

Basic Income European Network (BIEN)

VIII Congress Economic Citizenship Rights for the 21th Century

Towards a citizen's income The advancement of the battle in Brazil

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In his "Development as Freedom"², Amartya Sen tells a moving story that has impressed him for the rest of his life. When he was around ten years of age, playing at the garden of his family home in the city of Dhaka, a man came through the gate screaming pitifully and bleeding profusely; he had been knifed in the back. The knifed man, Kader Mia, was a muslim daily laborer who had come for work in a neighboring house - for a tiny reward - and had been knifed by some communal thugs in that largely Hindu area. Sen gave water to the man and asked his own father for help to rush Kader Mia to the hospital. On the way, Kader Mia told Amartya and his father that his wife had told him not to go into a hostile area in such troubled times of communal riots with Hindus and Muslims killing each other, before the independence and partition of India and the criation of Pakistan. But he had to go out in search of work and a bit of earning because his family had nothing to eat. The consequence of his economic unfreedom, relates Amartya Sen, turned out to be death, which occurred later in the hospital.

¹ Federal Senator of the Worker's Party (PT), represents the State of São Paulo, reelected in 1998 for a second 8 year term with 6.718.453 or 43.3% of the valid votes, author of the bill to institute a guaranteed minimum income program that was approved by Brazil's Senate in 1991. Professor of Economics at the Escola de Administração de Empresas de São Paulo, da Fundação Getúlio Vargas. Ph.D. in Economics, Michigan State University (1973).
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² Amartya Sen, "Development as Freedom", Alfred A. Knopf, New York, 1999, p.8.

During my boyhood, living in front of a beautiful park in São Paulo, several times I was awoken during the night by women that were yelling for help. I used to open the window to look out and sometimes went there to check what was happening. They were being beaten by the police with rubber batons and were generally taken to the police station. After one or a few days in jail, the prostitutes would be free and go back again to their trottoir and way of earning their living.

In the early nineties, I went to the Northern State of Pará, in Brazil, with a committee of deputies and senators, to listen to workers about their semi-slavery working conditions. In the city of Rio Maria, several of them described the typical situation:

- "We come to the location of the bus station, the hotel, or the restaurant, where the farm's manager hires workers. He says that we are going to earn a certain amount of money to cut down the forest, prepare the land and to plant the seeds. Then we go to the farm, say, around 500 km from here. After a few weeks of work we say: "It is about time to receive some money, after all, we need to send it to our families."
- 'How come?' The boss answers. 'In fact you owe me, since you have bought more from the farm's store than you have to receive.'
- " Well, in this case we are going home."
- 'If you go, you will be shot', says the boss, pointing a gun to us."

Last June, in Rio de Janeiro, a violent crime shown live by the TV networks shocked all Brazilians. A 22-year-old man, Sandro do Nascimento, that was one of the 40 survivors of the internationally famous Candlemas slaughter - when 7 street minors from 10 to 17 years of age were shot to death by the police - hijacked a bus full of people, mostly women, asking them to give him the money that they had, otherwise he would kill them. After more than six hours of tension, he got off the bus pointing his gun at a teacher who was pregnant. The police precipitated an action to arrest him, and during the shooting the young lady, Geisa Firmo Gonçalves, was killed. On the way to the police station, inside the police car, the policeman strangled Nascimento. For a long time, with almost no schooling or assistance from others, he had been unemployed, involved with drugs with no hope or minimal chance of having a normal life.

Such situations are very common cases that are being repeated every day in countries such as Brazil, Nigeria, India or Pakistan "of how lack of economic freedom, in the form of extreme poverty, can make a person prey to the violation of other kinds of freedom. Kader Mia needed not to have come to a hostile area in search of a little income in those terrible times had his family been able to survive without it. Lack of economic freedom can breed social dependence, just as lack of social or political freedom can also foster economic dependence." These words from Sen are among the best arguments in favor of a basic income.

Would the prostitutes at the park in São Paulo, or the rural landless workers in Pará or the hijacker in Rio de Janeiro have to be submitted to those situations if a guaranteed minimum income were in effect in Brazil?

Since the fifties when I was a boy, or the sixties when I started opening my mind to consider whether there could be alternative ways of organizing the economy so as to eradicate poverty and came across the concept that made you all form the BIEN, I became increasingly convinced that we should guarantee to everyone on earth an income as a citizen's right. This is particularly true in Brazil, where we have seen periods of very high inflation along with the stabilization of prices, of very high growth rates as well as of recessions, but all of them persistently characterized by a very unequal income distribution.³

According to the latest 2000/2001 World Development Report of the World Bank, in addition to the factors that have happened in our 500 years of History since Portugal discovered Brazil – set of three centuries of slavery – Brazil is the vice-champion of income inequality, with a Gini Coefficient of 0.60 (1995), only second to Sierra Leoa, with 0.629 (1989). From the seventies to 1998, except in the year 1981, the 1% richest have always had a greater participation in the national income than the 50% poorest.

Even with the significant diminution of inflation that was 2,111% in 1994, and below 10% a year since 1996, income inequality has remained a matter of very serious concern, with the Gini Coefficient persistently at 0.60, taking into account household incomes, from 1993 to 1998. The 1% richest, in 1995, had 13.9% of aggregate income, more than the 12.3% that were gained by the 50% poorest of the population, a result that was repeated in 1998.

³ Ricardo Paes de Barros, Ricardo Henriques e Rosane Mendonça, "Desigualdade e Pobreza no Brasil: a Estabilidade Inaceitável", Rio de Janeiro, IPEA, 2000.

The persistence of inequality is due to the orientation of the government's policy, characterized by very high interest rates, overvaluation of the exchange rate until January 1999, a poorly planned commercial and financial opening of the economy, a privatization process that favored well established economic groups, the use of official financial institutions to distribute loans, mainly to big firms, at relatively lower interest rates than those of the market, an agrarian policy that caused an exodus of rural workers that surpassed the number of families benefitted by the process of agrarian reform and by public social policies that were not sufficiently adequate and efficient for the purpose of diminishing inequality and eradicating poverty.⁴ In 1992, according to the Nacional Institute of Colonization and Agrarian Reform –INCRA, the 2.8% biggest landowners owned 55.3% of the cultivable land in Brazil. In 1998, the 2.9% biggest landowners owned 57.4% of the agricultural land, showing no progress towards more equality.

Relatively high interest rates to attract foreign capital have contributed to increasing public indebtedness, growth rates below the potentiality of the economy and unacceptable levels of unemployment. Taking into account the average rate of the six metropolitan areas for which there are official unemployment statistics provided by the National Institute of Geography and Statistics, IBGE, it has evolved from 4.6%, in 1995, to 5.46% in 1996, 5.66% in 1997, 7.6% both in 1998 and 1999, and to 8.9% in the first semester of 2000. Not surprisingly, the growth of real wages has not accompanied productivity increases, leading to a decreasing participation of the workers in the national income, from 46%, in 1994, to 42% in 1998, and 41% in 1999. As one would expect, from 1995 to 1999, the number of robberies and other violent crimes in the metropolitan areas such as that of São Paulo has more than doubled.

What could be done to revert this very serious situation? It is very important that we implement policies that could contribute to move our society into a situation that could be characterized by a strong sense of justice, where the principles of equality, freedom, deference and equality of opportunity, as defined by John Rawls, in "A Theory of Justice"⁵, and discussed by Philippe Van Parijs, in

⁴ Eduardo Matarazzo Suplicy, "A persistência da desigualdade, o endividamento crescente e os caminhos da igualdade", em Revista Estudos Avançados do Instituto Estudos Avançados/USP n. 40, sep.dec.2000.

⁵ John Rawls, "A Theory of Justice", Harvard University Press, 1971. Chapter II.

"Qu'est-ce qu'une société juste?"⁶, would prevail. To attain this purpose we must pursue economic policies and methods that includes values that take into consideration consideration not only and primarily each one's self-interest, but also those values that have really moved humanity in the great battles towards progress and civilization, such as those sintethized by Martin Luther King Jr in his 28th of August of 1963 speech before the Lincoln Memorial, and highlighted by Paul and Greg Davidson in "Economics for a Civilized Society"⁷:

"I Have a dream
that every valley shall be exalted,
every hill and mountain shall be made low.
This will be the day
When all of God's children
Will be able to sing with new meaning,
'My country 'tis of thee,
sweet land of liberty, of thee I sing'.
When we let freedom ring,
when we let it ring from
every village and hamlet,
from every state and every city,
we will be able to speed up the day
when all of God's children,
black men and white men,
Jews and Gentiles,
Protestants and Catholics,
will be able to join hands and sing
the words of that old Negro Spiritual.
'Free at last! Free at Last!
Thank God Almighty,
We are free at last!"

Public policies that are consistent with those values and objectives are:

1. **Participatory Budget**, that has allowed people from all segments of society to participate more intensively in the decisions of the executive on how to spend public money.

⁶ Philippe Van Parijs, "Qu'est-ce qu'une société juste?", Paris: Le Seuil, 1991. Chapter 8.

⁷ Greg Davidson and Paul Davidson, "Economics for a Civilized Society", W.W. Norton & Norton Company, New York, 1988.

2. Implementation in a more decisive and rapid way of the **Agrarian Reform**, in view of the still so unequal distribution of land ownership in Brazil.
3. Support to the **Cooperative Forms** of Production as well as incentives to the **democratization of the relationship between entrepreneurs and workers** in all private and public companies.
4. **Expansion of microcredit** through institutions such as the Grammeen Bank, in Bangladesh, and the several People's Bank that have started in the past three years in Brazil.
5. Improvement and universalization of **educational opportunities**.
6. Significant improvement of **health services**.
7. Programs aimed at improving the capacity of those individuals who are having difficulty in finding jobs, such as the **First Jobs** programs for the young or the **Start Over Again** programs for middle-aged persons that are in for a recycling of their abilities.
8. The implementation of a **Guaranteed Minimum Income Program, GMIP**, that should be expanded gradually. First, it may be related to educational opportunities, but in the sense of guaranteeing to all residents in Brazil the inalienable right to participate in the wealth of the nation and to receive a sufficient income to meet his or her vital needs as a citizen's right. Thus, in brief, we should attain the objective of instituting a basic income to all, no matter his or her origin, race, age, sex, civil status or socioeconomic condition.

How has this struggle evolved in Brazil? Antonio Maria da Silveira (1975)⁸, Edmar Bacha and Roberto Mangabeira Unger (1978)⁹ made contributions in the academic literature proposing the introduction of a GMIP through a negative income tax. In 1991 I introduced a Bill in the Brazilian Senate according to which all citizens of 25 years of age or over, with a monthly income below approximately US\$ 150.00 would have the right to receive a

⁸ Silveira, Antonio Maria. "Moeda e Redistribuição de Renda", Revista Brasileira de Economia, abril/junho, Rio de Janeiro, 1975.

⁹ Bacha, Edmar et Unger, Roberto M. "Um Projeto de Democracia para o Brasil", Participação, Salário e Voto", São Paulo, Paz e Terra, 1978.

complementary income in the form of a negative income tax which would be 30% of the difference between that level of income and his or her level of income. The government would be authorized, depending on the availability of resources and the evolution of the program, to increase that rate up to 50%. On December 16, 1991, the bill was approved by all parties in the Senate, with only four abstentions and no votes against it.

That bill received a favorable report by Deputado Germano Rigotto (PMDB-RS) and has been ready to be voted on since 1992 in the Finance Committee of the Chamber of Deputies. The Executive, however, having the control of the majority of the National Congress, has not encouraged a decision to be made about that bill. Anyhow, important developments have occurred since then.

In 1991, when I was discussing the GMIP with the economists that were sympathizers of the PT, José Márcio Camargo¹⁰ suggested that it would be better to guarantee a minimum income to families with children at school age, as long as they were really going to school. This would be a way to eradicate infant work, to invest in educational opportunities for those who otherwise wouldn't be able to attend school. One of the main problems in Brazil was the number of poor children that were not able to go to school since their parents were asking them to help with some work for the family's subsistence. Therefore, a guaranteed income to those families would be a way of cutting one of the main links of the vicious circle of poverty. Cristovam Buarque¹¹, within the PT, became one of the enthusiasts of the idea.

In 1995, two pioneer experiences were implemented almost simultaneously. Mayor José Roberto Magalhães Teixeira (PSDB) of Campinas (SP), a city of 900.000 inhabitants 100 km from the city of São Paulo, started the Guaranteed Family Minimum Income Program whereas Governor Cristovam Buarque (PT) launched the Bolsa-Escola Program in the Federal District. Both had the purpose of guaranteeing a complementary income to all families with children up to 14 years of age, as long as the children were going to school. In Campinas the benefit was defined as the amount necessary to attain half the value of the minimum wage times the

¹⁰ Camargo, José Márcio. "Pobreza e Garantia de Renda Mínima" and "Os miseráveis" articles published in the newspaper Folha de São Paulo in 1991/12/26 and 1993/03/03.

¹¹ Buarque, Cristovam. "A Segunda Abolição: um Manifesto - Proposta para a Erradicação da Pobreza no Brasil", São Paulo, Paz e Terra, 1999.

number of members in the family. Therefore, it would be equivalent to a negative income tax at a 100% rate. In the Federal District, the benefit was defined as a full minimum wage to the family, no matter the number of family members.

Both experiences were successful, with rapid repercussion. Already in late 1995, Mayor Antonio Palocci (PT) launched a GMIP in Ribeirão Preto. In the following years Minimum Income or Bolsa Escola programs – both names were used – started to be implemented autonomously, i.e., depending only on municipal resources, by tens of mayors: Edmilson Rodrigues (PT), in Belém (PA); Patrus Ananias and Célio de Castro, in Belo Horizonte (MG); Décio Neri de Lima, in Blumenau (SC); Teresa Jucá, in Boa Vista (RR); Paulo Roberto Roitberg, in Caçapava (SP); Félix Sahão, in Catanduva (SP); Pepe Vargas, in Caxias do Sul (RS); José Fritz, in Chapecó (SC); Gilmar Dominici, in Franca (SP); Nion Albernaz, in Goiânia (GO); Carlota Rocha, in Jaboticabal (SP); André Benassi, in Jundiá (SP); Dorcelina Folador, in Mundo Novo (MS); Humberto de Campos, in Piracicaba (SP); Mauro Bragato, in Presidente Prudente (SP); Celso Daniel, in Santo André (SP); Angela Guadagnin, in São José dos Campos (SP); Jackson Lago, in São Luís (MA), and so many others, with variations in the definition of the family benefit, but with the same purpose.

Many of these administrations received prizes from Ford, Getúlio Vargas and Abrinq Foundations because of their special attention to children and adolescents. As a result, from 1995 on several bills were presented in the Nacional Congress with the purpose of instituting a guaranteed minimum income program related to socio-educational opportunities. Federal representatives Nelson Markezan (PSDB-RS), Chico Vigilante (PT-DF) and Pedro Wilson (PT-GO), Senators Ney Sussuana (PMDB-PB), Renan Calheiros (PMDB-AL) and José Roberto Arruda (PSDB-DF) were the authors. Based on these bills, Act no. 9.533/97 was approved and sanctioned by President Fernando Henrique Cardoso in December 1997.

On October 1996, I took Professor Philippe Van Parijs to a 45-minute meeting with President Fernando Henrique in the Palace of Planalto, in Brasília. Van Parijs told him that it would make much sense to start a minimum income program relating to the educational opportunities. That act is still quite restricted. It authorizes the Federal Government to support in 50% of the expenses the municipalities that institute guaranteed minimum

income programs to families with monthly per capita income below half the minimum wage, with children up to 14 years of age, as long as they are going to school. Today's minimum wage is R\$ 151,00 (around US\$ 81.00) per month. The benefit per family is only R\$ 15,00 x the number of children up to 14 years of age in the family, minus half the family's per capita income.

I did not see much sense in that benefit formula and pointed out that it would result in a negative value, as in the case of a family of mother and child. A minimum of R\$ 15,00 per family was then established. In December 1997, one day after Act no. 9.533/97 was sanctioned I introduced a bill to modify the formula of the benefit. Each family with a per capita income below half the minimum wage and children up to 14 years of age would have the right to receive a complementary income that would be equal to $B = 0.40$ (half the minimum wage x number of members of the family – the family's income). The government would be allowed to modify that 0.40 rate according to experience and the availability of resources. This bill has already be approved by the Senate.

Another limitation is that during the first five years as of the enactment of Act no. 9.533/97, it authorizes the Federal Government to finance 50% of the expenditures of those municipalities with per capita income and per capita receipts below the average of the state. This leaves out approximately 40% of the 5.656 Brazilian municipalities, including the main metropolitan areas where there is a high concentration of poverty. During the first year, 1998, the Union could give financial support to the 20% municipalities with the smallest per capita income and receipts. In 1999, the following 20% and so on, until 2002. Due to my insistence an article of the act was approved establishing that after the fifth year, that is 2003, all the municipalities could have that federal support. Moreover, I also insisted, and this was also approved, that depending on the availability of resources and evolution of the program, the Union could accelerate implementation schedule of the act. The act also opens the possibility for the 26 States and the Federal District to participate in helping the municipalities.

In August 1998, with the very stimulating presence and contributions of BIEN's President, Guy Standing, as well of Robert Greenstein of the US Center of Budget Studies and Public Policies, an International Conference was organized in the Brazilian National Congress, in Brasília, to discuss all experiences of minimum income

and Bolsa-Escola programs¹². According to the latest report of the Ministry of Education, until September 2000, 1620 municipalities have already signed agreements to implement GMIP according to Act no. 9.533/97. Those programs will benefit 1,028,925 families that have 2,030,940 children from 7 to 14 years of age; 50% of the cost of such programs are the responsibility of the Union and 50% of the municipalities which may have extra support from the State governments.

It is with great enthusiasm that I may announce what will most likely happen in the municipality of São Paulo, the largest city in South America. In 1996, the City Council approved an act, sponsored by the PT city councilman Arselino Tatto, to institute a GMIP according to which all families with income below 3 minimum wages, that is presently R\$ 453,00 per month, with children up to 14 years of age, as long as those in school age are going to school, will be entitled to a complementary income. The benefit is 1/3 of the difference between R\$ 453,00 and the family's income, the mayor being allowed to increase that rate up to 2/3 according to the availability of resources and evolution of the program. It so happens that until now the mayor of São Paulo has not regulated and implemented the act.

But the good news is that the PT's candidate for Mayor that won the first ballot of the municipal election last Sunday, October 1st, with 38% of the valid votes versus 17% of the her main opponent, has as a main point of her platform to regulate and start the GMIP from January 2001 on. It would be a great honour for me to have her presence here at the VIII International Conference of BIEN. I am speaking of my wife, Marta Suplicy, who participated in the 1996 VI BIEN's Congress in Vienna. But now she is doing her best to win the second ballot in October 29th. I will be back to São Paulo next Sunday at 8 AM to be campaigning at her side.

Note that the São Paulo GMIP has a design that resembles the Family Assistance Plan¹³ that was almost approved by the US National Congress in the early seventies. It would guarantee a negative income tax of 50% to all families with income below US\$ 3,900 per year. Its design has the properties of avoiding the so-called poverty and unemployment traps. However, we will have to

¹² Annals of "Conferência Internacional Renda Mínima: Discussões e Experiências", Brasília, Senado Federal, 1998.

¹³ Moynihan, Daniel P. "The Politics of a Guaranteed Income. The Nixon Administration and the Family Assistance Plan", New York, Random House, 1973.

deal with the stigma and administrative problems that Philippe Van Parijs¹⁴, Clauss Offe, Guy Standing¹⁵ and so many of you have called our attention to. Most important, it will be fundamental to start the implementation of what will become the largest GMIP in South America cities. From this experience so many lessons will be learned. It is also important to register that in several of main universities and institutes of high education in Brazil many posgraduate thesis have been elaborated on the evolution of the guaranteed minimum income experiences¹⁶.

How much will it cost and how will it be financed? São Paulo has 9,923,000 inhabitants, or 3,063,000 families. Of those inhabitants, 309,000, i.e., 10.1% of the total, have an income below three minimum wages and children up to 14 years of age. If all of them are going to receive 1/3 of the difference between R\$ 453,00 and their family incomes, this corresponds to an annual expenditure of R\$ 246 millions. The total annual public receipt of the city of São Paulo is about R\$ 7,5 billions. It is Marta Suplicy's plan to make agreements both with the Federal and the State Governments to fully implement the GMIP for all families that have that right established in the municipal law of São Paulo. There will be some difficulties since the present mayor of São Paulo has not provide the necessary resources to implement the GMIP in his Budget Law Message for 2001. The new mayor will have to dialogue with the City Council to have this properly adjusted.

It is my hope that this will be yet another big step towards the aim that we may institute an unconditional basic income in Brazil as soon as possible. Over the past five years I have been following enthusiastically the results of the Alaska Permanent Fund Dividend System. Last Wednesday, October 4, all 600,000 Alaskans received

¹⁴ Van Parijs, Philippe. "Real Freedom for All; What (if anything) Can Justify Capitalism?", Oxford, Clarendon Press, 1995.

¹⁵ Standing, Guy. "Global Labour Flexibility - Seeking Distributive Justice", London, Macmillan Press Ltda, 1999.

¹⁶ Almeida, Evaristo. "Programa de Garantia de Renda Mínima: Inserção Social ou Utopia?", Dissertação de Mestrado em Economia Política, PUC-SP, 1998.

Fonseca, Ana Maria Medeiros da. "O Debate sobre a Família e a Política da Renda Mínima", Tese de Doutorado, USP, 2000.

Silva, Maria Ozanira Silva e. "Renda Mínima e Reestruturação Produtiva", São Paulo, Cortez, 1997.

Lavinas, Lena. "Programas de Garantia de Renda Mínima e Ação Coordenada de Combate Pobreza", Rio de Janeiro, IPEA, 1997.

Constantin, Paulo Dutra. "Renda Mínima no Brasil: Avaliações dos Modelos Implantados e dos Modelos de James Meade", São Paulo, EAESP-FGV, 2000.

US\$ 1,963.89 as their legitimate right to participate in their State wealth. If we were to apply the same system to all 167 million Brazilians, paying 1/6 of that value since our per capita income is around 1/6 of theirs, then we could pay around R\$ 40,00 per month or R\$ 480,00 per year to all Brazilians. This would cost R\$ 801 billions. President Fernando Henrique Cardoso might think that is too much. However, this year we are going to pay around R\$ 78 billions of interest to all federal public domestic and external creditors of Brazil. That means that this number is perfectly attainable for us in the near future.

Last November, in the 1999 Second National Congress of the Workers Party (PT), in Belo Horizonte (MG), I proposed the following resolution that was approved unanimously: “ The Workers Party will struggle for Brazil – unfortunately the last country to avoid slavery in 19th century – to be the first Nation to implement, in the 21st century, the right of all people to receive an income sufficient to attend their life needs, to assure them the greatest freedom it might be, the right to have their children studying and developing themselves, and the right to participate in the wealth of the Nation”.

I intent to do my best efforts to persue this objective, helping my party to fight to implement a basic income in Brazil during the frist decade of the 21st century. I am preparing a bill to be introduced in the Brazilian Senate authorizing the Federal Government to implement an unconditional basic income from 2005 on. I will do my best efforts for this objective to be a main point of the next 2002 presidential electoral campaign.