

Reduction of Income Inequalities is enough for a Better Life? Poverty reduction and sanitation in Brazil

Maria Cecília Lustosa¹

Abstract

This paper seeks to analyze the main factors that lead to the reduction of income inequalities in Brazil in the last 17 years and argues that it is not sufficient to give population better living conditions, considering country's National Survey of Basic Sanitation. Brazil has long been distinguished as a country with high inequality and also by the persistence of poverty and extreme poverty. Regarding rapidly growing economies, the BRIC² has attracted the world's attention during the last two decades, but income inequalities are still present and have even deepened in Russia, China and India, except for Brazil. Despite this positive aspect, the Brazilian Gross Domestic Product (GDP) average annual growth rate during the 1990s and 2000s was lower than in other developing countries - except for 2009 and 2010 compared to Russia. However, the reduction of income inequalities in Brazil does not seem to be explained by the growth of the GDP, as commonly suggested by neoclassical economic theory. What can possibly explain this fact is that the country has undergone substantial institutional changes since 1988 and specific public policies have been implemented since then, which allowed the reduction of poverty and inequality. Despite these good results, basic sanitation conditions did not improve as much as income distribution. Data that highlights the impact of some institutional changes and social policies is presented, with public transfers redistributing income to less developed regions. Statistics also show that sewage disposal systems and final destination of garbage are unsolved problems for many municipalities. This data is from the Ministry of Social Development, the Brazilian Institute of Geography and Statistics and the Institute for Applied Economic Research and is treated statistically using descriptive statistics. The main results are: real minimum wage increased 98% between 1995 and 2012, which had a positive impact on the amount of pension and social assistance. The amount of pension represents 4% of the Brazilian GDP and approximately 6% in the poorest region, the Northeast. The *Bolsa Família*, a conditional cash transfer program, is more important for poorer regions, representing approximately 0.8% and 1.5% of GDP in North and Northeast, respectively. Regarding constitutional transfers, the State Participation Fund was 5% of GDP for the North, 4% in the Northeast and less than 1% for other regions in 2010. For Municipalities Participation Fund, the transfer was about 2% and 3% of GDP for the North and Northeast, respectively. Although almost all municipalities have a general network of water supply, almost 45% of them did not have sewage treatment systems and data is even more alarming in the North region, where 87% did not have it in 2008. Only 4% of the municipalities of the poorer regions have selective collection of solid waste. Consequently, more than 60% of municipalities in the North and Northeast had basic sanitation related diseases – diarrhea, worm disease and dengue. The State played an important role in income distribution, but inclusion should be above all social and not only in the consumer market.

¹ Post-doctoral researcher at GREThA / University of Bordeaux 4, France and Professor of Economics at the Federal University of Alagoas, Brazil.

² Brazil, Russia, India and China.