"At this moment that Your Excellency sanctions the Law of Basic Income of Citizenship I want to express my conviction that, with that measure, our country is put in the vanguard of those that struggle for the construction of a more solidary society. Frequently Brazil was referred as one of the last countries to abolish the slave work. Now, with this action that is fruit of the civism and wide social vision of senator Eduardo Matarazzo Suplicy, Brazil will be referred as the first that institutes a system of such including solidarity and moreover approved by the representatives of its people."


INTENTIONS OF THIS WORK

The law of Basic Income of Citizenship (BIC) sanctioned by President Lula in 2004, in a solemnity that counted with the presence of two outstanding defenders of this cause, Eduardo Suplicy and Philippe van Parijs, was an event worthy of historical recognition announced by economist Celso Furtado. It was also a coherent act with the campaign program for which the President was chosen. Such program, in the 18th paragraph of the social area section, announced: "The minimum income that our government will propose should be seen as a step in the direction - when there are fiscal conditions - of a basic income of citizenship."

However, the sanction of the law doesn't quit the discussion on the subject nor guarantees its full implementation. Among social politics specialists and opinion makers in Brazil, there is a certain degree of uncertainty about it and a lot of divergences as well. As we recognize such uncertainties and divergences it is important to debate and to discuss the fight strategies on behalf of BIC.

I consider that the “bolsa-família” program, a program of conditional cash transfer, in free expansion, with clearly defined goals and high impact in local economies, can evolve in the direction of BIC and it can be considered as a first step in this direction. Somehow, this is a consensual idea in Brazil.
Renowned expert on cash transfer programs Lena Lavinas, for instance, considers that "... the “bolsa-família” program probably has almost null impact in the reduction of poverty because it elevates only three times the medium value of direct transfers to the target public inherited from the FHC era."

In the field of the opinion makers, renowned journalist Tereza Cruvinel considers that "... The Worker’s Party (PT) government is far from adopting the universal basic income that Suplicy defends, but outside Brazil it is seen as vanguard. Make-believe, such as the “bolsa-família” program."

Right-wing sectors ask for a larger limit by the government, in the value and in the time of the benefit of the “bolsa-família” program, as well as more focus and conditionalities.

Left-wing sectors, that consider the cash transfers tolerable just as an emergency policy, consider the “bolsa-família” program as a merely assistencialistic program and BIC as a chimera out of the fundaments of working class politics and, therefore, inadmissible.

In the field of the factional politics game, former candidate José Serra wrote: "[the government erroneously insinuates that] the “bolsa-família” program – a different name given to cash transfer programs of Fernando Henrique government - duplicated the benefit to the people, although, between 2002 and 2003, the budget for such programs decreased.

In the field of the government's economical policies, the strong convergence around the “bolsa-família” program and even around the critic to the little progressive character (regressive, in some cases) of the tax and distributive policies, which are translated in the support to the budget increase for the “bolsa-família” program, doesn’t go in the direction of BIC. We just need to read the “Central Government's Social Expenses 2001 and 2002” report to verify its strong focused inclination.

The debate around these subjects, if won't establish, at least will influence the political support that will be offered or not by the population and the legislative power so that expressive budget resources are destined for the “bolsa-família” program and its possible evolution to BIC.
Besides the debate of the Brazilian case, the author, at once, declares to believe that the Basic Income of Citizenship is a challenge put in the visible horizon of the human possibilities and that, in spite of not representing a panacea to the evils of humanity, it can mean a qualitative jump in the history of the human civilizatory processes of similar magnitude as the conquest of so spoken universal rights, such as the right to vote, the abolition of slavery and the regulation of the labor journey (in some of our societies).

None of these conquests took to the end of history or the harmonization of human coexistence, but all of them faced conservative ideological structures, strongly anchored in economical and political interests of the dominant classes, and they also built new platforms where social and political fights have taken place.

At the same time, the author participates in the administration of the “bolsa-família” program, that has already altered the dispersed and competitive logicvii of the previous government's compensatory programs – as we will see in further details – and comes to benefit 25% of the Brazilian population, counts with high index of municipal and state administrators adhesion and foresees expressive budget resources, that will be demonstrated properly and detailed.

Thus, the main intention of this work is to discuss the possibilities and difficulties of the “bolsa-família” program to constitute a step in the direction of the Basic Income of Citizenship, at the same time that it discusses the need of the “bolsa-família” program in the historical, political, economical and social contexts of Brazil.

ANTECEDENTS

HISTORICAL ECONOMICAL AND SOCIAL CONTEXT OF BRAZIL

It is generally said that Brazil is one of the most unequal constituted societies of the world to the point of the neologism "brazilianization"viii came to be used to characterize the tendency to the increase of the social inequality in several countries of the world.
We can examine the data about income (flow of wealth) that cross the years of the 1980’s and 1990’s or the patrimonial situation (wealth stock) in the ends of the centuries XVIII and XIX and we will find impressive similarities even using sources of different data.

At a glance to the data about wealth under the form of families inventory, for the centuries XVIII and XIX, and to the Census 2000 data, the authors of the Atlas of the Social Exclusion⁴ come to the following graph:

Graph I

At a glance to the data of the National Research per House Sampling, it is obtained the graph II that, we emphasize, crosses several moments and macro-economic plans:

Share of total cash appropriated by different income classes - Graph II⁵
There is a vast literature that discusses how that happened, how it was possible that mechanisms of such perversity in the appropriation of the national wealth prevail along the centuries, going through the information era, the post-modernity, the global village, the knowledge economy, with no ceremony at all, shamelessly. We won't go through this subject, so we won’t lose focus.

We just want to set the numbers of permanence of an inequality that puts in the hands of 5,000 families (0.001%) of the population a patrimonial wealth close to 40% of the whole Brazilian Gross Domestic Product\textsuperscript{xi}. And we also would like to mention that it would be impossible such an economical might not being redundant in a strong capacity of actuation, co-optation and cultural, technical, ideological and political articulation.

**FISCAL CONDITIONS CONTEXT**

Ten years after the plan of monetary stabilization, known as the Real Plan, it seems there is a consensus on their consequences. Initial success in the inflation combat, growing public debt to finance the consumption, expressive increase of the tax burden without minimum proportional compensation of investments in infrastructure or in quality public services for the population.

The increase of the public debt expressed in percentage of GDP jumps from the 30% band to a peak of 61.65% in September of 2002\textsuperscript{xii}. Besides, there is a degradation of the profile with strong incidence of the debt linked to the exchange variation and short terms.
One of the inflation indexes, analyzed month by month, as seen on the next graph, shows the control of the hiper-inflation. We emphasize, however, that in November of 2002 there was a peak of 3.02% and in December of 2.1%\textsuperscript{xiii}. If we consider this last one, the projected inflation would return to the beginning of the hyperinflation period.

The behavior of the interests paid by the government to finance its debt had a dark evolution, reaching the number of 1,006.31% in the last 10 years, while the Savings Account, which remunerates the small savers, remunerated 340.85% in the same period.

The SELIC tax, that indexes substantial part of the public debt, presents the following evolution:
Everything mentioned represents an annual expenditure of about R$ 150 billion a year just to pay the interests of the public debt.

The tax burden had a significant increase. We left the 20% band for more than 35% of GDP, according to the table below:

The increase of the tax burden, to face the debt increase, was continuous and without impact in the reduction of the social inequality. So that Brazil has a coefficient of Gini
worse than India, Ecuador, Peru and Mexico at the same time that it has a tax burden – as a proportion of GDP – similar to Germany, Spain, Canada, United Kingdom and Holland.

Comparing the tax burden and per capita GDP we verified that Brazil has a wealth per inhabitant larger than Ecuador, India and Peru and similar to Mexico and Chile. Such situation could be a reason of pride to Brazil if such tax effort was addressed to guarantee universal rights. Unfortunately, most of this effort is swallowed to pay interests of a debt badly built.
In favor of the perception of the capacity of States to intervene correcting social inequalities, we transcribed the text of the Economic Policy Secretariat of the Ministry of Finance: "In a certain way, the relatively low indexes of income inequality observed in developed countries reflect the impact of their systems of tributes and benefits, that in general incorporate a high solidarity degree, promoting redistribution of resources from groups of high income to groups of lower income. The Graph [VIII] compares the impact of the direct tributes (income tax and social welfare contributions) and of the monetary transfers carried out by the government about the income inequality (measured by the coefficient of Gini) in Brazil and in selected countries of OCDE.

It is observed that the distributive impact of both tributes and transfers in Brazil is very inferior to the results reached in industrialized countries. In those countries, except for the United States and Australia, the systems of transfers and direct tributes reduce the coefficient of Gini in more than a third, while in Brazil the reduction is only 12%. Even in the case of Australia and the United States, the reduction gotten in the inequality of income is more than the double of the observed in Brazil."
In the scenery of economical vulnerability and intense speculation that preceded the election and the new president's inauguration, I believe that President Lula's government handled with extreme ability a situation that many bet it would be of total failure.

Despite the new government has evoked instruments of economical orthodoxy, I agree with Senator Mercadante that affirmed in interview "We are succeeding to revert the logic of the neoliberal model. The Consensus of Washington was based on the idea of privatization, deregulation, of the minimum State and in a process of passive insertion of the country in the globalized economy, which was established on a deficit in the extremely high account of average transactions, which generated privatization and denationalization of the economy. You were forced to sell public patrimony and it generated a dollar-based external passive income that, in eight years, increased in more of US$ 200 billion.... nowadays we have about R$ 80 billion in "overnight" funds. It is an income with practically no risk, with a very high interest rate, for a very short period. We needed to give some kind of fiscal incentive to extend those applications."xivi

Against many forecasts, Brazil begins to grow more vigorously. Evidently, Brazilian government must not begin any adventure to drive away the national and foreigners capitalists’ investments. After all, they are all state-dependent. Some more other less. Besides the usual concerns (public safety, infrastructure and economical stability), investors and their “technicians” are demanding a more and more safer atmosphere for investment, regulatory marks, independent agencies, less taxes, less labor regulation and so on. The investors are not in a hurry. They don't need to battle for the feeding of their families in the following day. Their hurry comes of the sense that they can be left behind, that others can begin to invest and to dispute the market or to take advantage of an opportunity to maximize their profits. Workers and the unemployed mass are in an another hurry; the hurry to guarantee the immediate sustenance. Nowadays they are less organized to supply their needs and have less force in the political agenda, as well as a less capacity to show their urgencies in the news section. However they have the force of the vote. It seems that the most effective road to balance the current correlation of social forces is to organize the debate of the bolsa-familia project as a vector of warranty of citizenship rights, and to move forward in the perspective of the concept of BIC. As we create a favorable atmosphere to
the investment of capital, we also need to create a favorable atmosphere to freedom and dignity of those who depend only on their workforce.

ANTECEDENTS OF THE BOLSA-FAMÍLIA PROGRAM

Until the 1990’s, the social protection that Brazil built was all based on the security system. In other words, it was built for the ones who could pay to receive protection later.

There is a first break of this paradigm in the Constitution of 1988. It introduced the concept of social security, which includes health, social welfare, as well as citizenship rights. Budget resources were foreseen in addition to individual contributions, which would finance the social welfare.

The steps in the direction of the universalization of the social welfare are shy. However, in the beginning of the nineties, senator Suplicy introduced the debate about minimum income in the country.

On the other hand, it grows among several researchers the idea of the focused combat against poverty, just like the World Bank has recommended.

Without not even have built something close to the Social Welfare State, Brazil already faces some issues that the Welfare States from the developed countries have been considering for some time.

After the return of free elections, some municipal governments are won by progressive forces and they introduce cash transfer programs. It happened in 1994 in Campinas, Ribeirão Preto and Brasilia, where the experience of the “bolsa-escola” program led by former Governor Cristóvam Buarque is the best known example.
Only in 1996 the Organic Act for Social Welfare (LOAS – Lei Orgânica de Assistência Social) was regulated. After its regulation, it was created the Continuously Social Benefit (BPC – Benefício de Prestação Continuada) that establishes the payment of a minimum wage for every person older than 67 years old who lives in a family with a maximum per capita income of ¼ of the minimum wage. Still very far of any universalization, although it meets the Rural Welfare program (right to rural workers retirement, without necessary proof of past individual contribution) and begins to show some impact in the protection of the needy ones.

Still in 1996 the pilot of another cash transfer program – Program to Eradicate Childhood Labor (PETI – Programa de Erradicação do Trabalho Infantil – PETI) is introduced. It assists 1,500 children in that year. In its body, PETI benefits families with income below half the minimum wage per capita, and with children in situation of degrading work. The benefit value is of R$ 20.00 for each child in rural areas, or R$ 40.00 for each child in urban area. Besides, the federal government transfers to the municipalities R$ 25.00 for each child to finance the enlarged day journey, a complementary social-educative activity to formal school.

In the second semester of 2001 two new programs of cash transfer are launched by the federal government. The “bolsa-escola” program, aiming families with income below R$ 90.00 per capita, and with children from six to sixteen; the food-scholarship (bolsa-alimentação) program for families with income below half the minimum wage per capita, and with pregnant women or children up to 6 years old. The benefit values of both programs are of R$ 15.00 for each child up to the limit of three children. In January of 2002 the “gas-help” program is launched for families with income below half the minimum wage per capita. The benefit value of this program is of R$ 7.50 a month.

Still in 2002, but already in the government's transition period, there is a debate in PT about the organization of the social area. By that time, there was a critical diagnosis on the dispersion of the cash transfer programs. However, president Lula opted to create an Extraordinary Ministry for Food Security (Ministério Extraordinário da Segurança Alimentar) to star since the very first moment to the Zero Hunger (Fome Zero) project.
With this, it was created the food card (cartão-alimentação) program which brought the benefit of R$ 50.00 for each family with income below half the minimum wage per capita. The beginning of the food card program took place in the poorest areas of the country, especially the semi-arid in the Northeast Region.

In the government's beginning, a debate started involving leaders and technicians of the ministries that administered cash transfer programs, looking for the unification of the same ones. Then the bolsa-familia program was born.

The bolsa-familia program works with two groups of per capita family income: those extremely poor (family income per capita up to R$ 50.00) and those above poverty line (family income per capita up to R$ 100.00). For the extremely poor families there is a monthly benefit of R$ 50.00 no matter the family composition. For this group and for the group above poverty line there is a benefit of R$ 15,00 for pregnant and lactating woman, or child up to 16 years old. To receive the benefit there are some conditions which requires: regular children attendance at school, regular attendance at antenatal care and growth monitoring, and compliance with vaccination schedules.

As affirmed by Ana Fonseca and Amélia Cohn, the “bolsa-familia” program doesn't deny the previous experiences nor is limited to an administrative rationality: it "represents a progress due to the previous proposals pursuing the intersectoriality of the actions in the social area, marking other sense to the decentralization process while it treats the federation entities as effective partners in that task, putting itself as a head and transverse program of the government initiatives guided to the combat of poverty."

The expected impact for the beneficiaries of the “bolsa-familia” cash transfer program is just the relief of poverty, considering the current values. But at least three other aspects should be considered:

1) the impact of the value added by the “bolsa-familia” in the local economy. In May of 2004 the values of cash transfer for the Northeast Region represented 37% of the coming resources from Fund of Municipal Participation; for the North Region, 22%; for the Southeast Region, 16%; for the Center West and South Region, 13%.
2) the transparency of enrollment in “bolsa-familia” in all government levels, so now the decentralized cash transfer programs can obtain synergy with the federal government.

3) the effort in order to make all Ministries look at the enrollment and the “bolsa-famila” program due to their public policies contemplate these families. There is already an advance in this sense close to the Ministry of Mining and Energy (Light for All program), Ministry of Education (“Brasil Alfabetizado” program), Ministry of the Cities (“Habitat Brasil” program) among others. In the same way, there is pedagogy close to State governments and municipalities so that they make the same effort in the field of their public policies to guarantee to these families access to universal rights such as health, education and social welfare.

Even recognizing that the transfer value for each family is still small, we cannot stop comparing the strong budget impact compared to the previous government.

<table>
<thead>
<tr>
<th>Investment</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Budget for 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas-help</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>606,903,015.00</td>
<td>800,203,134.00</td>
<td></td>
</tr>
<tr>
<td>Bolsa-Alimentação</td>
<td>-</td>
<td>-</td>
<td>393,345.00</td>
<td>118,811,565</td>
<td>264,420,355.00</td>
<td></td>
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<tr>
<td>Bolsa-Escola</td>
<td>-</td>
<td>-</td>
<td>409,795,290.00</td>
<td>1,532,202,990.00</td>
<td>1,429,510,350.00</td>
<td></td>
</tr>
<tr>
<td>Bolsa Familia</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>572,404,152.00</td>
<td>5,721,018,531.65</td>
<td></td>
</tr>
<tr>
<td>Bolsa Renda</td>
<td>-</td>
<td>-</td>
<td>279,458,880.00</td>
<td>245,162,923.68</td>
<td>155,350,859.46</td>
<td></td>
</tr>
<tr>
<td>Food Card</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>290,134,510.00</td>
<td>290,134,510.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>-</td>
<td>-</td>
<td>689,647,515.00</td>
<td>2,503,080,493.68</td>
<td>3,512,023,360.46</td>
<td>5,721,018,531.65</td>
</tr>
<tr>
<td>National GDP Nacional (in million R$)</td>
<td>-</td>
<td>1,101,255.00</td>
<td>1,198,736.00</td>
<td>1,346,028.00</td>
<td>1,514,924.00</td>
<td></td>
</tr>
<tr>
<td>% of GPD</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.06%</td>
<td>0.19%</td>
<td>0.23%</td>
<td></td>
</tr>
</tbody>
</table>

Budget for 2005 = 7,653,933,834.16

Budget for 2006 = 9,146,208,657.62

The expected evolution of the budget, in thousand Reais, is presented in the graph IX.

It is due to the specialists of cash transfer policies to investigate the effects of “bolsa-familia” program in order to contribute so that the population have access to the necessary information to make their own judgement of value.

It is due to the public administrators of the social areas to struggle in order to build real interfaces among the several Ministries aiming to consolidate a policy of social welfare.

It is due to the defenders of BIC to struggle in order to demonstrate that the right to the Basic Income is viable by the Economy point of view and fair by the worker’s point of view.

I believe that the effort to pay the Brazilian public debt, representing an expense in the order of 150 billion Reais every year, shows the budget viability of a BIC in Brazil. The question is how to reduce the interests of the public debt without incurring in inflationary processes nor in ruptures that turn against the people, and to organize the social sphere so that a basic income is guaranteed to every citizen, at the same time that health, education, work generation, income and social welfare policies are universalized. Of course that is not a simple task. However, if we don't unite forces we will be hostages of the market forces.
We hope to count on the valuable support of the BIEN forum and we invite them to follow our studies on the impacts of the “bolsa-familia” program and our debates about the evolution of the same in the direction of BIC.

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1 O PRESIDENTE DA REPÚBLICA Faço saber que o Congresso Nacional decreta e eu sanciono a seguinte Lei:

Art. 1º É instituída, a partir de 2005, a renda básica de cidadania, que se constituirá no direito de todos os brasileiros residentes no País e estrangeiros residentes há pelo menos 5 (cinco) anos no Brasil, não importando sua condição socioeconômica, receberem, anualmente, um benefício monetário.

§ 1º A abrangência mencionada no caput deste artigo deverá ser alcançada em etapas, a critério do Poder Executivo, priorizando-se as camadas mais necessitadas da população.

§ 2º O pagamento do benefício deverá ser de igual valor para todos, e suficiente para atender às despesas mínimas de cada pessoa com alimentação, educação e saúde, considerando para isso o grau de desenvolvimento do País e as possibilidades orçamentárias.

§ 3º O pagamento deste benefício poderá ser feito em parcelas iguais e mensais.

§ 4º O benefício monetário previsto no caput deste artigo será considerado como renda não-tributável para fins de incidência do Imposto sobre a Renda de Pessoas Físicas.

Art. 2º Caberá ao Poder Executivo definir o valor do benefício, em estrita observância ao disposto nos arts. 16 e 17 da Lei Complementar nº 101, de 4 de maio de 2000 - Lei de Responsabilidade Fiscal.

Art. 3º O Poder Executivo consignará, no Orçamento-Geral da União para o exercício financeiro de 2005, dotação orçamentária suficiente para implementar a primeira etapa do projeto, observado o disposto no art. 2º desta Lei.

Art. 4º A partir do exercício financeiro de 2005, os projetos de lei relativos aos planos plurianuais e às diretrizes orçamentárias deverão especificar os cancelamentos e as transferências de despesas, bem como outras medidas julgadas necessárias à execução do Programa.

Art. 5º Esta Lei entra em vigor na data de sua publicação.

Brasília, 8 de janeiro de 2004; 183º da Independência e 116º da República.

Luiz Inácio Lula da Silva
Antonio Palocci Filho
Nelson Machado
Ciro Ferreira Gomes

Publicado no D.O.U. de 9.1.2003

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ii Poverty, numbers and marketing, Lena Lavinas, Economist, adjunct professor of the Institute of Economy and of the Urban and Regional Institute of Research and Planning – UFRJ.

iii Tereza Cruvinel, O GLOBO Newspaper, page 2, July 24, 2004

iv see Ali Kamel, O GLOBO Newspaper, July, 2004

v In National Conference for Alimentary Safety, for instance, there was a proposal in order to transform the investments for cash transfers in investments for job generation.


vii When President Lula announced in April 4, 2003 that the government would unify the difused cash transfer programs in several ministries, former-president Cardoso hurried and two days later, in a public event, declared that “this kind of competition among ministries is healthy because some try to do better than the other ones and who wins is the population.”

See below complete news in O Globo and Gazeta Mercantil:

FH CRITICIZES the UNIFICATION OF SOCIAL PROGRAMS – April 16, 2003

São Paulo, April 16, 2003 - former-president Fernando Henrique Cardoso said that he considers more interesting the decentralization of the government's social programs than the coalition of all in only one, according to proposal defended the day before yesterday byr president Luiz Inácio Lula da Silva. Fernando Henrique defended his period in the government in the lecture "THE impact of the world economical changes
in Brazil", in the opening of SAP Forum 2003, technology event and businesses that began today and ends this Wednesday.

“I doubt about merging all the social programs in only one. I don't know if that centralization would be interesting this kind of competition among ministries is healthy because some try to do better than the other ones and who wins is the population” – said former-president.

(Gazeta Mercantil / Page A8)(Agência Globo)

-viii- Alcino Leite Neto, in www1.folha.uol.com.br/folha/pensata/ult682u16.shtml describes the term, characterizing its origin: "To the coexistence model between rich and poor, formerly cordial, today a gunpowder barrel, in an atmosphere of immense social inequality, it was named 'brazilianization'. First employed by German sociologist Ulrich Beck, the term meant the expansion in the world of the informal job, without protection of the State, just as seen in Brazil, which means the result of unemployment that consequently took to the political demobilization of the working class.

Later, an American journalist adopted the expression to explain the increase of income concentration and of social inequality in the USA as well as in other rich countries, reproducing the injustice model and of rich and poor coexistence in Brazil. The word came to designate the blooming of social characteristics of the Third World in the center of the First World."

See also the text "University and Society" by Luiz Dagobert de Aguirra Roncari, professor of the Department of Classic and Vernacular Writing in the Philosophy and Writing Science Professorship at USP, in www.usp.br/jorusp/arquivo/2000/jusp505/manchet/rep_res/rep_int/univers1.html

Searching in only one search tool on the Internet found 421 occurrences for the term, beginning on "About the Brazilianization of India!"

 ix Atlas of the Social Exclusion, Volume III
 xi Atlas of the Social Exclusion, Volume III
 xii Central Bank
 xiii Central Bank
 xiv Folha de São Paulo, Monday, July 19, 2004