effects emphasized the creation of future income generating opportunities through conditionalities. The present effect emphasized here on how to allow anticipating this brighter future (conditional on the quality of the programme) across time through temporal transactions. The empirical section shows quite a few impacts of the Bolsa Família transfers not subject to explicit conditionalities. Income and liquidity effect of Bolsa Família might explain the differential increasing share of durables, access to public services and to CIT items as well the improved housing conditions. Housing credit expanded at slightly lower rates among Bolsa Família beneficiaries. But the percentage of houses with land titles among its beneficiaries improves the market value of the real state in a De Soto type of argument and the ability of individuals to access credit in general. This can improve the access to financial markets by the poor. One possibility is to expand the

credit frontier to where it had never been before: the poor and informal workers through the use of social benefits as collateral¹¹.

(iv) Isolating income policies from incentives of the electoral market. Shielding the social policy in election times when social programs are manipulated for voting purposes or when good programs are ended during the transition between governments. This type of scheme seems desirable given the evidence presented in section 3. Such schemes were attempted apparently with little success, in the last presidential election in México – but still it is an agenda that needs to be pursued. Civil society role there is key for obvious reasons. Providing transparency to the social debate through the provision of household surveys and administrative data on social programmes is key here. The independence and transparency of official institutions such as the IBGE and IPEA is as important today as the Central Bank's.

¹¹ See “O Efeito-Colateral” and “Alvorada: um projeto acima de qualquer governo” both published in the Revista Conjuntura Econômica in 2002.

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Address: Praia de Botafogo, 190 - 1501 - CEP: 22250-900 - Rio de Janeiro/RJ - Brazil
Tel.: (+5521) 3799-2320 / E-mail: fgvsocial@fgv.br
www.fgv.br/fgvsocial/en