THE PERSISTENCE OF INEQUALITY, INCREASING INDEBTEDNESS AND THE ROAD TOWARDS EQUITABLENESS

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One of the striking characteristics of the Brazilian economy over the last decades, including the six years since the implementation of the *Plano Real*, is the extremely high concentration of income and wealth. A recent survey from the Institute of Applied Economic Research (IPEA)[1] shows that the degree of inequality in Brazilian society is one of the highest in the world. Nowhere is there a greater disparity between the average income of the richest 10% and the poorest 40% of the population: in our case, the difference is an astounding 28 times! Furthermore, Brazil is the only country where the ratio between the average income of the richest 20% and the poorest 20% exceeds the dilated value of 30, reaching 31. According to the World Bank's Report on Development of the World for 1999-2000, Brazil is the world's vice-champion of inequality, with a GINI coefficient* of 0.6 (1995), sec-

1. Barros, Ricardo Paes de, Ricardo Henriques and Rosane Mendonça. *Desigualdade e Pobreza no Brasil: A Estabilidade Inaceitável*, Rio de Janeiro, IPEA, 2000.

* The Gini coefficient, a measure of the extent to which actual income distribution in a country differs from a hypothetical uniform distribution, goes from 0, for absolute equality, with each individual or household receiving an identical share of income, to 1, which indicates that one person or household receives all the income.

ond only to Sierra Leone's, 0.629 (1989). According to the latest 2000-2001 Report, Brazil (0.591, for 1997) is the third most unequal society, just after Sierra Leone (0.629, for 1989) and Central African Republic (0.613 for 1993).

"There is no evidence that the *Plano Real* has had any significant impact on reducing inequality," observe the authors of the IPEA survey, "although poverty has been significantly reduced". There was an immaterial decline in the extent of inequality from 1989 to 1992. In the years following the *Plano Real,* the degree of inequality remained stable and similar to that of 1993, but always above that of 1992, as shown on Table 1.

From 1977 to 1998, with the exception of 1981, the share of the richest 1% of the Brazilian population in the country's aggregate income was larger than that of the poorest 50%, with no significant changes in the recent years of the *Plano Real*, as shown on Table 2.

How can the reality of such extreme inequality be explained, especially considering that inflation has been significantly reduced since 1994, virtually eliminating one of the major factors that prevented the poor from overcoming their difficulties?

Again and again, the federal government's top economic authorities – including Pedro Malan, Gustavo Franco and Armínio Fraga – stated that the *Plano Real* was having a strong distributive impact by drastically reducing the "inflationary tax" that afflicted the poor much more than the rich – as the poor have no means and lack enough knowledge to protect themselves from the effects of inflation, while the rich not only have access to indexing mechanisms but oftentimes manage to even profit from the fierce and generalized price increases.

Very well, then. If inflation was so abruptly slashed, falling from more than 2000% a year in 1994 to rates always below 10% from 1996 on, as shown on Table 3, why didn't the distribution of wealth and income become more equitable? That is a question that deserves to be investigated by Brazilian scholars. In this essay, I hope to raise some explanatory hypotheses and suggest certain public policies that might contribute to reverse this picture.

Reasons for the Persistence of Inequality

The persistence of inequality ensues from the orientation of governmental policies, characterized by sky-high interest rates, an overvalued currency (at least until January 1999), a poorly planned privatization process, and an inadequately designed commercial and financial deregulation. But other factors also contribute to the persistence of inequality, namely, the end-use of loans provided by official credit institutions (overwhelmingly for large corporations, not for micro, small or medium-size companies), the mismanagement of the PROER (Program to Stimulate the Restructuring and Strengthening of the National Financial System), the flight of farmers from their lands as a result of the government's farm policy, the sluggish pace of land reforms, and the inadequacy or feebleness of social policies. I will return to these issues.

On the financial sphere, both the internal indebtedness of the public sector and the country's external debts have ballooned. The net internal debt of the public sector, comprising the three levels of government and state-owned companies, grew from R$ 170.3 billion in 1995 to R$ 407.8 billion in 1999, or from 24.5% to 35% of GDP. The country's external debt rose from R$ 154.8 billion in 1995 to R$ 423.8 billion in 1999, or from 22.2% to 38.5% of GDP, according to Central Bank figures.

This combination of high interest rates and an increasing debt burden certainly helps to explain the persistence of inequality. It is not difficult to understand why.

After all, who are the people that obtain the greatest gains in the form of interest? Who owns the public debt bonds and bank deposits? The answer is: mainly those who already enjoy the highest standards of income and wealth. The poorest can save little and are often net debtors, forced to pay the particularly high interest rates the Brazilian financial system charges individuals.

High interest rates attract foreign capital to Brazil, but their effect is to curtail productive investments, economic activity and, consequently, employment levels. Unemployment hits particularly hard the poorest. Furthermore, with less job opportunities, workers see their bargaining power diminish, reducing the possibility of obtaining wage increase, even to keep up with productivity gains. Thus, as a rule, greater unemployment leads to greater concentration of income. And unemployment has grown substantially during the *Plano Real*, as the figures in Tables 4 and 5 show.

High interest rates also hamper access to credit by small and medium-size companies vis-à-vis the larger ones, particularly multinationals that have access to international sources of financing that are not easily attainable by smaller companies.

For low-income consumers, the ability to purchase goods and services, not to mention homes and durable goods, is significantly encumbered by the high interest rates.

As local, state and the federal governments were forced to service a growing debt, there was a strangulation of the opportunities to spend in more relevant purposes, such as education, health, housing, sanitation, land reform, environment and other social measures of redistributionist nature that could decidedly contribute to eradicate misery or absolute poverty in Brazil.

It must be noted that the interest payments on the internal debt rose from R$ 12.1 billion in 1995 to R$ 37.06 billion in 1999, or from 1.7% to 3.4% of GDP, as shown by the SIAFI (System of Financial Management of the Federal Government).

This set of factors probably helps to explain certain data recorded in the National Accounts. The share of employees' income in the Gross Domestic Product fell from 45% in 1993 to 36% in 1996, while the GDP share of the Gross Operational Surplus (including the remuneration of capital, i.e., rents, profits and interest) rose.

The compensation of self-employed workers, around 7% of GDP in 1991, stabilized at 6% from 1992 to 1998. Thus, it must be noticed that compensation of employees and of self-employed workers peaked at 51% of GDP in 1993, falling to 42% in 1998, as shown on Table 6.

According to estimates by professor Márcio Pochmann[2] based on the National Research by Household Sampling of IBGE (Brazilian Institute of Geography and Statistics), labor's share of total national income continued to decrease in 1999, reaching 40.9%. Unfortunately, IBGE does not disclose what percentages of interest, rent and profit comprise the Gross Operational Surplus, preventing a more accurate analysis.

It is also essential to scrutinize the effects upon the distribution of wealth resulting from the way the government decided to privatize state-owned companies. The privatization was accomplished by financing the sale of those companies to private groups at relatively low interest loans obtained through BNDES and other official institutions, as well as by mobilizing the pension funds of the state-owned

2. Pochmann, Márcio. "A Quarta Fase da Desigualdade Distributiva no Brasil", *Valor Econômico*, Jul. 24, 2000.

companies, whose directors tend to overwhelmingly act on the government's behalf. Thus, several private economic groups acquired, in very advantageous conditions, the control of previously state-owned companies that, at least in theory, belonged to the entire population.

It is equally important to study in greater depth the effects of the concentration of assets, especially in the financial sector, that resulted from the operations of the PROER since 1995. With this program, the federal government established a credit line to rescue and restore financial institutions that were facing serious liquidity problems (such as Nacional, Econômico, Bamerindus, Mercantil, Banorte, Crefisul and others banks) offering comparatively lower interest rates that those practiced in the market so that part of their assets and liabilities could be absorbed by other, presumably healthier, institutions such as Unibanco and Excel (that was soon to find itself in a very problematic situation) and, later, Bilbao-Viscaia, HSBC and others.

Although the economic authorities justified the cost of these operations as being much lower than what other countries had to disburse to avoid more serious financial crises, the net effect was that the PROER became an additional concentration mechanism in the Brazilian economy, leading the Central Bank to present negative accounting results for several years. In 1999, for instance, Brazil's prime monetary authority posted a R$ 13.04 billion loss.

Another factor that acted as a concentrating force was the tendency of government financial institutions – such as BNDES, Banco do Brasil and others – to restrict credit operations at lower-than-market interest rates to the larger corporations. As Table 7 shows, from 1995 to 1998, disbursements of BNDES System went increasingly to larger companies. Although disbursements for micro, small and medium-size companies did increase from 7.6% of the total in 1998 to 16.4% in the first semester of 2000, undoubtedly a healthy evolvement, that last figure is still below the 17.8% of 1995.

Considering the period from 1995 to the first semester of 2000, the data on Table 8 show that disbursements for large companies accounted for 80.4% of the total, while credit operations for micro, small and medium-size companies represented only 10.2% of all disbursements.

Concerning the Brazilian agrarian structure, although the federal government settled 400,000 families between 1995 and June 2000, according to the National

Institute for Colonization and Land Reform (INCRA), the farm policy developed during this same period – as professor Guilherme Leite da Silva Dias warned upon leaving the Executive Secretariat of the Ministry of Agriculture – caused a much larger number of families to abandon agricultural activities. It is not surprising that the concentration of land, according to data from the INCRA, remained highly unequal throughout the 1990s, as shown by the figures in Table 9. In 1992, the 2.8% largest properties detained 55.3% of Brazil's agricultural fields, while in 1999 the 2.9% largest properties held 57.4% of all crop areas.

The inadequacy of the agrarian policy put in practice by the last administrations, and their effects on the country's agrarian structure, were highlighted by Gerson Teixeira[3] when studying the figures of the Agricultural Census completed by IBGE in 1985 and in 1995/96. For the first time since the 1950 census, there was a decrease in the number of agricultural establishments. From 1985 to 1995/96 there was a reduction of 941,944 of farm units – 70.3% of which with areas under 10 hectares (24.7 acres). In other words, IBGE data indicate that farm policies did not benefit small farmers or family economies and, on the contrary, contributed to expel farmers and workers from the country to the cities.

Small estates employ proportionally more people in farm activities than large ones. Collectively, farms with less than 1 hectare (2.47 acres) generate more jobs that all the farms with more than 500 hectares (1,235 acres) put together.

According to IBGE, there were 23,394,881 people employed in agriculture in 1985. The new census, on the other hand, recorded a 23% reduction (5,463,991) in the number of farm workers, who totaled 17,930,890 in 1995/96. The agricultural crisis can also be seen in the high number of children under 14 who toil in the fields, approximately 2.4 million, or 13.6% of the total number of farm workers.

Policies to Face the Problem of Inequality

In his *Reflections on the Brazilian Crisis*, during the homage for his 80th birthday at the University of São Paulo in June 2000, Celso Furtado, Brazil's foremost

3. Teixeira, Gerson. "O Censo Agropecuário de 1996: Uma Radiografia dos Resultados de 11 Anos de Neoliberalismo no Campo Brasileiro" in Cândido, Geraldo. *A Situação e Perspectivas da Agricultura Brasileira*, Brasília, Senado Federal, 2000.

living economist, summoned us to question ourselves about the roots of the problems of our people when he stressed that "we have accumulated a phenomenal external debt, we endure an internal indebtedness of the public sector that causes disorder in the finances of the State, while half the population suffers from undernourishment. [...] If we pursue the same road we've been treading since 1994, seeking the easy way out by increasing external and internal public indebtedness, Brazil's liabilities will increase so much in one decade that will absorb the total wealth we have mustered since the proclamation of Independence [in 1822]".

Later on, Furtado observed that "if we acknowledge that our strategic goal is to conciliate high growth rates with low unemployment and income de-concentration, we must recognize that the end-purpose of investments cannot be subordinated to the rationale of transnational corporations. We must set out from the concept of social profitability and incorporate the substantive values that express the interests of the people as a whole".

To avoid the disjunction of either disaggregating or slipping into an authoritarian, fascist-like regime as a response to growing social tensions, Furtado calls for "a return to the idea of a national project, reclaiming for the internal market the status of dynamic center of the economy. The greatest difficulty is to reverse the process of income concentration, something that will only be achieved with large-scale social mobilization. [...] Brazil can only survive as a nation if it transforms itself into a more equitable society while preserving its political independence".

What instruments of economic policy might lead to a reversion of this bleak picture and allow us to build an equitable and civilized nation? Precisely those that take into account the great values that have always moved humanity, those that involve more than the mere quest for one's self-interests, those that deal with ethics, solidarity, justice, liberty and democracy. The same concern may be found in authors such as Paul and Greg Davidson[4], Philippe van Parijs[5] and Amartya Sem[6].

4. Davidson, Paul & Greg. *Economics for Civilized Society*, New York, London, W.W. Norton & Company, 1988.
5. Parijs, Philippe van. *O que é uma Sociedade Justa?*, São Paulo, Ática, 1997.
6. Sen, Amartya. *Desenvolvimento como Liberdade*, São Paulo, Companhia das Letras, 2000.

Instruments compatible with such values and goals include:

– The practice of *participative budgeting,* enabling people from all segments of society to take active part in the decisions that involve the application of public resources. The best example of participative budgeting, one that has had international repercussions, is that of Porto Alegre, implemented and perfected by three administrations of the Workers' Party (Olívio Dutra, Tarso Genro and Raul Pont) and currently adopted by Olívio Dutra in the state government of Rio Grande do Sul.

– The implementation of swifter and more decisive *land reforms,* including the adoption of measures to authorize the dispossession of unproductive land, to promote the settlement of a larger number of families willing to till the land, and to provide these families with adequate support in terms of agricultural techniques and credit.

– Support for *cooperative forms of production in rural and urban areas* in all kinds of endeavors, as well as initiatives to foster *democratization in the relations of production between employers and employees* in every private and public company.

– The expansion of *microcredit* through institutions such as the People's Bank. A good example is the PortoSol institution, established in Porto Alegre in 1996 with the support of local and state governments, which eventually became a standard for a host of new experiments now being implemented by many municipal and state governments from various political parties – including the government of the state of São Paulo. To stimulate the dissemination of these credit operations in the Brazilian economy, BNDES has created specific programs to expand the concession of microcredit, loaning small sums of money at relatively modest interest rates to individuals and/or groups of like-minded people wishing to acquire work tools for productive activities, enabling them to provide for their families with dignity[7].

– The universalization and improvement of *education opportunities.*

– The expansion and significant improvement of *health services.*

7. BNDES programs to strengthen microcredit in Brazil may be observed in Goldnark, Lart *et alii*. *A Situação das Microfinanças no Brasil*, Rio de Janeiro, BNDES, 2000.

– Programs aimed at providing skills for people who cannot easily find work, either the young who are trying to find their first job and willing to work as trainees at modest wages, or the more elderly who can be trained in new functions and contribute with their experience. The following programs are good examples: *Primeiro Emprego [First Job], Bolsa Trabalho [Work Vouchers]* and *Começar de Novo [Beginning Anew]*.

– The implementation and gradual expansion of a *Guaranteed Minimum Income Program* (PGRM), beginning with education-related initiatives and advancing later toward the goal of assuring every person that lives in Brazil the inalienable right of participating in the nation's wealth and earn an income that is sufficient to cover his/her basic needs as a true citizen. Such a program could posthaste offer everyone in Brazil the possibility of unconditionally earning a basic income to satisfy his/her vital needs, regardless of birth, race, sex, age, civil or social/economic status. This would be an *ex-ante* right, with no prerequisite other than residency in Brazil. Everyone would contribute to finance the program, with those that have more contributing more. I would refer readers who are not yet familiar with this type of proposal to the *Basic Income European Network* (BIEN), launched in 1986, which became a forum for analyzing and disseminating experiments in minimum income, school vouchers, negative income tax, fiscal credit, and citizenship income. Similar institutions exist in countries in all five continents, including the *Basic Income Earth Network* (also known as BIEN), acknowledged by the former, which can be accessed through my Web site:

http://www.senado.gov.br/web/senador/eduardosuplicy.htm

BIEN's VIII International Congress was held on October 5 and 6, 2000 in Berlin. Those who wish to obtain further information may log on to:

http://www.etes.ucl.ac..be/bien/bien.htm

The guarantee of a minimum income, the transfer of cash resources to individuals or families that earn less than a certain income, is one of the fundamental instruments to simultaneously reach the following goals:

– Assure the eradication of misery.

– Promote the enrollment and permanence of children and adolescents in school.

– Combat child labor, opening more job opportunities for adults.

– Redeem the child's right to play and study.

– Eliminate undernourishment of children and adults.

– Take children and adolescents off the streets.

– Qualify adult family members for the labor market.

– Enable poor families to redeem their dignity.

– Significantly increase the economy's growth rates, mainly through an increased demand for basic goods, including foodstuff, but also by helping workers to find jobs.

– Increase public safety, as crime rates are reduced with improved social conditions.

What can be done to speed up implementation of programs to guarantee minimum income by federal, state and local governments in Brazil? On April 1991, I presented a bill in the Senate to create the PGRM, whereby every person over 25 who did not earn the equivalent to approximately R$ 350.00 today would be entitled to receive 30%, or perhaps even 50%, of the difference between that amount and that person's income. In that same year, debates within the Worker's Party led economist José Márcio Camargo to propose binding the guarantee of a minimum income to disadvantaged families with the existence of children under 14 years attending school, a proposal that was also embraced by Cristovam Buarque. The PGRM was ratified by the Senate on December 1991 and sent to the Chamber of Deputies, where it was favorably examined by representative Germano Rigotto (PMDB, Rio Grande do Sul). To this day, however, although ready and finished, the law still waits to be voted on by the Finance Committee.

Many city governments have implemented minimum income programs linked to education or to some system of school voucher, beginning with the pioneering and simultaneous 1995 examples of Campinas' mayor José Roberto Magalhães Teixeira (PSDB) and Federal District's governor Cristovam Buarque (PT), with a PGRM and a School Voucher Program, respectively. Later that year, Ribeirão Preto's mayor Antônio Palocci introduced the Program of Guaranteed Minimum Income in his city.

The results of these and other positive minimum income and school voucher experiments were widely disseminated in many cities and some states, and eventually reverberated back in Congress, where no less than six bills have been presented by representatives Nelson Marquezan (PMDB, Paraíba), Chico Vigilante (PT, Federal District) and Pedro Wilson (PT, Goiás) and by senators Ney Suassuna

(PMDB, Paraíba), Renan Calheiros (PMDB, Alagoas) and José Roberto Arruda (PSDB, Federal District). From these experiments and projects emerged Law 9,533/97 authorizing the federal government to finance 50% of the expenses incurred by cities that adopt minimum income programs associated with education. It is a very limited law, as it determines that from 1998 to 2002 only those cities whose income and tax revenues per capita are below the average of their respective states may qualify (the others qualifying only from 2003 on). Furthermore, benefits for each family whose per capita income is less than half the monthly minimum salary are only R$ 15.00 multiplied by the number of children under 14, minus half the family's per capita income.

By June 2000, according to a survey by the Ministry of Education, 1,481 city governments had signed agreements to implement the PGRM in accordance with Law 9,533/97. These programs will benefit 946,981 families, including 1,861,060 children, corresponding to an annual expenditure of R$ 439,506,490.00 – 50% of which will be borne by the federal government and the other 50% by the city governments. In the state of São Paulo, 179 cities have signed agreements with the Ministry of Education to benefit 30,506 families, including 57,658 children, at an estimated cost of R$ 11,787,930.00.

Let us suppose that a state or city wishes to implement a more generous minimum income program than that determined by Law 9,533/97. How will the state of Rio Grande do Sul or Piauí, or the city of São Paulo, that have 13% of their net revenues earmarked to pay off debts with the federal government, find means to bear this additional burden, that might reach something around 2% to 3% of their budgets, considering that they have so many other commitments in the areas of education, health and housing?

In the city of São Paulo, a bill presented by alderman Arselino Tatto (PT) was enacted in 1996 assuring that families with income under 3 minimum salaries per month and children under 14 attending school or day nursery are entitled to receive 33%, or even 66%, of the difference between that threshold (currently R$ 453,00) and the family's income. The law was vetoed by the then-mayor Paulo Maluf, but the City Council overrode the veto and the Tribunal of Justice considered the law duly enacted in July 1999. However, it still awaits implementation.

The SEADE Foundation has estimated that the population of the city of São Paulo comprises 9,923,000 people, or 3,063,000 families – 309,000 of which, corresponding to 10% of the total, have income under 3 minimum salaries per month and children under 14 attending school. Considering that the average family income is 1.68 minimum salary per month and that the average per capita family income is 0.46 minimum salary per month, these families would be entitled, according to the law of alderman Arselino Tatto, to an average monthly complement of approximately 0.44 minimum salary per month, equivalent to R$ 66.44 today. This would mean an estimated monthly disbursement of R$ 20,512,834.00, or R$ 246.1 million per year. Even taking international experiments into account, according to which successful programs reach around 70% of the people that need them, a full implementation of this program would cost somewhere around R$ 172 million, or roughly 2.2% of the city's 2000 budget of approximately R$ 7.5 billion.

If the city cannot bear this burden, a first step would be to initially implement the PGRM to benefit every family earning less than 0.5 minimum salary per month per capita and with children under 14 attending school. The SEADE Foundation estimates that these families number 165,000 (733,000 people), or 5.4% of the total number of families in the city of São Paulo. Their average family income is 1.04 minimum salary per month, their average per capita family income is 0.23 minimum salary per month, and the average monthly complementation would be 0.65 minimum salary per month, or R$ 97.15. Thus, the estimated monthly cost of this PGRM would be R$ 16,3 million, or R$ 195 million per year. If only 70% of potential beneficiary families are served, the total would be R$ 136.9 million, or 1.8% of the city's budget for 2000.

These figures might seem excessive if the city government bears the burden alone. However, if all three levels of government are involved, the program's feasibility increases substantially. It is worth noting that, as shown on Table 10, an additional expenditure of R$ 35 million would aid another 144,000 families. The reason for the cost being greater for families earning up to 0.5 minimum salary per month is that for them the benefits would also be greater.

Considering what was expounded at the beginning of this essay and the worsening social conditions of the Brazilian people, including those living in metropolitan areas, it would only be logical for the federal government to take responsibility for part of the program. Thus, it would be perfectly legitimate for the city government of São Paulo to ask president Fernando Henrique Cardoso for the federal government to refund a share of the 13% of the city's net revenues used to service its debt and apply this sum in the PGRM.

Although not yet a law, the state government of São Paulo has recently launched two programs to guarantee the income of families: *Complementando a Renda [Complementing Income]*, granting families that earn up to R$ 50,00 a month per capta other R$ 50,00 multiplied by the number of family members if their children are attending school, and *Alimenta São Paulo [Feed São Paulo]*, which distributes packages of staple foods to families earning up to 0.5 minimum salary per month per capita, with similar requirements. I find it quite reasonable that the city and state government's jointly determine the most adequate ways to complement the income of families that live in the city of São Paulo.

It would be right and befitting for state and city governments to make a joint effort and implement a PGRM designed in such a way that it contributes simultaneously to eradicate absolute poverty and child labor, create jobs and promote economic activity, and improve income distribution.

It must be stressed that when a program is implemented in segments, that is, by only a few cities, it tends to "close frontiers", so to speak. In order to prevent the arrival of migrants, these cities introduce access restrictions to the system, including a minimum period of residence. This flaw can only be superseded by extending the program to the nation as a whole. Ideally, it should comprise the entire continent, from Alaska to Patagonia.

We Brazilians need to be aware that developed countries also use instruments to complement the income of their workers – who, thanks to these mechanisms, begin to earn more. I would like to stress that these programs, such as the Earned Income Tax Credit (EITC), currently benefit more than 20 million families in the US, making the American economy more competitive than ours and contributing to maintain the unemployment at around 4%, the lowest rate of the last 30 years. By coordinating minimum wage, minimum income and similar instruments, US, Canada, United Kingdom and other European countries have achieved the goal of improving job levels and income distribution.

A rationally designed PGRM must strive to avoid the pitfalls of unemployment and poverty, and must always strive to stimulate progress and work. That is why I have always advocated that the program be designed in the manner of a negative income tax, either for adults (as the 1991 bill that I presented creating PGRM) or for families (as a bill I also presented at the Senate and awaits ratification by the Chamber of Deputies). This proposal modifies the benefit formula determined by Law 9,533/97, entitling a family with per capita income under 0.5 minimum salary per month and children under 14 attending school to receive 40% (a percentage that may be altered by the Executive) of the difference between the number of family members multiplied by 0.5 minimum monthly salary and the family's income.

The other way to provide constant stimulus for work, minimize bureaucratic control over what each person earns and, above all, avoid attaching any stigma or embarrassment to revealing one's situation is to establish basic income as an unconditional right. This has already been done in an experiment that began more than 20 years ago and has given very positive results.

I am referring to the system of dividends provided by Alaska's Permanent Fund (APF). In 1976, governor Jay Hammond proposed to the Legislative Assembly and the people of Alaska to set aside 50% of the royalties from the exploitation of the state's natural resources, such as oil, for a fund that would belong to all state residents. The idea was approved in a public referendum by a 2-to-1 margin. For four years, it was discussed how resources were to be invested. Some suggested opening a development bank, as Brazil's BNDES. Others were against it, pondering that this would be a way to offer subsidized resources to businesspeople and, even if generating investments and jobs, would lead to an intense concentration of wealth. That is why they chose a system that benefits everyone equally. It was decided that the APF resources would be invested in fixed income bonds, in stocks of companies from Alaska, continental US and abroad (including Brazil), and in real estate. The fund's reserves exceeded $1 billion in 1980, reaching $28.1 billion in 2000. In 1976, Alaska had around 300,000 inhabitants. Today there are more than 600,000. Each state resident enrolled in the fund's data bank receives every October a dividend that has increased from $300 in 1980 to $1,679.84 in 1999. In the year 2000, a six-person family received approximately $12,000 as its due for participating in the wealth of the state of Alaska. This is quite similar to what was proposed in 1795 by Thomas Paine, one of the greatest ideologues of the American and French revolutions, in *Agrarian Justice*, an essay written for France's Directory and National Assembly.

Studies by economists have shown that the dividend system of Alaska's Permanent Fund contributed to increase that state's economic stability. One might argue that Alaska's per capita income is six times greater than Brazil's, with a much smaller population. But if we wished to provide something similar and equivalent to 167 million Brazilians, it would mean approximately R$ 40.00 per month for each one, or R$ 480.00 per person per year – a total of R$ 80.1 billion needed to aid each and every Brazilian. Considering that the federal budget for 2000 reserved R$ 78.1 billion to service the public debt (foreign and domestic), the gradual introduction of programs to guarantee a minimum income, with the goal of eventually establishing an unconditional basic income program, would be well within budgetary possibilities. It would be a way to not discriminate against the poor – poor with no children of a certain age, childless poor, elderly poor or whoever else. Thus, the current formats of minimum income programs and school vouchers in Brazil must be superseded in the future if we are to assure each and every person the right to a citizen's income. This step will certainly contribute to make Brazil more equitable.

Instituting a nation-wide program of guaranteed minimum income is consistent with the recommendations of a great Brazilian who left us recently. In his last article for the *Jornal do Brasil,* Barbosa Lima Sobrinho wrote that "equality is the basic assumption of democracy, without which it cannot survive". The public policies proposed in this essay, if vigorously adopted, are capable of assuring every Brazilian the right to live with dignity and will therefore lead to greater equality and a strengthened democracy.

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TABLE 1
Indicators of income inequality

Year	GINI coefficient	Ratio between average income of richest 10% and poorest 40%
1977	0.62	26.8
1978	0.60	25.0
1979	0.59	22.6
1981	0.59	22.0
1982	0.60	23.2
1983	0.60	23.7
1984	0.59	22.6
1985	0.60	23.8
1986	0.59	22.3
1987	0.60	24.7
1988	0.62	27.3
1989	0.64	30.7
1990	0.62	27.1
1992	0.58	21.8
1993	0.60	24.5
1995	0.60	24.1
1996	0.60	24.6
1997	0.60	24.5
1998	0.60	24.1

Source: IBGE/PNAD (Brazilian Institute of Geography and Statistics / National Research by Household Sampling). See Barros *et alii*, 2000.

TABLE 2
Share of aggregate income
of the poorest 50% and the richest 1%

Year	Poorest 50%	Richest 1%
1977	11.7	18.5
1978	12.0	13.6
1979	12.7	13.6
1981	13.0	12.8
1982	12.5	13.2
1983	12.3	13.6
1984	12.8	13.3
1985	12.4	14.3
1986	12.9	13.9
1987	12.0	14.3
1988	11.3	14.4
1989	10.5	16.7
1990	11.3	14.3
1992	13.1	13.3
1993	12.3	15.1
1995	12.3	13.9
1996	12.1	13.6
1997	12.1	13.8
1998	12.3	13.9

Note: The distribution used here was household income per capita.
Source: IBGE/PNAD.

TABLE 3
Price index evolution
National Consumer Price Index
1990-2000

Year	NCPI/IBGE (%)
1990	2,863.90
1991	423.85
1992	992.91
1993	1,936.32
1994	2,111.63
1995	21.21
1996	9.53
1997	4.34
1998	2.95
1999	8.43
2000*	1.10

* Until June 2000
Source: IBGE.

TABLE 4
Open unemployment rates
Annual averages. Metropolitan regions.

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*
Brazil	4.83	5.80	5.31	4.96	4.63	5.46	5.66	7.60	7.56	8.94
Belo Horizonte	4.51	5.29	4.85	4.71	4.15	5.07	5.80	8.21	8.63	9.67
Porto Alegre	4.62	5.96	4.23	4.32	4.72	6.25	5.89	7.95	7.80	8.23
Recife	6.76	9.59	9.87	7.33	5.86	6.18	6.46	9.72	8.92	8.99
Rio de Janeiro	3.92	4.48	4.51	4.44	3.70	3.94	4.01	5.92	5.85	6.33
Salvador	6.16	7.05	6.98	7.33	6.93	7.14	8.19	9.77	10.60	11.43
São Paulo	5.98	7.11	6.13	5.84	5.53	6.71	7.15	9.40	9.11	9.00

* Figures until June.
Source: IBGE, Monthly Employment Survey.

TABLE 5
Total unemployment rate
Annual averages 1999-2000

Year	Metropolitan area of São Paulo	City of São Paulo	Other cities in the São Paulo metropolitan area
1990	10.0	09.5	11.0
1991	11.6	10.7	13.5
1992	14.9	14.0	16.7
1993	14.7	13.5	16.9
1994	14.3	13.2	16.2
1995	13.2	12.3	14.7
1996	15.0	14.0	16.8
1997	15.7	14.6	17.9
1998	18.2	17.0	20.3
1999	13.6	17.9	22.0
2000*	18.3	16.9	20.7

* Figures until June
Source: Seade Foundation/Dieese.

TABLE 6
Share of incomes in Brazil's GDP
1991-1998

Year	Income of employees and self-employed workers	Gross operational surplus
1991	49	38
1992	50	38
1993	51	35
1994	46	38
1995	44	40
1996	45	41
1997	43	43
1998	42	44

IBGE defines gross operational surplus as the balance of the value-added deducted from the compensation of employees, from the income of self-employed workers and from net taxes of subsidies. It is a measure of the production surplus before any fees are deducted in the form of interest, income or other property yields to be paid on financial assets, land or other tangible assets.
Source: IBGE, Vice-presidency of Research, Department of National Accounts, System of National Accounts of Brazil, 1998.

TABLE 7
Disbursements of BNDES System, by size of company (in %)*

Size of company	1995	1996	1997	1998	1999	2000***
Micro / small**	11.7	8.5	5.5	2.8	4.6	8.1
Medium	2.1	2.5	0.8	4.8	5.6	8.3
Large	75.4	76.9	85.3	85.9	83.9	74.8
Subtotal	89.2	87.9	91.6	93.5	94.2	91.3
Individuals	8.4	4.2	6.0	4.5	5.0	8.0
Direct Public Administration	2.4	7.9	2.3	2.0	0.8	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Percentage points based on figures for April 2000, in millions of *reais*
* Includes those registered at BNDES as micro, small or farm companies.
** Annualized from disbursements in the first quarter of 2000.
Source: BNDES.

TABLE 8
Disbursements of BNDES system, by size of company, 1995 to 2000

	Total disbursement	
Size of company	Amount*	%
Micro / small**	6,430.7	6.1
Medium	4,319.0	4.1
Large	84,986.3	80.4
Others	9,991.0	9.4
Total	105,727.0	100.0

* In millions of *reais* in April 2000.
** Includes those registered at BNDES as micro, small or farm companies.
Source: BNDES.

TABLE 9
Brazil's Agrarian Structure: 1992-1998

	1992				1998			
	Properties		Total area		Properties		Total area	
	Number of properties	(%)	Acres (x1000)	(%)	Number of properties	(%)	Acres (x1000)	(%)
Minifundia	1,772,870	60.6	59,394	7.8	2,214,983	61.7	76,520	7.5
Small properties	821,003	28.1	122,489	16.0	968,072	27.0	151,124	14.7
Medium prop.	235,904	8.1	154,044	20.1	286,111	8.0	197,209	19.2
Large properties	82,316	2.8	423,813	55.3	104,744	2.9	588,941	57.4
Other	12,111	0.4	6,350	0.8	14,057	0.4	13,094	1.3
Total in Brazil	2,924,204	100.0	766,090	100.0	3,587,967	100.0	1,026,888	100.0

Minifundium: rural property with less than one fiscal module in area.
Small property: rural property with area from 1 to 4 fiscal modules.
Medium property: rural property with area from 4 to 15 fiscal modules.
Large property: rural property with more than 15 fiscal modules in area.
Fiscal module: unit of area expressed in hectares (2.47 acres), established for each city and taking into account the following factors: (a) prevailing crop or livestock in the city; (b) income obtained from prevailing crop or livestock; (c) other crops or livestock existing in the city that, although not predominant, are significant in terms of income and area; and (d) the concept of family estate.
Source: National Institute for Colonization and Land Reform (INCRA).

TABLE 10
Simulation of comprehensiveness and cost of PGRM in the city of São Paulo

Program	Beneficiaries	Number of families served	Cost (in millions of *reais*)
Supplement of 33% of the difference between 3 minimum salaries per month and total family income	Families with total income of up to 3 minimum salaries per month and children under 14 enrolled in a public school or day nursery	309,000	172
Supplement of 33% of the difference between 3 minimum salaries per month and total family income	Families with total income of up to 0.5 minimum salary per month and children under 14 enrolled in a public school or day nursery	165,000	137