

Class Inequality in Brazil

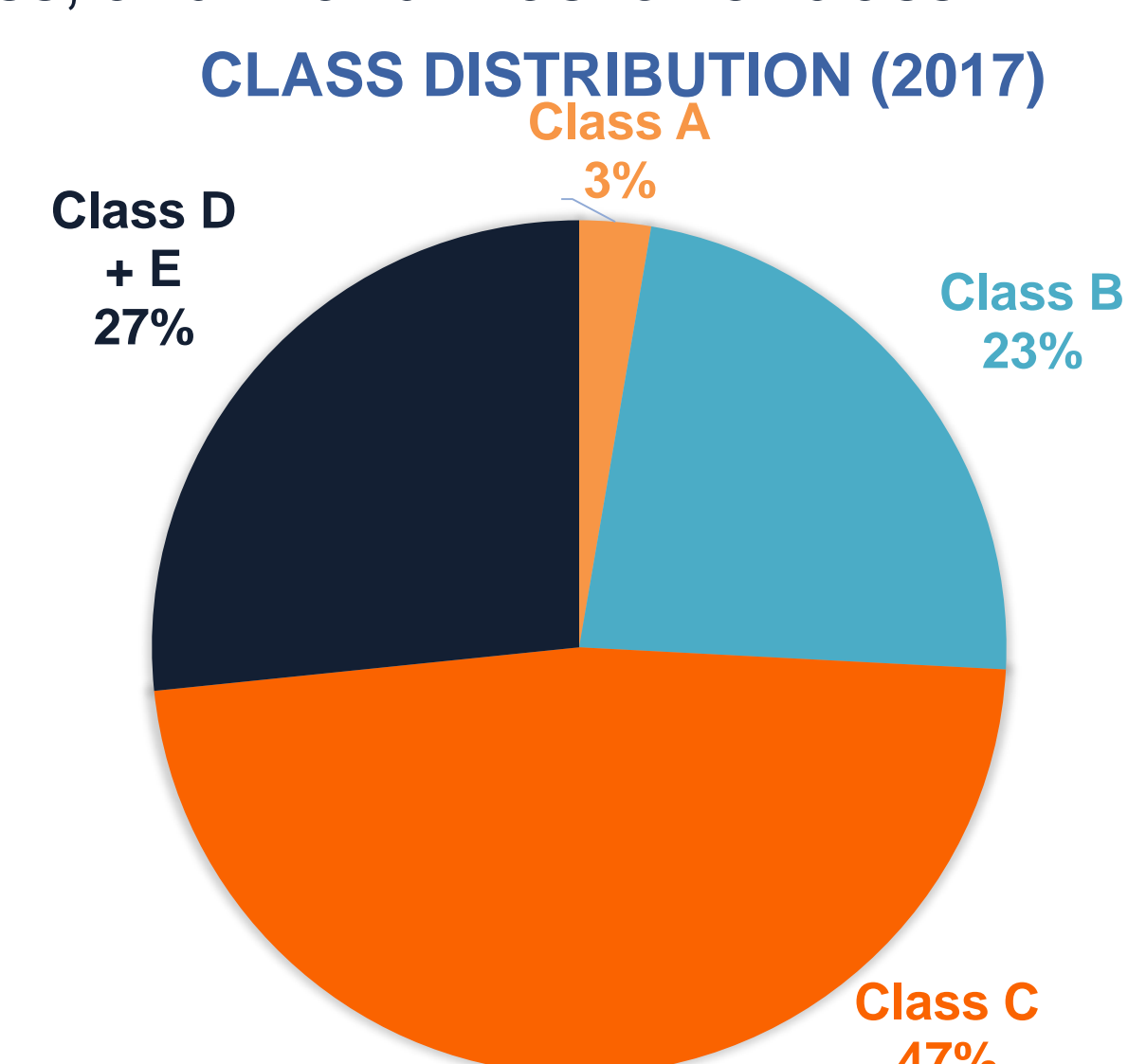
Robert Currie

Department of Economics, College of Liberal Arts and Sciences, University of Illinois at Urbana-Champaign

INTRODUCTION

Brazil is known to be a country of extreme poverty, but have made significant strides in fighting poverty in the past three decades. However, while these improvements are significant, Brazil still has a long way to go to reach a stable level.

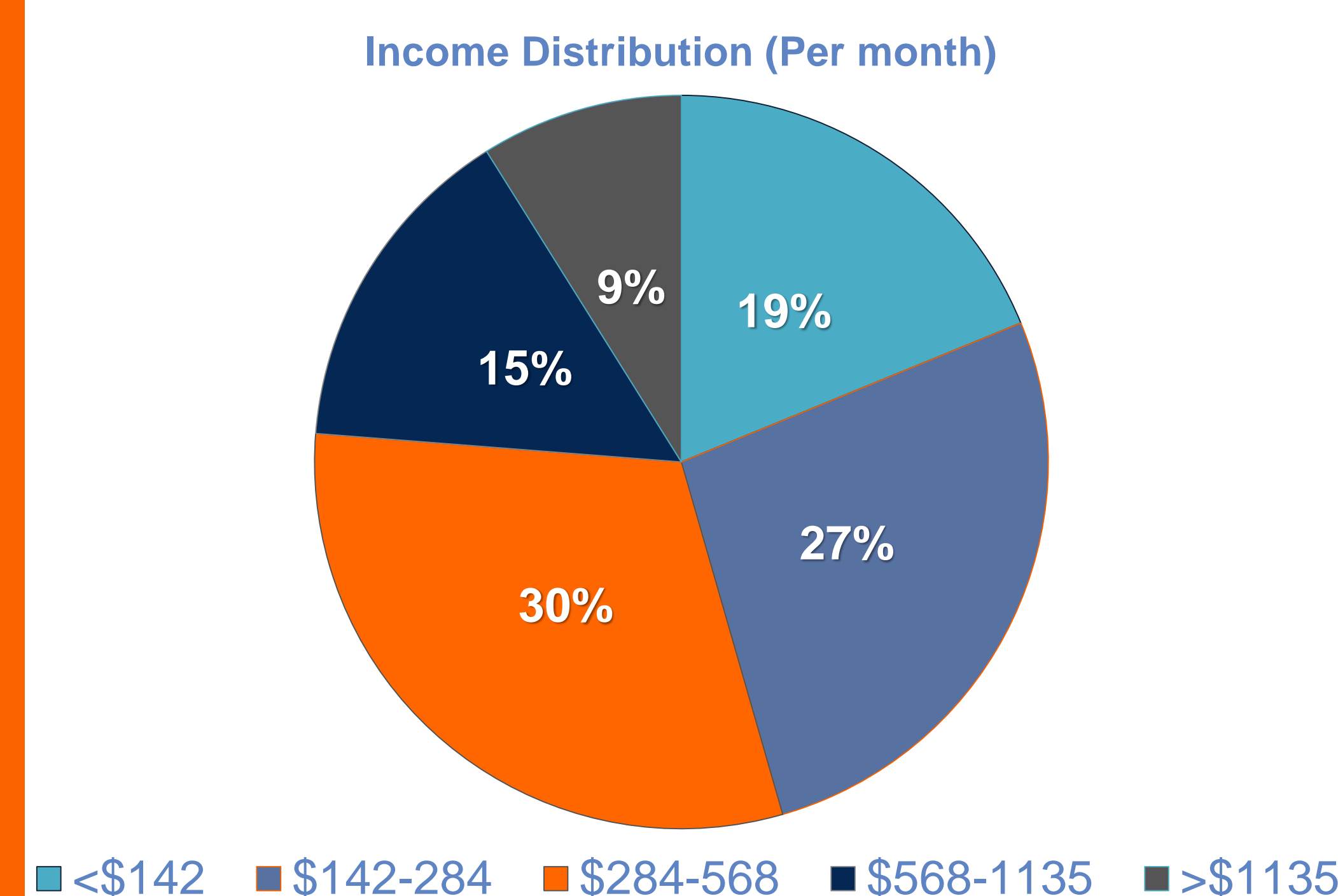
The Brazilian class system is divided into 5 letters; A, B, C, D, and E and sometimes divided further into B1, B2, C1, and C2. The criteria for placing someone in a class involves a point system. Higher levels of education and higher salaries give more points as well as having things like piped water and paved streets. Class A can be thought of as upper class, B as upper middle class, C as middle class, and D and E as lower class.



The most recent data for class distribution can be seen above.

INCOME

While income is not the sole determinant of class, the discrepancy in income is a clear factor. When looking at the graph below, it becomes clear that a very large portion of the population is below or near the poverty line (<\$142 per month). One must also keep in mind that only 9% of Brazilians make over \$1,135 per month which is just over \$13,000 per year. Most of that 9% is not even considered to be in class A.



REGIONAL DIFFERENCES

The two largest commercial centers of Brazil, Rio de Janeiro and São Paulo being located in the south and thousands of square kilometers of rain forest in the north, it is no wonder there is regional class inequality.

SEL	Brazil	Southeast	South	Northeast	Midwest	North
A	2.9%	3.6%	3.4%	1.4%	4.2%	1.8%
B1	5.0%	6.2%	6.2%	2.7%	5.3%	3.4%
B2	17.3%	21.0%	20.6%	10.5%	18.7%	11.7%
C1	22.2%	25.3%	28.0%	15.1%	23.0%	17.9%
C2	25.6%	25.4%	24.8%	25.6%	27.5%	26.3%
D-E	27.0%	18.5%	17.0%	44.7%	21.3%	38.9%
TOTAL	100%	100%	100%	100%	100%	100%

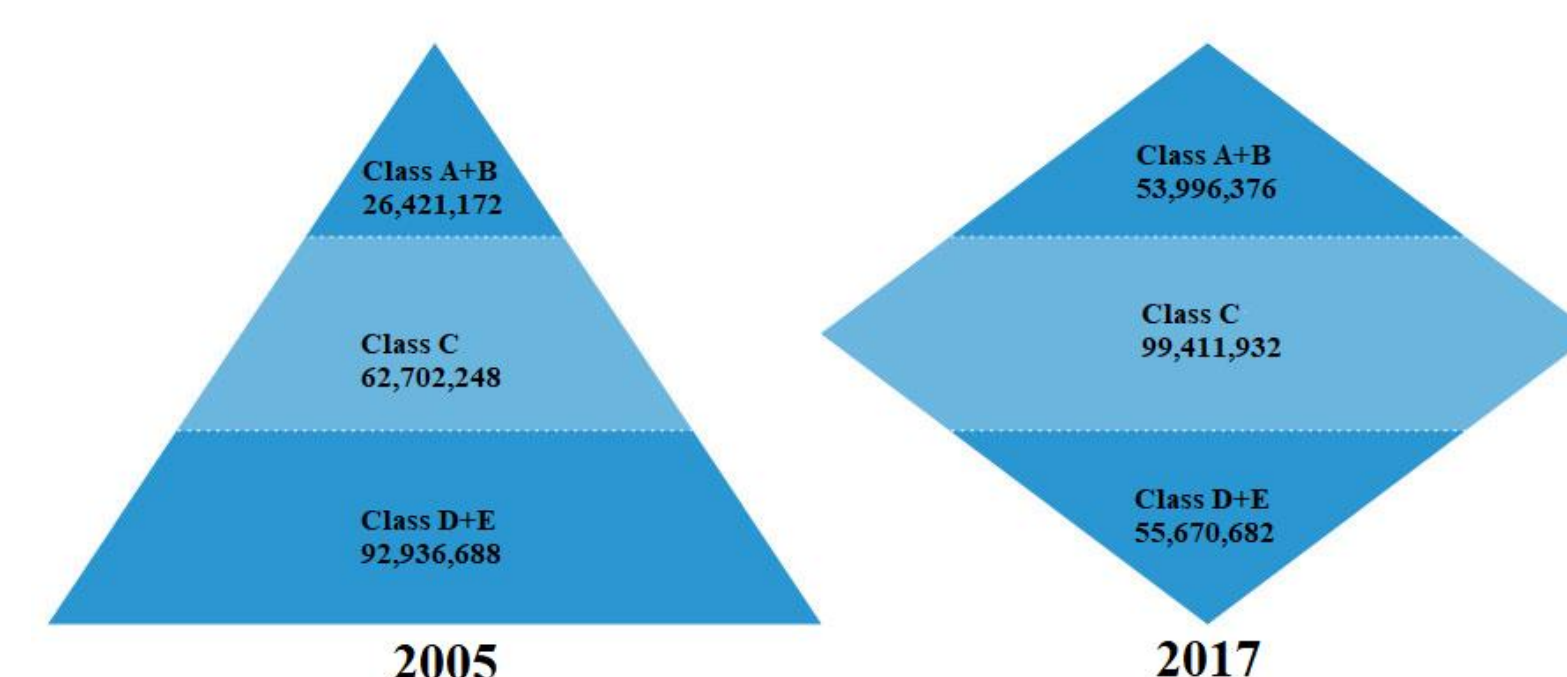
This chart shows the differences in classes between the region. The north and northeast regions are heavily skewed in terms of class inequality with around 40% of the population living in a lower class and only 1.4-1.8% of those living in the north are in class A. This is likely due to the thinly spread population and lack of major cities to attract large business. The northern economy is based on mining and producing sugarcane as well as illegal deforestation and cattle farming.

There is a distinct lack of opportunity for Brazilians who are born in these regions. Most Brazilians living in the cities have never been to the north, and more northern Brazilians have never been to the south. There is a class discrepancy as well as a population divide between these two areas in one of the largest countries in the world.

CHANGES

Brazil underwent a large recession which began in 2014 and ended in 2016. This recession caused a drop in income and spike in interest rates. The GDP consistently fell throughout the recession until finally growing again in 2017.

Despite this recession, Brazil's middle class development has been improving. The class system in Brazil was recently pyramid shaped with very many in the lower classes and very few in the higher classes.



Today, the structure of the classes resembles a pyramid with almost equal amounts in classes A and B as D and E with class C steadily growing larger.

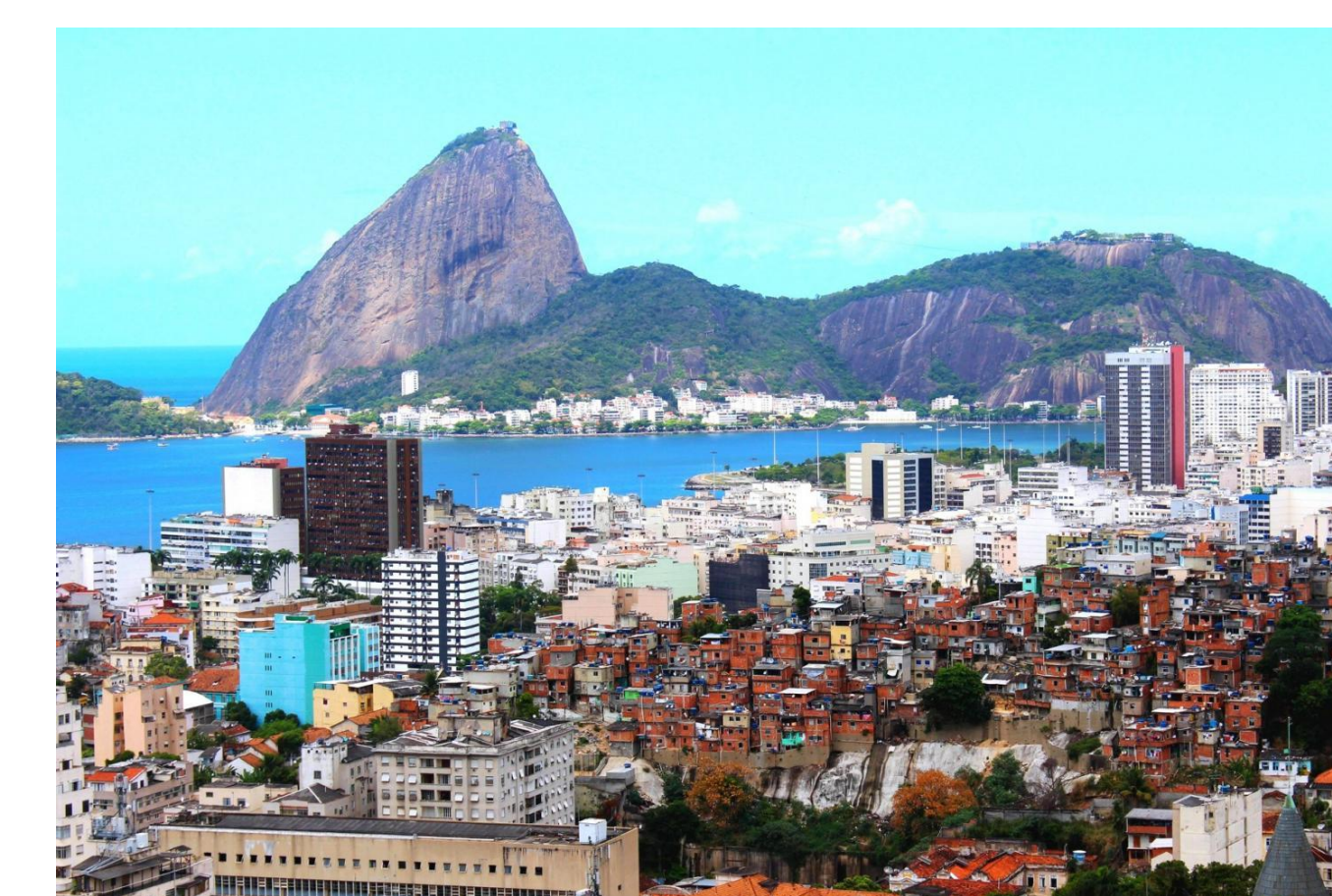
EFFECTS

Crime

As with any country with a large population and class inequality, crime is very common in Brazil. The crime index is 70.26 which is the sixth highest in the world. Tourists are repeatedly told to stay in groups, let people know where they are, and to avoid certain areas. The prime example of these areas are *favelas*, the Portuguese word for slum, which are strictly off limits to tourists and anyone not familiar with the area.

The estimated 1,000 favelas in Rio house about 1.5 million people, or 24% of the city's population. These favelas rise up on hills in a stunning dichotomy to the skyscrapers down the street.

A picture showing the red-roofed favela strikingly near towering businesses and hotels in a beautiful picture of Rio.



Bolsa Familia

Programs have been implemented to aid those in poverty. The primary welfare program, Bolsa Familia, was launched in 2003. The program gives money to families whose children have good attendance in school and routinely monitor their health. Within the first 10 years of Bolsa Familia, extreme poverty rates had fallen from 9.7% to 4.3%. The program looks to have an even larger impact on the future by keeping educational attendance for children in low income families high, creating more opportunities for them in the future to further widen the gap between them and poverty.

Happiness

Brazil's happiness index follows what is called the Easterlin paradox meaning that despite its low average income, the people are happier on average. Socioeconomic factors are usually highly correlated with this statistic, so why is Brazil so happy? There is no definitive answer, but the Brazilians that I met seemed to understand their situation and make the best of it. Despite the high crime and low income, they appreciate the country they are in and enjoy the weather, scenery, and people.



CONCLUSION

The class inequality has improved drastically in the past decade and is looking toward a bright future. Many tech start-ups are finding holes in the Brazilian economy and finding efficient solutions to them that are also profitable resulting in a growth in GDP and lower interest rates for the population. Brazil has a long way to go to develop a steady middle class, increase income, and reduce crime, but they are making strides in the right direction.

Seeing a foreign economy that was so drastically different from the United States provided so many opportunities to learn as an economist. Seeing how start-ups respond to and find solutions for problems in the country was inspiring. There are always opportunities to those with a creative and open mind.

When in a foreign country with a very limited population that speaks English, communication is the first skill that is learned. The currency difference takes more effort to manage finances.

There were so many times I was out of my comfort zone and had to adapt, but it forced me to think in a new way and grow as a person.

Despite a lot of negative statistics and themes presented in this poster, Brazil is truly an easy place to fall in love with. The people are fun loving and friendly. Every city carries high energy and beautiful natural scenery.

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