

Democracy and inequalities in Brazil

Marta Arretche

Escola Avançada FAPESP 60 anos

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Structure of the presentation

1. Two interpretations about the relationship between democracy and inequality in Brazil
2. Description of the inclusive processes under the current democratic regime
3. Inclusion by layering
4. Sharp change in inequality-reduction processes since 2015
5. Retrenchment by drift

Has democracy been good for the poor in Brazil?

- **Story 1: NO**

- Levels of income concentration remained stable
- The top 1% obtain an exceptionally large share of total income
- Neither democracy nor left-wing governments affected income inequality

- **Story 2: YES**

- Income inequality had fallen consistently from the early 1990s on
- Income inequality had fallen at a faster rate than countries that are currently among the least unequal
- The pace of income inequality reduction accelerated under the Workers Party
- Unequal access to basic services – health and education – has been reduced
- Democracy and left-wing governments did reduce inequality

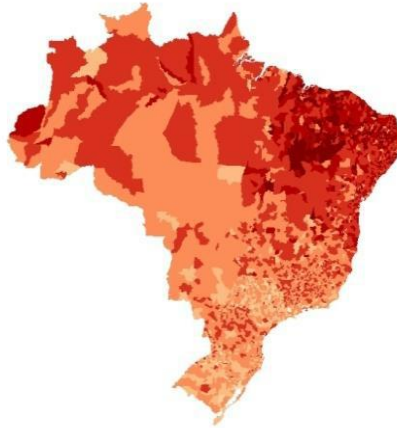
-As odd as it may sound, both stories are correct!

Poor people concentration Brazil - 1970-2010

1970



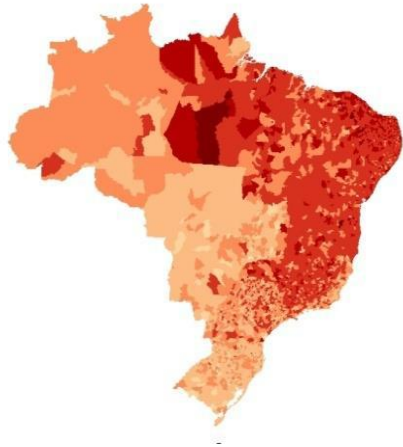
1980



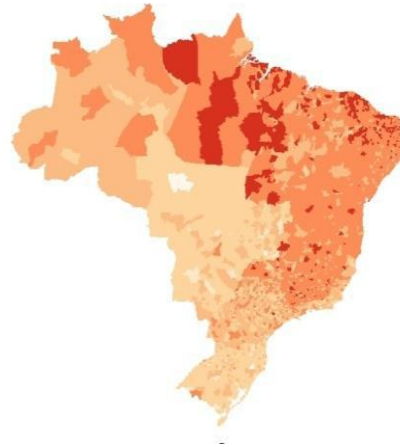
1991



2000



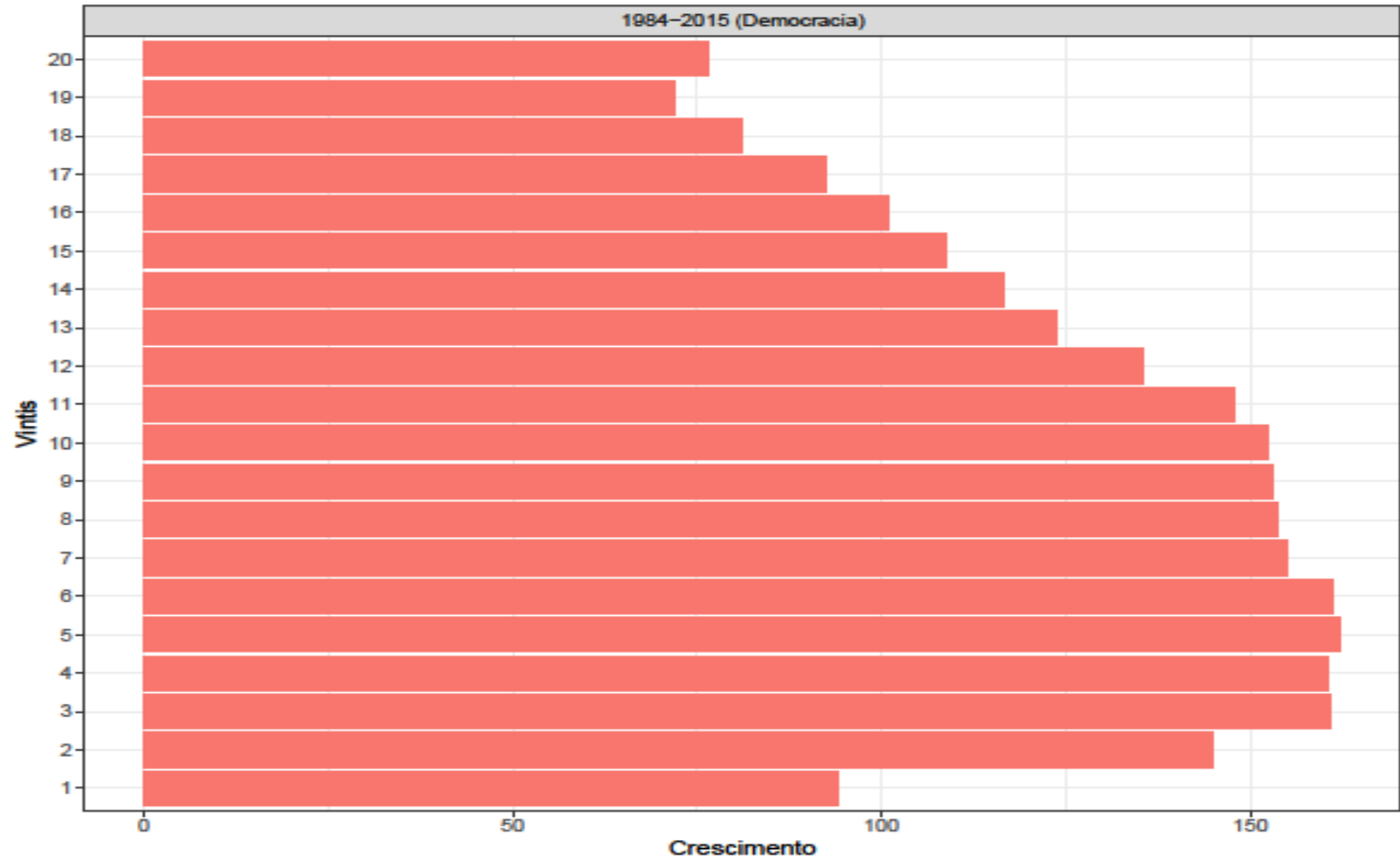
2010



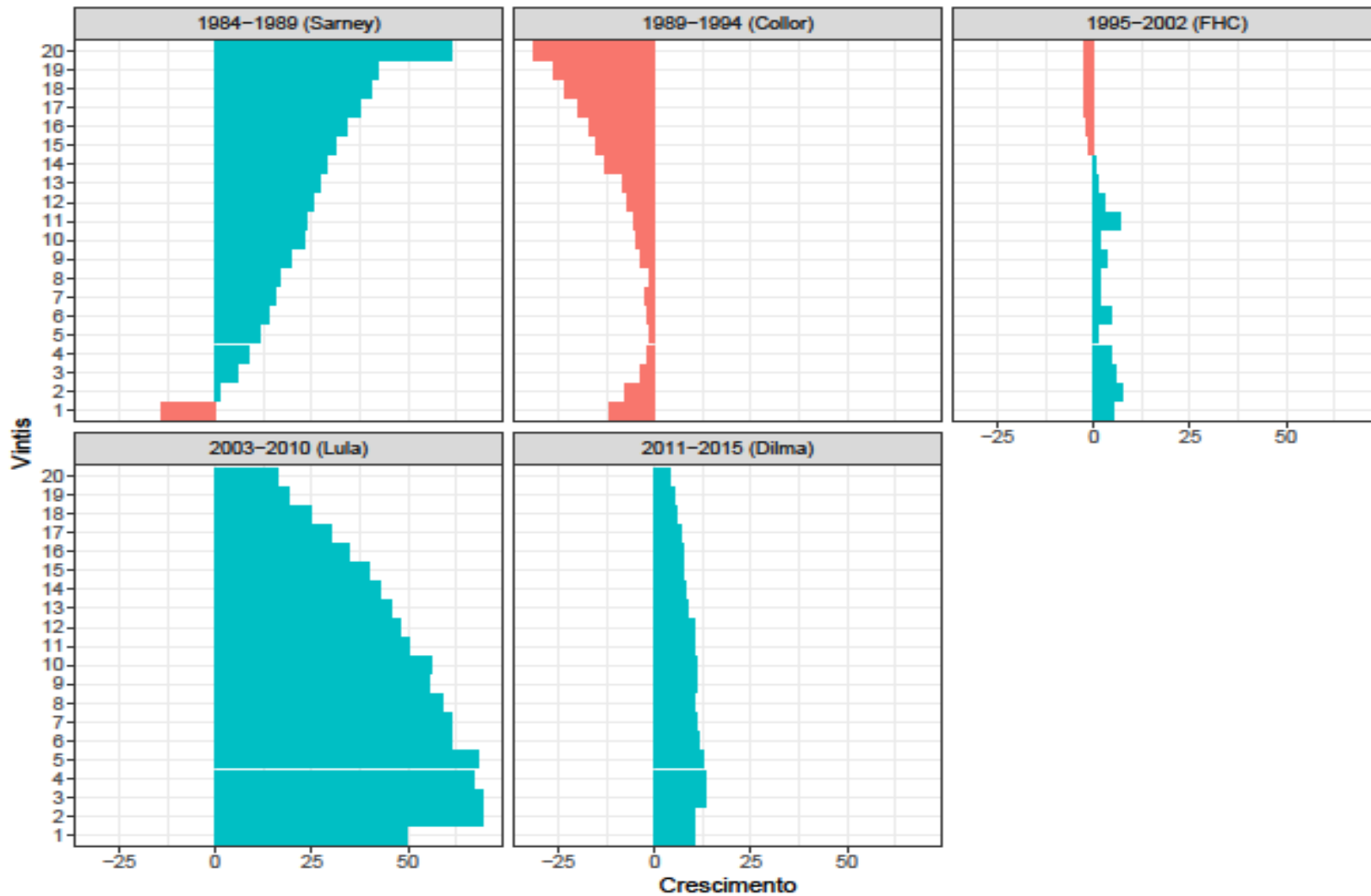
A long period of social inclusion as a result of democracy

Relative earning
gains

Brazil - 1984-
2015



Relative earning gains by president 1984-2015



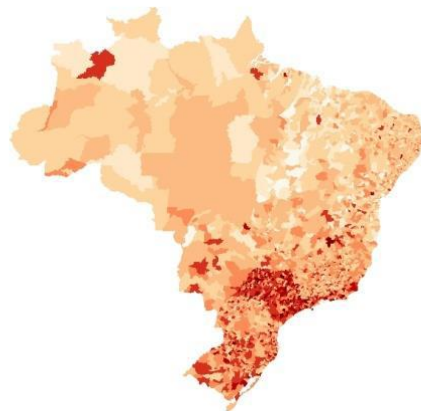
Coverage rates of electricity by municipality

Brazil - 1970 - 2010

1970



1980



1991



2000



2010



Coverage rates of sewage collection Brazil - 1970-2010

1970



1980



1991



2000

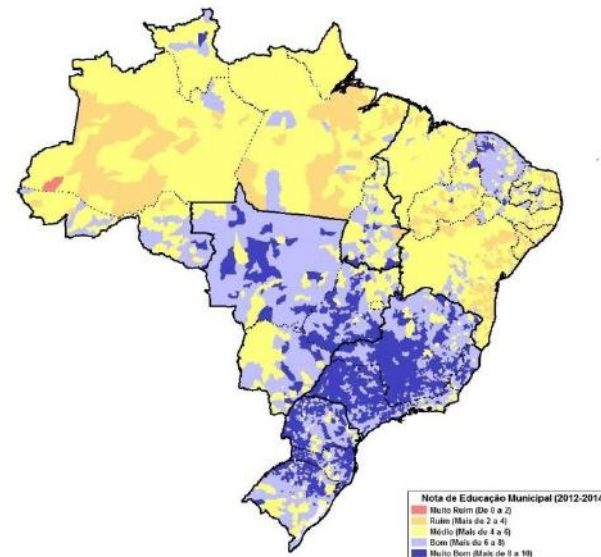
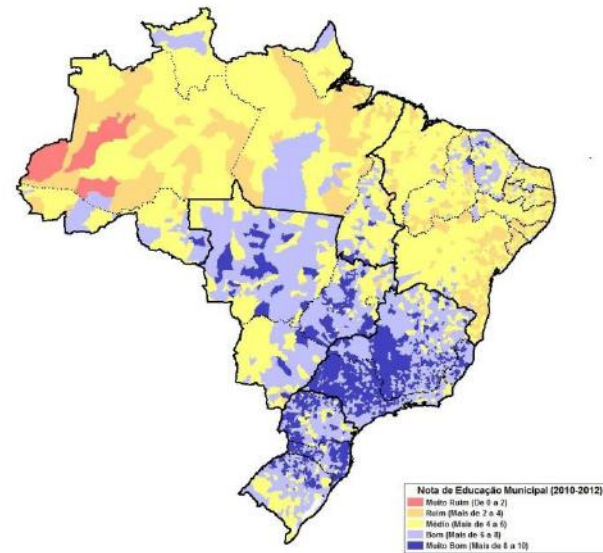
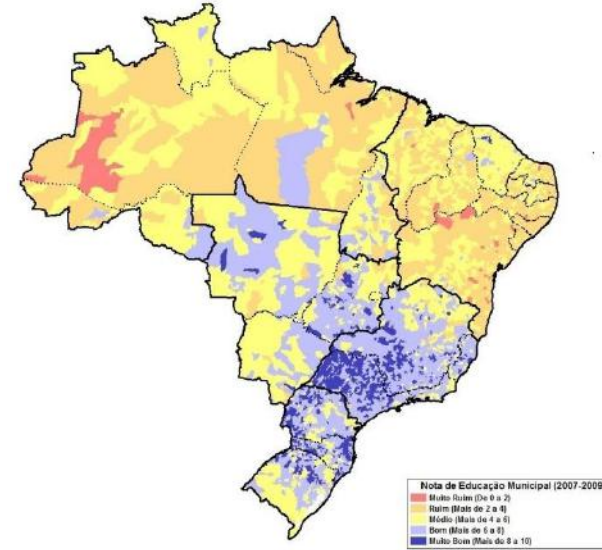
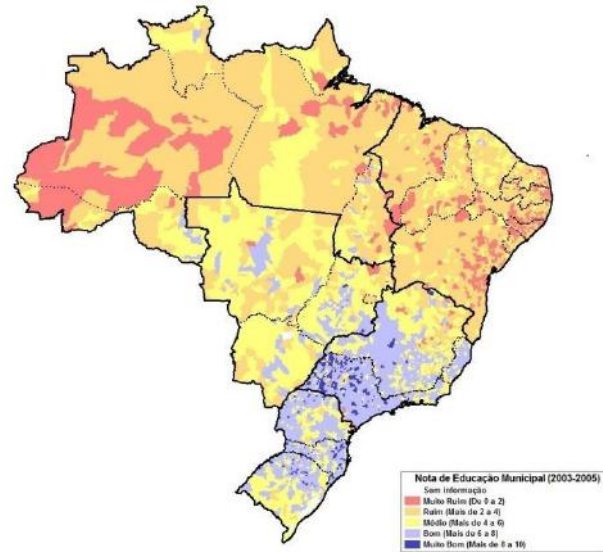


2010



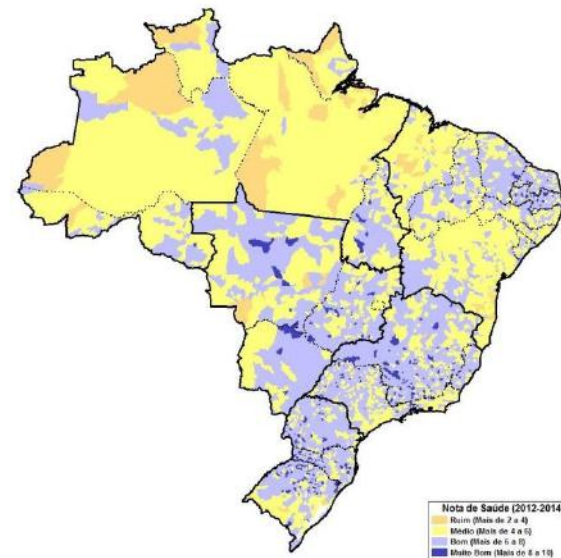
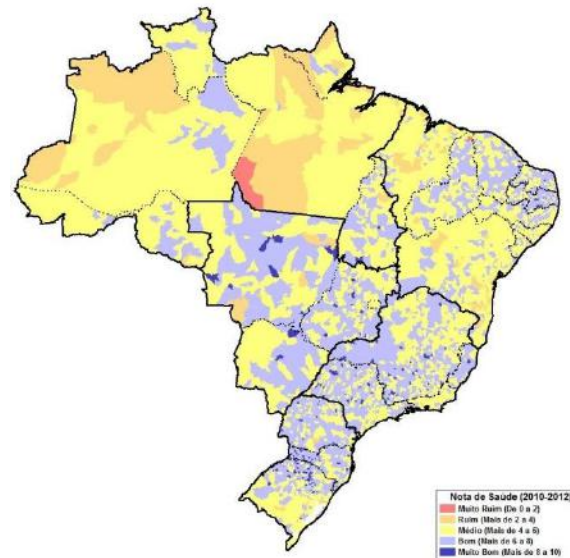
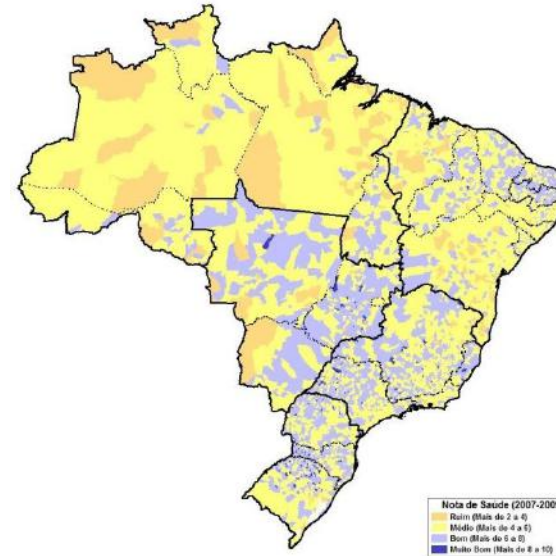
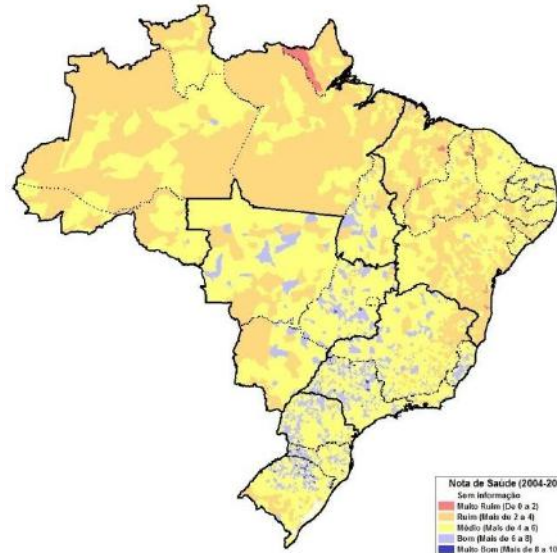
Educations Outcomes

(<http://www.fflch.usp.br/centrodametropole/1160>)



Health outcomes

(<http://www.fflch.usp.br/centrodametropole/1160>)



Inclusion by layering

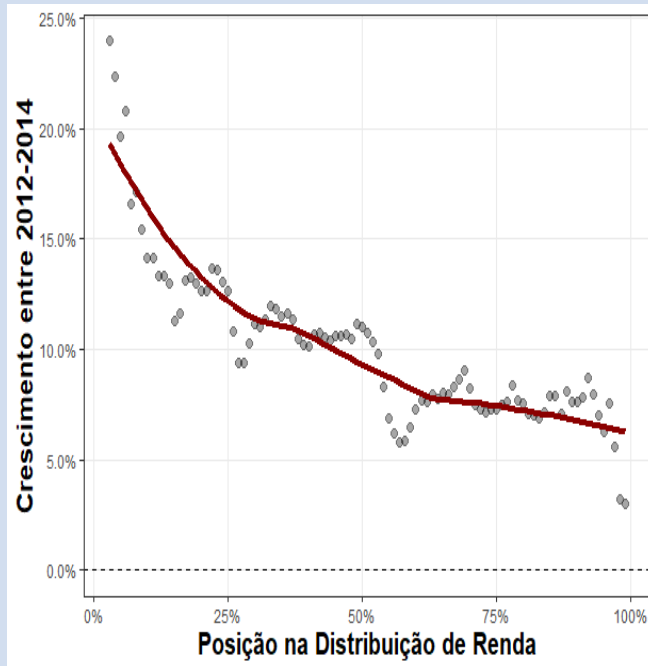
- Democratic Brazil has shown a story of incremental inclusion, both on services and income
- Story of incremental inclusion has been a result of a paradigmatic change on social protection set up by the 1988 Constitution, which means that Brazil is a case of inclusive democratization
- High electoral turnout and competition for the vote of the poor largely favored incremental inclusion

BUT

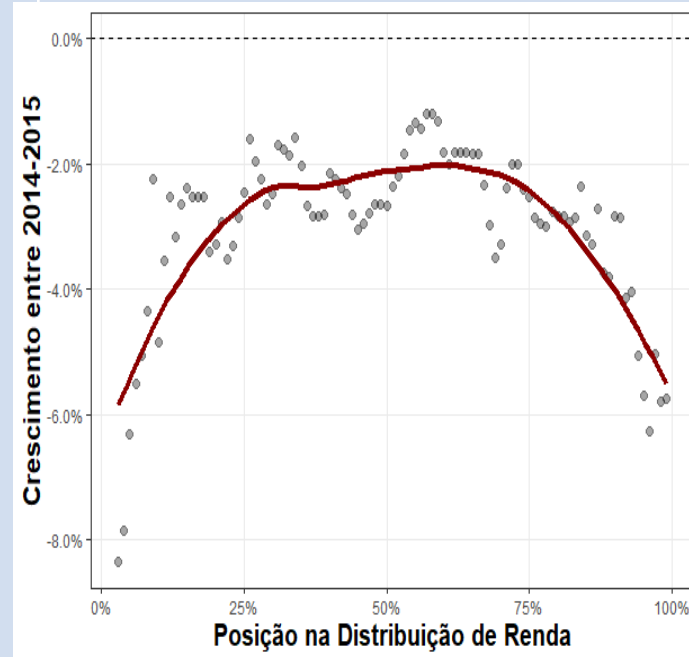
- **Legacy of pro-inequality policies remained**
 - The 1988 FC did not change regressive taxation
 - Under democracy, taxation became even more regressive
 - Indirect taxes enlarged participation; direct taxation became more regressive; tax exemptions, subsidies, deductions increased
 - The 1988 FC did not touch inequality in the pension system
 - The effect of reforms approved afterwards will take a long time to be effective
 - A big divide between private and public provision in education and health remains

Sharp change in the distribution of income !

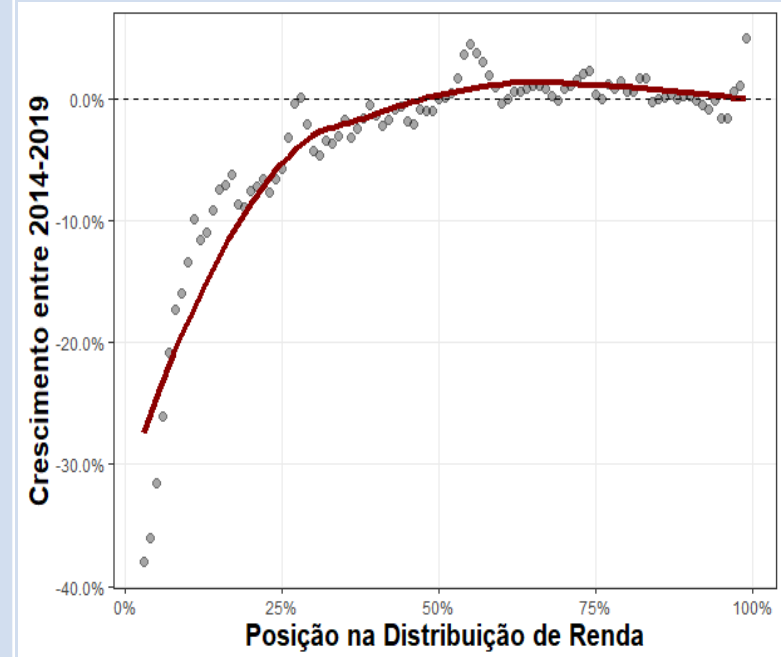
2012-2014



2014-2015



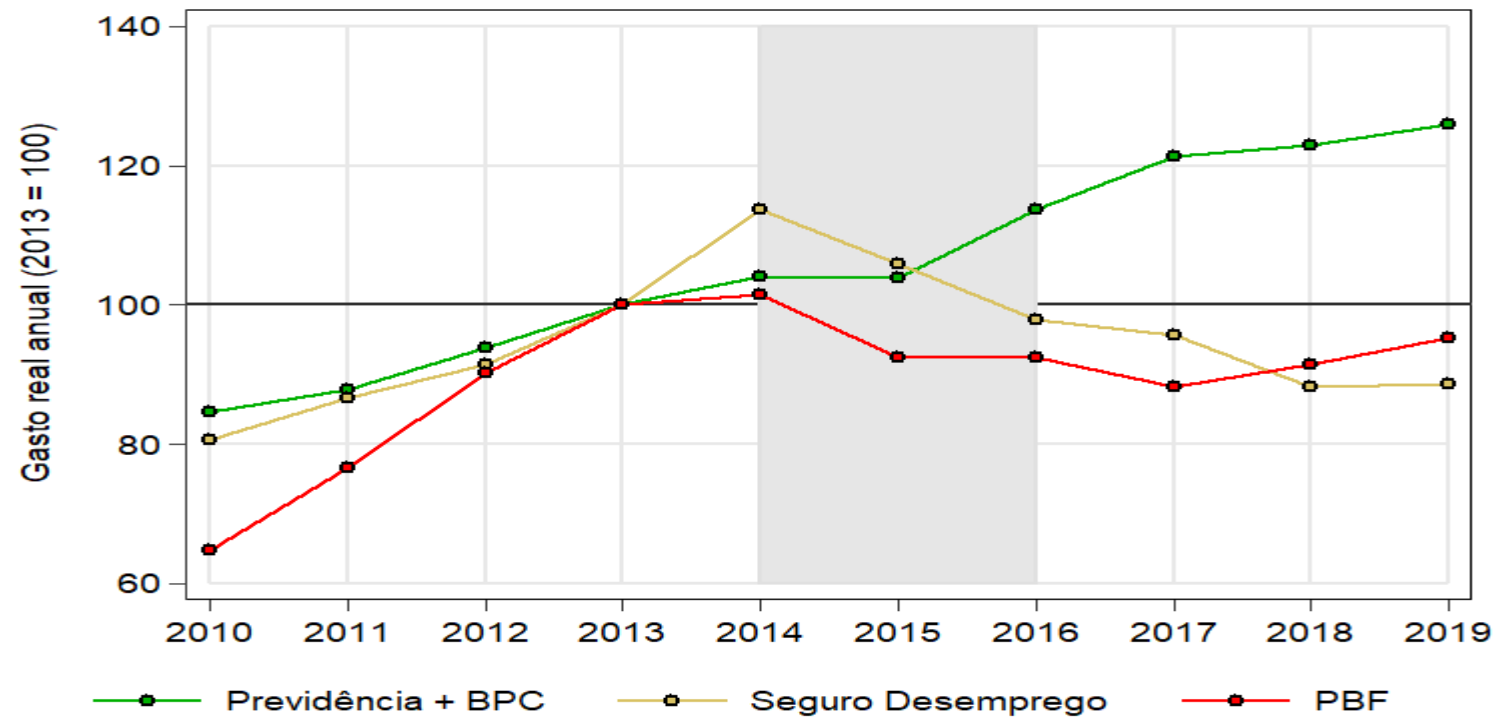
2014-2019



BARBOSA, R.; SOUZA, P.; SOARES, S. "Distribuição de Renda nos anos 2010: Uma Década Perdida para Desigualdade e Pobreza". IPEA - Texto para Discussão, no prelo.

The incremental inclusion of outsiders faded away

Evolution of the real annual expenditure on Contributory pensions and the BPC
Brazil, 2010-2019 (2013 = 100)



Retrenchment by active drift

- **From 2015 on**

- huge economic crisis in the job market (sharp decline of employment and wages)
- the poorest were the big losers
- Pro-poor policies barely compensated the job market crisis

- **How?**

- New risks emerged and the government did nothing or retrenched
- Severe cuts on more vulnerable programs
 - those whose decision-making rules favor hidden strategies
 - those whose decision-making rules concentrate unilateral authority on the executive
- the federal government stepped back from its role of coordinating subnational governments around shared policy agendas

Retrenchment by active drift

TABLE 1 - SELECTED CHARACTERISTICS OF PROGRAMS

Program	N° of Beneficiaries	Legal status	Rule for change	Outcome
BPC	4.4 mi (2016)	Constitutional	Constitutional amendment	No change
One-minimum-wage pension	22.5 mi (2017)	Constitutional	Constitutional amendment	No change
Unemployment insurance	40 mi (2012-2016)	Not provided by the Constitution	Bill	Active drift
Bolsa Família	14 mi (2016)	Not provided by the Constitution	Presidential Decree	Active drift

Arretche, M.; Souza, P; Fimiani, H.; Barbosa, R. Which popular social programs are more vulnerable to retrenchment? A study on active drift in Brazil. *Draft*

Thanks
arretche@usp.br