

How Economics Can Combat Income Inequality in Brazil

James Jones

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

Introduction

In this poster board I will explore the ways that economics has been and can be used to alleviate income inequality in Brazil. Income inequality is a prevalent issue in Brazil and my trip to Brazil over spring break provided me with a unique opportunity to explore this topic on the ground. While in Brazil I had the opportunity to work closely with Brazilian students and talk with Brazilian citizens about some of the causes of income inequality. These experiences, combined with existing research on the topic, have helped to shape my beliefs about how economics can be used to address the issue of income inequality.

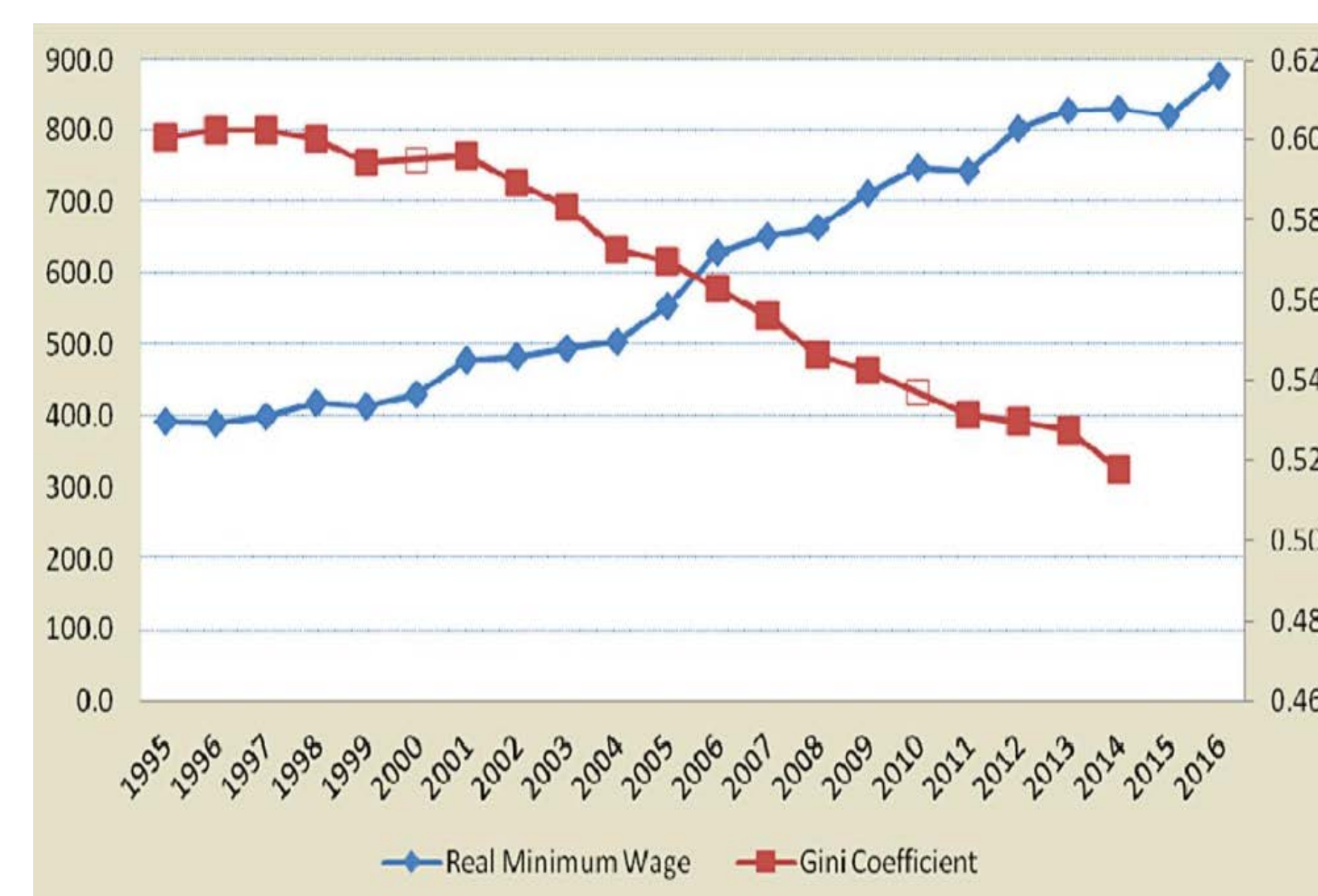
Why Income Inequality?

The reason I chose to study income inequality in Brazil is because income inequality is also a major issue within the United States. By studying income inequality in Brazil this semester I would like to learn more about how economics has been used to alleviate major differences in the income of the population in Brazil, and if these methods can be used to help curb income inequality in the U.S. I hope that what I learn in Brazil this semester will help me to better understand our own problems with income inequality and how best to address them.

Existing Research

Brito et al.

In their research on income inequality in Brazil, Brito et al. finds that an increase in the minimum wage also increases money available for non labor income such as pensions and social programs. The positive effect that an increased minimum wage has on the pension system provides families with more money, even after they've stopped working, and decreases income inequality across families.



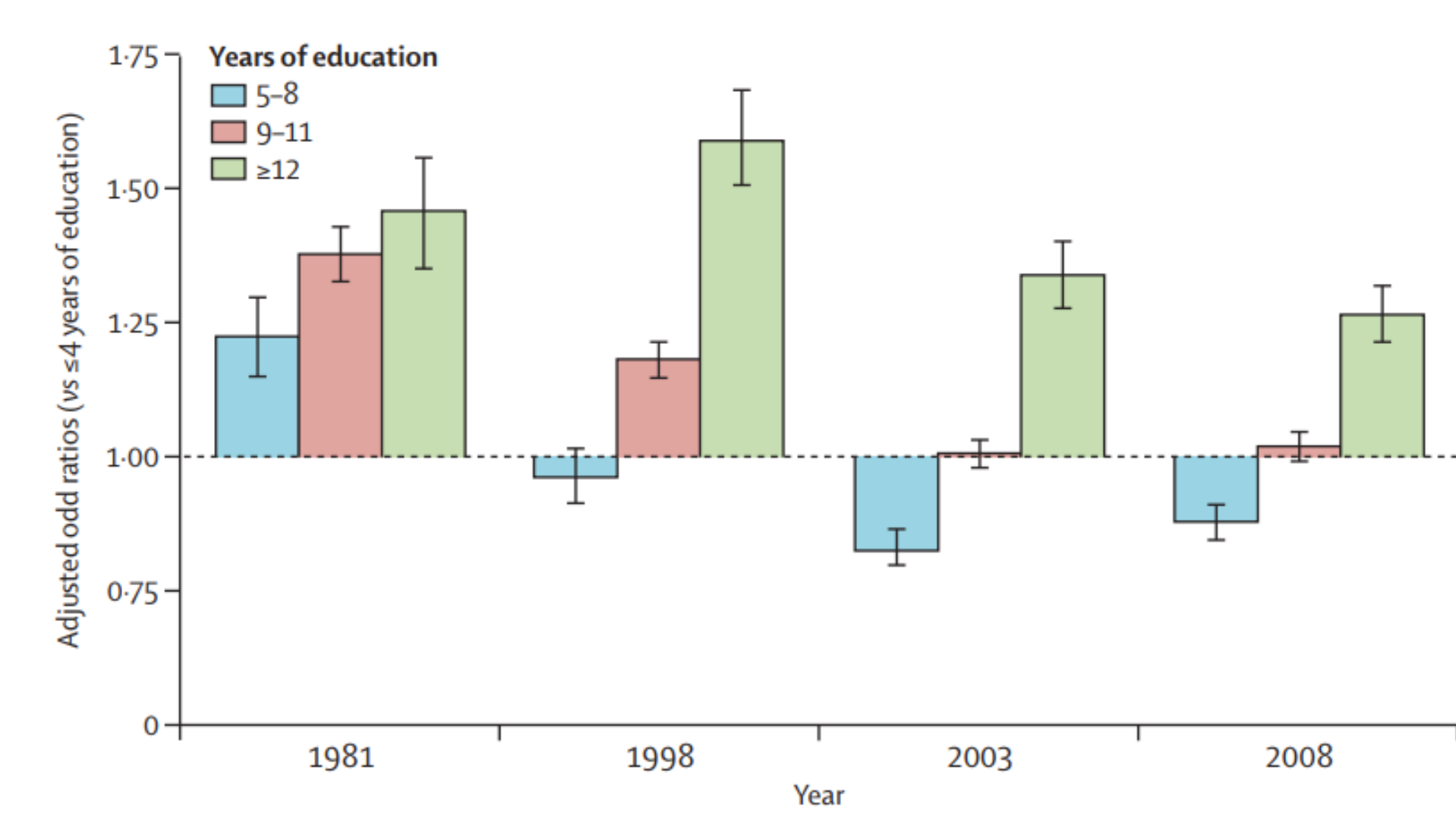
Real minimum wage (R\$ of January 2016) and Gini coefficient of household income: Brazil (1995–2016). Source: IPEADATA.

Costa & Gartner

Research completed by Costa and Gartner demonstrates that when a nation puts resources towards healthcare it helps to decrease income inequality in that nation.

Paim et al.

Research completed by Paim et al. shows that unequal access to healthcare helps to contribute to income inequality.



Healthcare service use by level of education and year.

What I Learned on the Ground in Brazil

Main Takeaways

While in Brazil I noticed that many of the upper middle class areas that we were stationed in were much different from most other parts of the city. I also observed a large number of homeless individuals in both Sao Paulo and Rio.

While in Brazil I also learned that many of the poorest citizens in the country live in rural areas outside of the major cities and away from sources of formal education and job opportunities.

I had the opportunity to work along side Brazilian students at the Pontifical Catholic University of Sao Paulo where I learned a lot about how low levels of education are contributing to income inequality in the country.

During my time in Brazil I also learned about governmental assistance programs such as “Bolsa Familia” which provides cash assistance to poor families that enroll their children in school.

In Brazil I also visited many new technological companies such as Nubank an online banking system and Cubo a place where start ups can go to help get their business and ideas off the ground. Each of the visits helped to highlight the fact that technological advances can play a key role in reducing income inequality in Brazil.



A picture of me and my group working with Brazilian students in order to develop a fintech which promotes financial literacy.



Our Econ 199 group at Nubank

A picture of me at CUBO



How Brazil can use Economics to Combat Income Inequality

Between the years of 2000-2012 Brazil's economy was one of the fastest growing economies in the world. However the recession in 2015 halted the growth of Brazil's economy and the nation is just now beginning to recover.



From what I've learned from prior research and while in Brazil, to help recover from the recent depression the government should increase its spending on welfare programs such as Bolsa Familia or reduce taxes. Each of these options would leave the poorest families with more money and help to reduce income inequality.

After speaking with a representative from Am Cham, I learned more about Brazil's sources of revenue such as oil, and I believe that Brazil should focus on putting more money brought into the country from resources such as oil towards education in order to successfully combat income inequality.

Education and health, when well distributed and offered with equality, tend to ensure the social minimum by ensuring that everyone has a minimum standard of wellbeing.

Finally, Brazil should implement financial literacy programs, and continue to work towards incorporating technological advances into it's banking system. These advances help to provide opportunities to low income citizens who do not partake in traditional forms of banking.

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