

# Bolsa Família: Reviving the Economy Through Education

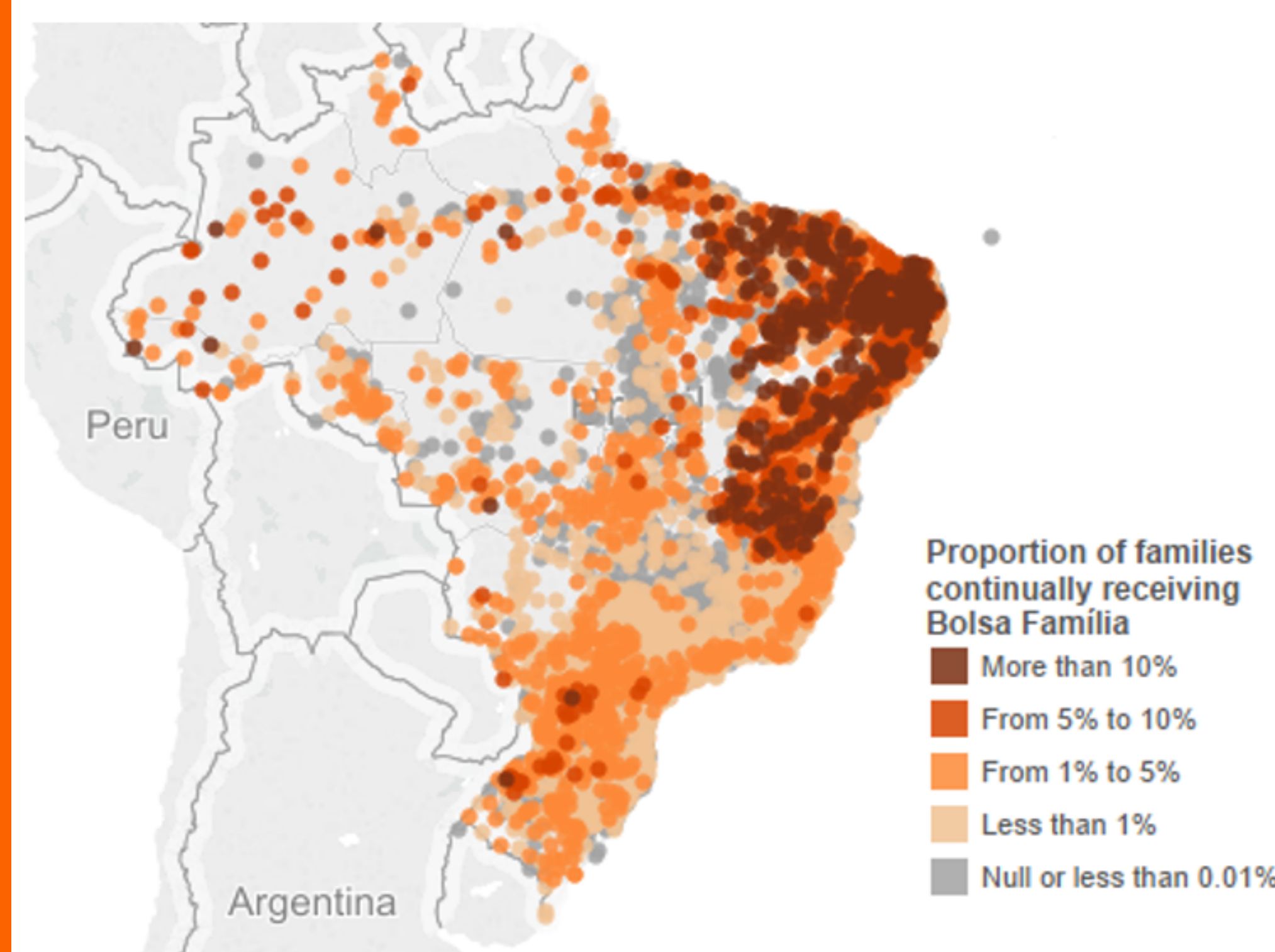
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## INTRODUCTION

### Background

Over the past twenty years Brazil has experienced significant political turmoil, drastic economic fluctuations, and high levels of poverty. In 2003, shortly after he was elected, then President Luiz Inácio Lula da Silva combined three existing social welfare programs (Bolsa Escola, Bolsa Alimentação, and Cartão Alimentação) to create the famous Bolsa Família. The three prior programs experienced limited success and the administration thought these programs were a good example of inefficiency in the government and consolidation was an opportunity to limit overlap. Fifteen years later Bolsa Família is the largest program of its kind and as of 2013 reached its hand into the lives of 50 million different people or roughly 25% of the Brazilian population.



### Why is this program so important?

Bolsa Família is important not only because it energized what seemed to be an unstable economy, but also because it changed the culture of lifestyle among the poorest citizens in Brazil. Before the program, it made more financial sense for poor families to have their kids work instead of going to school. In their eyes, it was a waste of possible labor and income to keep their children out of the fields or streets selling goods. Now, with the help of the program, many families can afford to send their children to school while receiving compensation for it.

Further the program has a snowball effect in the sense that by giving poor children an education it better prepares them for the future and allows them opportunities for better jobs. Not only does this increase the quality of life for themselves and their future children, but it also bolsters the economy. The program is important because it has changed uncountable lives of poor Brazilians and **is an outstanding example of how a responsible government can and should act when its citizens are struggling.**

## What is Bolsa Família?

### Overview

Bolsa Família is a cash transfer program in which the Brazilian governments pays families that are below the Brazilian poverty line per child that is both vaccinated and attends school. This comes in the form of a month stipend of \$32 BRL per child aged <16 years old and \$38 BRL per child between 16-17 years old. The money comes in the form of a card mailed to the family called *Citizen Cards* and acts much like a debit card would. The card is backed by the federal savings bank called Caixa Econômica Federal.

### Goals

The programs goals are two-fold:

- 1) Short term. In the short term the program aims to reduce poverty, hunger and the income inequality levels that plagues Brazil.
- 2) Long term. In the long term the program aims to end cyclical poverty by requiring beneficiaries to keep certain standards like health checks and attendance in schools.

### What makes Bolsa Família so successful?

Bolsa Família is different than simply a scholarship or tuition waiver. This program puts money in the hands of millions of Brazilians and gives families an increased supply of their disposable income. These families use the money to invest in things like transportation and appliances, or pay bills and buy food. Not only has the program created opportunities for families to increase their quality of life but it also boosts the economy in poor neighborhoods by creating jobs and stimulating the market. For example, a family now has more money to spend on food at the local corner store and as result the same corner store can afford to hire an additional worker. This is obviously a simplified version of how the market is stimulated but is a good representation of the effects of the program.

## Break Down of the Population

Income in USD/month		Education Levels	
19%	<\$142	25%	<4 years
27%	\$142-\$248	24%	4-5 years
31%	\$284-\$568	35%	9-11 years
15%	\$568-\$1,135	16%	>11 years
9%	>\$1,135		

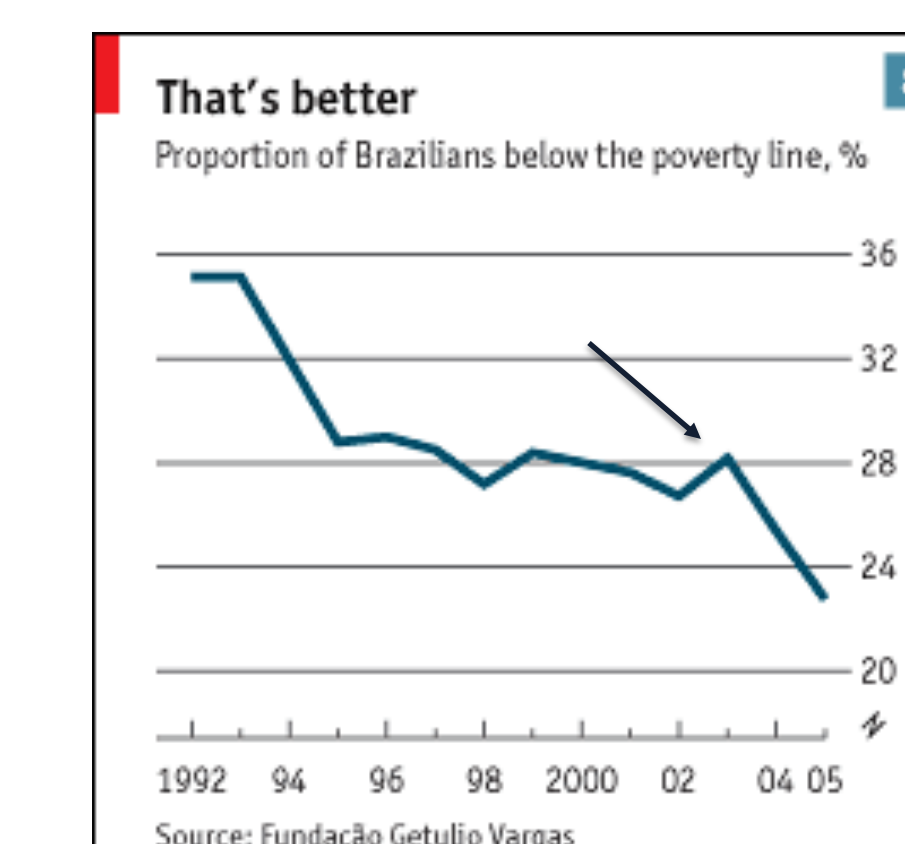
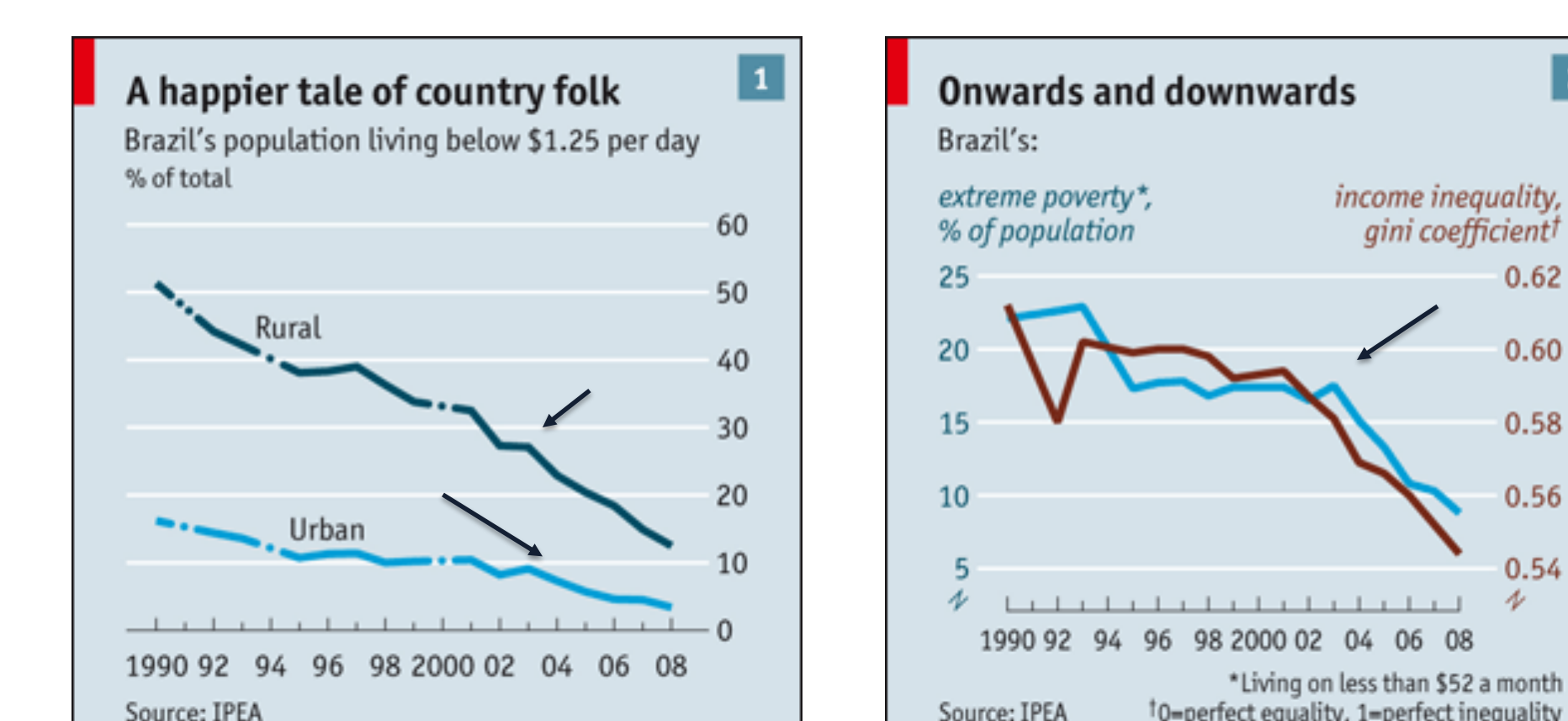
## Results

Bolsa Família has been an incredibly successful program and has played part in:

- Decreasing unemployment from 12.3% to 6.7%
- Creating and estimated 15 million jobs since the program first began
- Shrink Social Class E from 31% of the population to only 18%
- Chance of a female being in school at age 15 has increased by 21%

Dra. Cristina Helena Pinto de Mello, a professor of economics at PUC-SP, claimed that:

“Without a doubt in my mind Bolsa Família is the leading, if not most significant factor, in the recent reduction in poverty levels seen in Brazil in the last fifteen years.”



The three graphs presented here represent a variety of different statistics that show the success of Bolsa Família. In each graph there is a noticeable decline in poverty levels, percent of people living below \$1.25 USD a day, and Gini Coefficient after 2003: the same year that Bolsa Família began. These graphs highlight the significant effect that the program had throughout the country.

All graphs are courtesy of the *The Economist*

## Criticism

While the program has experienced such extensive success there is still some criticism. The first is that the program is bulky and is a waste of valuable money. However, this is not true. The program only uses 0.5% of the nations GDP while effecting over a quarter of the population which causes supporters to claim that Bolsa Família is in fact quite a bargain. Others claim that the program is simply a way for the left Workers Party to capture the poor vote. Regarding the criticisms of the program, Ariel De Oliveira, a student at PUC-SP stated:

“Half the people in the country love Bolsa Família while the other half hate it. I think that most of the people that don't like [Bolsa Família] have a lot of money and think that it is a hand out. On the other hand, I think nearly every economist would agree that it is a very good program.”

## CONCLUSIONS

As you can see the program faces some criticism, mostly political and ethical, but has the numbers and reputation to show that it has significantly benefited the county. The program has lowered the poverty level, created millions of jobs, and increased the standard of living of over 1/4 of Brazilians living in poverty Americans cannot imagine. Despite Brazils rocky political landscape this program is something that the country should be proud of and is an example of how successful the country can become when it works together.

## ACKNOWLEDGEMENTS

<http://www.worldbank.org/en/news/opinion/2013/11/04/bolsa-familia-Brazil-quiet-revolution>

<https://www.centreforpublicimpact.org/case-study/bolsa-familia-in-brazil/>

<http://policymatters.illinois.edu/some-strings-attached-cash-transfers-and-brazils-continued-response-to-poverty/>

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