

“The possible Transition from the Bolsa-Família Program
towards a Citizen's Basic Income” or

“The Political Difficulties and Budget Obstacles
to Implement a Basic Income in Brazil”

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One of the most distinguished Brazilian geographers, Professor Aziz Nacib Ab' Sáber, of the University of São Paulo, that completed 82 years last week, when he was granted the title Professor “Honoris Causa” by UNESP – Universidade Estadual Paulista “Júlio Mesquita Filho”, in Rio Claro, synthesized his social philosophy with an important argument in favor of an Unconditional Basic Income for All: *“Nobody chooses the geographic place to be born, neither the womb in which to be born, nor the socio-economic conditions of the family, each person is born where casualty determines”*. This reality should make us reflect how important it is for us to think about all human beings, including those who were born in the most humble conditions and places.

On January 8, 2004, President Luiz Inácio Lula da Silva of Brazil sanctioned the Law 10.835, approved by the Brazilian National Congress in 2003, that institutes a Citizen's Basic Income to all residents in the country, including foreigners living in Brazil for at least five years, no matter their socioeconomic condition. The basic income will be of equal value, sufficient to attend the needs of each person, taking into account the level of development of the nation and budget limitations and paid to all citizens yearly or in equal and monthly installments. In order to have it approved and sanctioned, an important paragraph was introduced and approved. The Citizen's Basic Income will be introduced step by step, under the Executive criterion, giving priority first to those most in need.

The Bolsa Família Program instituted by President Lula in October 2003 can be seen as a step towards the implementation of the Basic Income. At that time he unified several previously existing income transfer programs, such as Bolsa Escola, Bolsa Alimentação, Auxílio Gás, created by the previous administration of President Fernando Henrique Cardoso, and the Cartão Alimentação that President Lula created in March 2003.

Let me remind you that in 1991, when I was elected for my first term to the Brazilian Senate I presented a proposal to institute a Guaranteed Minimum Income Program through a Negative Income Tax. Every adult person with a monthly income below US\$ 150.00 would have a right to receive a complement of income which would be a proportion of 30% to 50% of the difference, under the criterion of the Executive taking into account the financial possibilities, between that level and the person's income. That proposal was unanimously approved by the Brazilian Senate, in December 1991, went to the Chamber of Deputies, where it got a favorable report in the Finance Committee by Representative

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Germano Rigotto (PMDB-RS), but it was never voted in that form.

Several developments, however, occurred since then. Already in the late eighties, Professor Cristovam Buarque, of the University of Brasília, was thinking about how to provide a form of a scholarship to enable poor families to send their children to school. In a seminar of economists linked to the Workers' Party that occurred in 1991, in Belo Horizonte, José Márcio Camargo argued with me and Professor Antonio Maria da Silveira, who was an enthusiast of the Minimum Income Program, that it would be better to start this program by providing a benefit to poor families as long as they were sending their children to school. Children would be able to attend school instead of starting to work prematurely in order to provide for the survival of their family.

In 1995, two pioneer experiences along those lines started almost simultaneously in Brazil. In Campinas, Mayor José Roberto Magalhães Teixeira (PSDB) launched the Guaranteed Minimum Family Income Program providing a complement of income to families with children up to 14 years of age and average income below one half the minimum wage, as long as their children from 7 to 14 were going to school. The benefit was the necessary to complete one half of a minimum wage to all members of the family. It was a sort of negative income tax with a 100% rate and conditionality with respect to the obligation of children going to school. In the Federal District, Governor Cristovam Buarque (PT) started the Minimum Income related to Educational Opportunities or Bolsa Escola Program. All families with children from 7 to 14 years of age, as long as they were going to school, and a monthly income per capita below half the minimum wage could have a complement of income equal to one minimum wage, no matter the size of the family.

Many regional and municipal programs along these lines started to spread all over Brazil. In the National Congress new proposals were presented by representatives Nelson Marchezan (PSDB-DF), Pedro Wilson (PT-GO), Chico Vigilante (PT-DF) as well as by senators José Roberto Arruda (PSDB-DF), Ney Suassuna (PMDB-PB) and Renan Calheiros (PMDB-AL) so as to stimulate the Federal Government to institute programs such as these. In 1996, Professor Philippe Van Parijs and myself had an audience with president Fernando Henrique Cardoso at the Palácio do Planalto. On that occasion, Van Parijs told the president that it would be a good step to start a minimum income program relating it to educational opportunities because it would mean an investment in human capital. In 1997, Law 9.533 was approved by National Congress and sanctioned by President Fernando Henrique Cardoso establishing that the Union would provide 50% of the funds for the municipal governments to institute minimum income programs related to educational opportunities. This would happen gradually, along 5 years, starting with the poorer regions of Brazil.

In August 1998, the Brazilian Senate organized an International Seminar on Minimum Income Experiences with the participation of Guy Standing, Robert Greenstein, Maria Ozanira Silva e Silva, Lena Lavinias, Cristovam Buarque, several mayors that had started pioneer experiences of minimum income programs related to educational opportunities, such as Dorcelina Salvador from Mundo Novo (MS) and Edmilson Rodrigues from Belém (PA). It was an encouraging event.²

In April 2001, a new Law 10.219 was approved by Congress and sanctioned by President Fernando Henrique Cardoso authorizing the Union to establish agreements with all Brazilian municipalities so as to adopt a Minimum Income Program related to

² Suplicy, Eduardo Matarazzo, editor, *Renda Mínima, discussões e experiências. Conferencia Internacional*, 1998, Brasília, Federal Senate.

Education, know as Bolsa Escola. All families with children from 6 to 15 years of age, as long as they were going to school, and average income below half the minimum wage would have the right to receive a complement of income of R\$ 15.00, R\$ 30.00 or R\$ 45.00 per month depending if the family had one, two, three or more children.

In June 2001, Law 10.689, created a similar benefit, called “Bolsa Alimentação” or Food Scholarship, to provide the same amount to families with children under the same range of income and children from 0 to 6 years of age or even for families without children but with a pregnant or nourishing mother, as long as the children were taking the recommended vaccines by the Ministry of Health and the mothers being attended by health centers.

In January 2002, by Decree, President Fernando Henrique Cardoso instituted the Gas Help or “Auxílio Gás” Program providing a R\$ 15.00 benefit each two months for all families with monthly income per capita below half the minimum wage in order for them to buy domestic gas.

In the beginning of President Lula’s government, in February 2003, he instituted the Zero Hunger Program, which had as its main income transfer program, the “Cartão Alimentação”, or Food Card Program of R\$ 50.00 to families with average monthly income per capita below half the minimum wage. The benefit could only be spent on food.

By October 2003, taking into account the superposition of all these programs, including others such as the “Programa de Erradicação do Trabalho Infantil”, PETI, Program to Eradicate Infant Work, Lula’s Government decided to unify them into the Bolsa Família Program. The average benefit was almost tripled for the families with income per capita up to R\$ 50.00 , or R\$ 60.00 per month since April 2006, because it is R\$ 50.00 plus R\$ 15.00, R\$ 30.00 or R\$ 45.00, depending if the family has one, two, three or more children. If the monthly income per capita is between R\$ 60.00 and R\$ 120.00, the benefit is only R\$ 15.00, R\$ 30.00 or R\$ 45.00. The requirements are that the family must show that their children up to six are taking the necessary vaccines, according to the calendar of the Health Ministry, that the pregnant or nourishing mothers and their just born babies are having the assistance from the health centers and that the children from 7 to 15 years and 11 months are going to at least 85% of the classes in school. This law was first enacted as a provisional measure but soon approved as the Law 10.836, sanctioned in January 9, 2004. It is interesting to register that laws mentioned above regarding Minimum Income, “Bolsa Escola”, “Bolsa Alimentação”, “Cartão Alimentação”, PETI, and “Bolsa Família” Programs were always approved by all parties represented in Congress.

This income transfer program has shown a rapid expansion. In December 2003, there were 3.5 million families benefiting from the “Bolsa Família”, all over Brazil. In December 2004, 6.5 million. In December 2005, 8.5 million and in October 2006, 11.118.929 families. If we take the estimate of approximately 4 members in each family, there are today around 44.5 million or almost one fourth of the Brazilian population of around 187.3 million. The “Bolsa Família” Program has been introduced in all 5.561 municipalities of the 26 States and the Federal District, or all federal units and municipalities of Brazil. In 2006, The “Bolsa Família” Program that has attained the target of benefiting practically all Brazilian families with an income per capita below R\$ 120.00, has a projected budget, considering only the value of the benefits, of R\$ 8.61 billion, which amounts to about 0.41% of Brazilian GDP. This is only part of the R\$ 24.05 billion budget of the Ministry of Social Development for this year. This Ministry is also responsible for another important income transfer program for the old and for the disabled, the Continuous

Protection Benefit whose budget is of R\$ 13.53 billion.

Studies made by the Center of Social Policies of the Getúlio Vargas Foundation, based on data collected by the Brazilian Institute of Geography and Statistics, IBGE/PNAD, have shown that in 2003 there were 28.2% of the Brazilian population living with a per capita income below R\$ 121.00 per month. In 2005, this proportion had decreased to 22.7%. This represents an accumulated drop of 19.18% in the reduction of absolute poverty, an improvement even greater than the 18.47% reduction that happened from 1993 to 1995.³

Taking into account the administrative periods, absolute poverty has declined 21.8% during the two governments of president Fernando Henrique Cardoso, from 1995 to 2002, and 15.16% in the first three years of president Luiz Inácio Lula da Silva, from 2003 to 2005. The proportion of the population living in absolute poverty (or below the absolute poverty line) fell from 28.79% in 1995, to 26.72% in 2002. The Brazilian Gini coefficient, among the highest in the world during the nineties reached a peak of 0.607 in 1993, fell slightly to 0.600 in 1997 and 1998, and then to 0.589, in 2002. During Lula's government, it continued to diminish gradually to 0.583, in 2003, 0.572, in 2004 and 0.568, in 2005. Nevertheless, the concentration of income is still very intense: In 2005, the 50% poorest of the population had 14.1% of national income; the 40% next had 40.8%, and the 10% richest 45.1%. This picture shows that a lot has to be done in the direction of building a more just society.

Let me also remind you that since the early nineties, after presenting that proposal of a guaranteed minimum program through a negative income tax, I became more and more aware of the debates that were happening with the creation of BIEN and of the contribution of Philippe Van Parijs, Guy Standing, James Edward Made, Clauss Offe, Robert Van Der Veen, Walter Van Trier, Rubén Lo Vuolo, Michael Samson, Daniel Raventós, Karl Widerquist and so many of you about unconditional basic income. I became more and more convinced that an even better way to attain the purpose of eradicating absolute poverty, improving income distribution, creating a civilized society and providing real dignity and freedom to all would be to institute a Citizen's Basic Income. That is the reason why in December 2001, already in my second term in the Brazilian Senate (1999-2006), I presented a new proposal to institute a Citizen's Basic Income which was unanimously approved in the Brazilian Senate, in 2002, almost unanimously approved in the Chamber of Deputies in 2003, and sanctioned by president Lula in January 2004.

But what is the situation? To what extent is basic income really being discussed in Brazil? Has it been a theme of discussion of the presidential candidates during the recent election the first round of which was held on the October 1st and the second round between Luiz Inácio Lula da Silva, of the Workers' Party, and Geraldo Alckmin, of the Brazilian Social Democratic Party, last Sunday, October 29.

First, let me say that in practically all my lectures and speeches – certainly more than 100 - in political rallies along this year's campaign I have always emphasized that I would continue to struggle for the implementation of a Citizen's Basic Income in Brazil. There were 19 candidates for the only seat that was disputed in the State of São Paulo, which has the largest population in Brazil, 41 million inhabitants and 28 million voters, since we now renew one third of the 81 seats in the Senate. My main competitor,

³ Nery, Marcelo Cortes, Coordinator, *Miséria, Desigualdade e Estabilidade: O Segundo Real, Sumário Executivo*, Centro de Políticas Sociais, Fundação Getúlio Vargas, 2006.

Guilherme Afif Domingos, of the Liberal Front Party, in coalition with the presidential candidate Geraldo Alckmin, had a strong platform of diminishing taxes to stimulate the economy. I may tell you the good news that I will continue to defend my ideas in the Brazilian Senate. I was reelected for my third 8 year term in the Senate. In 1990, I had 4.2 million votes, or 30% of the valid votes; in 1998, I obtained 6.7 million or 43% of the valid votes; and now I received 8.986.803 votes or 47.82% of the valid votes. The second candidate, who has never mentioned the basic income idea, had 8.2 million or 42% of the valid votes.

It is important to say that the Basic Income, although being already object of a Law, was not at the center of the debates between the presidential candidates during the first round with 7 candidates, neither during the second round with just two candidates. They debated and very much the “Bolsa Família” Program. Because it has been considered a successful program, all candidates assertively tried to say that they were going to expand it and to improve it. Some of them said that they would be more rigorous in requiring conditionalities. One may confidently assert that “Bolsa Família” was one of the main positive assets that contributed to the great support that President Lula has received mainly in the poorest regions of Brazil as well among the poor all over the country.

Of course, there were many positive aspects of his administration, from 2003 to 2006, that contributed to the reelection of President Luiz Inácio Lula da Silva last October 29. In addition to the ones already mentioned, among other positive results, the inflation rate decreased from 12.5%, in 2002, to a projected 3% in 2006; exports increased from US\$ 60 billion, in 2002, to a projected US\$ 134 billion, in 2006; the trade surplus rose from US\$ 13.1 billion, in 2002, to US\$ 41 billion in 2006; international reserves rose from US \$ 37.8 billion, in 2002, to US\$ 76.7 billion, in 2006. Economic growth was not so brilliant, with a growth rate of GDP of 0.5% in 2003, 4.9% in 2004, 2.3% in 2005, and a projected 3% in 2006, but the number of jobs created was significantly higher than during the previous eight years: a monthly average of 105.000 new jobs against 8.000. The country risk rate decreased from 1.446, on December 31,2002, to 211 on October 26, 2006. The ratio fo public debt to Gross Domestic Product has decreased from 57% in 2002 to 50% in 2006. Since August 2005, the basic interest rate has continuously decreased to today’s 13.75%, corresponding to an annual real rate of 9.3%. Although still very high, this trend may well initiate a period of higher rates of economic growth combined with price stability in the following years.

After winning the first round in October 1st when 8 candidates participated in the election, with 48.61% of the valid votes, in the second round, after four public debates in the main national TV networks in the past four weeks, and 20 minutes of daily programs on all radio and TV stations for each candidate, President Lula was reelected, last October 29, with 58.295.042 votes, 60.83% of the valid votes. His opponent, Geraldo Alckmin, got 37.543.178 votes or 39.17% of the valid votes.

As Co-Chairs of BIEN, Guy Standing and I invited President Lula to send an official message to our XI International Congress. Although being so busy in his last days of the campaign, he kindly sent the following message a few days before his victory:

MESSAGE OF H.E. LUIZ INÁCIO LULA DA SILVA, PRESIDENT OF BRAZIL ON THE OCCASION OF THE 11TH CONGRESS OF THE BASIC INCOME EARTH NETWORK

Brasília, X/2006

“Ladies and gentleman,

I wish to convey my greetings to the delegates of the 11th Congress of the Basic Income Earth Network also on behalf of the Brazilian government and people.

I attach great importance to such meetings, which allow the discussion of one of the issues that must be afforded priority in the agendas of world leaders: the eradication of hunger and extreme poverty in the world. It is unacceptable that the scourge of hunger still persists, given all available resources and the world food output. Therefore, debates such as the ones that will take place in this meeting are commendable. They will certainly inspire political leaders to implement measures according to the resolutions to be adopted.

Throughout my political life, I have always been concerned with the idea of the right of everyone to eat at least three meals per day. I used to take my own country, Brazil, as a reference, where there was a large contingent of undernourished people because they did not manage to eat properly. They could not even eat once a day, regularly. This could not continue. And reaching that goal has been one of the propelling forces behind my untiring efforts to win the Presidency of the Republic of Brazil.

Immediately after being chosen by the vast majority of our people, I started working on institutionalizing a basic income instrument, which would allow families to eat properly. Finally, in January 2004, after Congress approval, that measure was granted legal status, taking effect in 2005. However, I did not wait for the officialization of the basic income: since the beginning of our administration, in 2003, we created the “Zero Hunger” program; in fact, this was a set of programs that aimed at improving the livelihoods of people, especially the millions in need. One of this programs has been entitled “Bolsa-Família” (“Family Stipend”), with a view to offer a monthly stipend to poor families to complement their incomes, so that their basic needs could be met, including proper food. The benefit would be provided as long as their children attend school, for instance

Four years after, we gladly see the reduction of the levels of extreme poverty and the improvement of livelihoods. Thousands of families have ascended to middle class. The monthly income of the beneficiaries of the program increased in 21%, according to a survey done at the end of 2005. It shows that 61.7 % of adults and 66% of children who participate in the program eat three or more meals every day. Eventually! It goes without saying that the program has been approved by the families.”

Studies show that the “Bolsa-Família” has a positive impact on the income of municipalities. According to the survey, in some municipalities, the program represents more than 40% of the total municipal income. The economies of small towns have become more dynamic, because families are buying products predominantly in the local stores.

I am not yet completely happy. Much remains to be done to meet the ambitious goal – that we continue to seek – of eradicating hunger in Brazil. However, I believe that we are on the right path. Other governmental actions have been taken. Private organizations have been involved in implementing income generating projects. For such reasons, we believe that we can progress even more towards our major aim.

Ladies and gentlemen,

I wish you a very productive journey, which will certainly lead to proposals that will effectively contribute to the reduction, as significant as possible, of poverty on earth.

With my warmest wishes,

LUIZ INÁCIO LULA DA SILVA”

As you may observe, President Lula does not mention explicitly the day when an unconditional basic income might become a reality in Brazil. We cannot be sure that this objective will be attained anytime soon. Anyway, in my lectures, interviews and speeches, as mentioned in my books, I have been arguing that the following advantages will occur once a Citizen's Basic Income is fully instituted:

- Elimination of all bureaucracy involved in having to know the income of each person for the purpose of receiving income support.
- No more stigma or feelings of shame for a person to tell how much he/she earns to get an income complement.
- Facility in explaining to the whole population through the same means of communication the right of everyone to receive an equal basic income and the straightforward way to obtain it.
- The end of the dependency phenomenon caused by the poverty and unemployment traps in programs that define which people, or families, have the right to a benefit when his/her income does not reach a certain level. The knowledge that the government will take away the benefit when income from work reaches a certain level discourages economic activity. In the case of Citizen's Basic Income any increase in income resulting from work and the person's initiative will be additional. Everyone will receive the same benefit regardless of his or her level of income.
- Guaranteeing Citizen's Basic Income will always render valid employment efforts. Given that a person can keep the full amount of his/her basic income, employed or not, ensures his/her situation will be better when he/she is working than when unemployed.
- From the point of view of dignity and freedom for human beings, it is much better to know that in the next 12 months and from then on every year he/she and each member of his/her family will receive a basic income as an inalienable right of all citizens as partners in the Brazilian nation. It is not a gift or a charity but a citizen's right, similar to the right that each Brazilian has to take a walk in the park of his/her city, or if he/she wishes, to go swimming in Copacabana; something that rich and poor people alike can do.
- Despite these advantages many people ask if it would not be better to ensure everyone a job? Economic theory and experience demonstrate that the guarantee of a Basic Income to everyone can contribute substantially to reaching full employment in society. Moreover, the demand for basic goods and services will increase due to Basic Income being provided. This works as an incentive for the growth of the economy and for employment.
- The market does not remunerate many activities people like to do or need to do. For example mothers who nourish their babies, or parents who take care of their children in order to educate and protect them. Or, when our parents get old and we begin to take care of them. There are many activities we would like to do within our communities, parishes, associations, student unions and clubs, normally without remuneration. Activities that when performed are fundamental

for humanity are often not recognized by the market. When Vincent Van Gogh (1853–1890) and Amedeo Modigliani (1884-1920) painted their works of genius, they could hardly survive from what they earned when they sold them. Both of them became ill and died prematurely. Today these same works are sold for millions of dollars.

- Another argument should also be taken into account. As in many countries, the Brazilian Constitution recognizes the right to own private property. This means that the person, who owns a factory, a farm, a restaurant, a bank, financial bonds, or real estate, is permitted to earn an income under the form of profits, rents, or interest. It is not however written in the Constitution that people in this situation, conditional to their income, are obliged to work or to send their children to school. Moreover, most individuals who own capital do work and do send their children to school and the best universities. Why? They do so because they are interested in progress. Very well then, the argument is that if we ensure the right of wealthy citizens to receive private income from capital, without conditions, why can we not ensure the right of all citizens the right to be partners in this country and receive a modest income guaranteeing the right of full citizenship?
- Additionally the guarantee of a basic income is a mechanism that can contribute to the growth of the economy and its competitiveness when it is adopted. This point can be better understood when we analyze the experiences of developed countries that have already adopted income transfer programs. Mainly when we observe the results of the pioneering experience of a basic income that happened with the creation of the Permanent Fund of Alaska 30 years ago.

In 1968, Robert Lampman, Harold Watts, James Tobin, Paul Samuelson, John Kenneth Galbraith and 1200 other economists proposed to the American Congress the institution of a Guaranteed Minimum Income. President Richard Nixon then called Daniel Patrick Moynihan, an architect of programs against poverty who had worked with Presidents John Kennedy and Lyndon Johnson. In August 1969 he presented the Family Assistance Plan that would create a Negative Income Tax. All families with an annual income below US\$ 3,900 would have the right to receive 50% of the difference between that level of income and the family income.

Daniel Patrick Moynihan in his book *The Politics of Guaranteed Income* (1973) analyzed how conservatives used the high contradictions and exaggerated desires of progressive supporters to defeat the guarantee of minimum income proposed in the Family Assistance Plan. Some of them proposed a yearly basic income of US\$ 5,500, an amount that would have broken the budget of the time. Others did not want it to substitute programs already in effect like *AFDC*, or the *Food Stamp* program. Senators especially from food producing states defended the program, without realizing that the guaranteed income would be destined mainly for the acquisition of first need goods, especially food. Additionally there were those who did not want to accept the concession of an income payment to those who were not working.⁴

⁴ MOYNIHAN, Daniel Patrick. *The politics of a guaranteed income – The Nixon administration and the family assistance plan*. New York: Random House, 1973.

When seeking re-election, in 1972, Nixon ran against George McGovern who was assisted by James Tobin and Robert Solow; two prestigious Nobel Prize winners in Economics who had presented a far reaching proposal of a *demogrant*, or social dividend, of US \$ 1,000 per year to each American. McGovern was not elected and did not succeed in making people understand the advantages of a non-conditional basic income. In February 2005, I telephoned him while I was at the Woodrow Wilson International Center for Scholars in Washington D.C., to tell him that in Brazil a similar proposal had been turned into law and that it was to be introduced gradually. McGovern, who was on an island in Florida, said that he was very happy with the news and added: "People say that I was a man with ideas before my time".

Later on in 1974 the US Congress approved a law from Democrat Senator from Russell Long (Louisiana), which would also institute partially a negative income tax, the *Earned Income Tax Credit-EITC*. Confronting the concern expressing during the debates in the Senate about the provision of a guarantee of income to those who were not working, Russell Long proposed a complementary income only to families of people who were employed. The families that did not reach a certain level of income with employment, would receive an increase in income to compensate the amount that was discounted as payment for the social security, and to help with the maintenance of their children, thus contributing to leaving the poverty level. The EITC became law in March 1975, during the Republican government of President Gerald Ford.

With the support of Democrats and Republicans the EITC was expanded, respectively in 1986, 1990, and 1993, by the initiatives of President Ronald Reagan, George Bush, and more significantly, Bill Clinton. In his autobiography *My Life* Clinton made 17 references to the importance of EITC in his government.⁵ He stressed how he decided, based on the motto "people in first place", to extend the EITC to families without children, and also to double the amount to families with children. This expansion taken together with other measures, like the ones adopted by the Federal Reserve System presided by Allan Greenspan, contributed to the increase of economic activity and an increase in the employment level during Clinton's eight years of government. The unemployment rate which in 1992/3 was around 7.5% of the working force, declined and reached 3.9% in the year 2000.

In 2003 families without children, or with one child, two or more children, respectively, whose yearly income was below US\$ 12,230, US\$ 30,666 and US\$ 34,692 had the right to get a fiscal credit. In the case of a family with two or more children the benefit was 40% of the earnings up to the limit of US\$ 10,510, therefore with a maximum fiscal credit of US\$ 4,204. If the family income was US\$ 10,510 to US\$ 14,730, the maximum credit was also US\$ 4,204. Starting from US\$ 14,730 that maximum credit was diminished by 21.06% for each additional dollar beyond that limit. This way the EITC became zero for a couple with a yearly income of US\$ 34,692. From that point on, the family starts to pay income tax.

In 2004 the US government paid about US\$ 39.3 billion to more than 21.5 million families and individuals in the country. For families with one child the average amount of EITC paid was US\$ 2,100. It represented a substantial income transfer that the American society paid to those who work, but don't obtain a certain level of income, allowing them to earn more and to get a higher degree of satisfaction and productivity than in the absence of this instrument. For this reason, US companies get a higher degree of competitiveness

⁵ CLINTON, Bill *My Life*, ,New York: Knopf, 2004.

in relation to companies from other countries such as Brazil, South Africa or Argentina that have not adopted similar mechanism or another, much more rational option, like a Citizen's Basic Income could be.

A worker who earns a minimum wage in the US today of US\$ 5.15 per hour, if he works 160 hours per month, would earn US\$ 824 per month. If he works 12 months, he would earn US\$ 9,888 per year. A worker who has an annual wage of US\$ 10,000 with a wife, two or more children, has the right to receive a fiscal credit under the form of EITC, of US\$ 4000. His annual income becomes US\$ 14000. Several countries whose economies compete directly with the US started to adopt similar mechanisms, such as the United Kingdom, which has introduced the *Family Tax Credit* in 2000. Today a British worker, who has a family and receives a monthly wage of 800 pounds sterling, has the right to receive a fiscal credit of 400 pounds sterling.

Among other recent changes to US fiscal legislation, I have noticed the end of *AFDC - Aid for Families with Dependent Children*, and of *EA – Emergencial Aid and JOBS – Jobs Opportunities*, that were replaced by *TANF - Temporary Assistance for Needy Families*, which became more restrictive requiring that people start to work after a certain period of being enrolled in the program. This assistance can be provided for a maximum period of 5 years.

It is important to emphasize that although the *EITC* has become the most important income transfer program of the American welfare system; it is one of approximately 80 income support programs. In 2002, these programs including the expenditure with public health summed up US\$ 522.2 billion, of which US\$ 373.2 billion are in federal programs and US\$ 149 billion are in municipal and state programs. As a whole, these welfare expenditures corresponded to 5% of Gross National Product. The average number of beneficiaries in 2002 alone for food stamps was 20.2 million; *TANF*, 5.1 million; *Social Security Income- SSI*, 6.9 million; *Health Services*, 50.9 million; *EITC*, 16.8 million.⁶

Studies elaborated by Robert Greenstein and Isaac Shapiro from the *Center on Budget and Policy Priorities* have shown that the *EITC* had resulted in a substantial increase of parents and single mothers in the labor market, contributing to a moderate increase of income disparities between rich and poor workers. It has removed over 4.6 million people out of poverty, including 2.4 million children. When Professor Albert Hirschman from the University of Princeton visited Brazil on January 1st, 1995, for the occasion of President Fernando Henrique Cardoso taking office, I asked him his opinion about the expansion of *the EITC* accomplished by President Bill Clinton. Immediately he answered: "It is his greatest achievement."

But where is the proof that an even better system than the *EITC* is the unconditional basic income? It can be found in the USA, in one of the American Sates. In the early sixties, the mayor of a small fishermen village, Bristol Bay, in Alaska, observed that a huge amount of wealth was coming out of that village in the form of fish. But many people were still poor. Thus he proposed to create a 3% tax on the value offish to create a fund that would pertain to everyone. He encountered much resistance to the idea. It was taken as just another tax. But finally after 5 years he persuaded the community. It was so successful that ten years later he became the governor of the Sate of Alaska that had recently discovered a huge amount of oil.

⁶ Congressional Research Service, The Library of Congress, Report for Congress, received through the CRS Web, "Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 2000-FY2002", November 25,2005, Compiled by Vee Burke.

In 1976, Governor Jay Hammond told his 300,000 citizens that they must think not only of their generation, but also of future ones. Oil and other natural resources are non renewable. Let us separate 50% of the royalties coming out from the exploitation of natural resources to build a fund that will pertain to everyone. He got the proposal approved not only as a constitutional amendment by the State Assembly but also by a referendum with 76,000 votes in favor and 38,000 against it. For four years they discussed how they would administer the fund. Some said: let us have a development bank. But others called attention to the fact that this would be a way of providing subsidized funds to entrepreneurs who already have accumulated wealth. They would create firms, eventually jobs, but we will have concentration of income, as we do have in Brazil. Better to have the resources equally distributed for the benefit of all.

Since then 50% of the royalties coming out from the exploitation of natural resources have been applied in US bonds, stocks of Alaskan companies, contributing to diversify their economy, US stocks, international stocks, including of 24 Brazilian companies, according to the most recent report of the Alaska Permanent Fund, and real state investments. The value of the Alaska Permanent Fund has risen from US\$ 1 billion in the early eighties to US\$ 35 billion in 2006. Each person, as long as it is living in Alaska for a year or more, in a very simple procedure for all members of each family, has been receiving a dividend that has varied from around US\$ 300 per year in the eighties to US\$ 1,106.96 in 2006.

With the EITC and all income transfer programs the US has grown well during the nineties. However, as shown by professor Scott Goldsmith in our 2002 BIEN IX International Congress, from 1989 to 1999, the 20% richest families had an increase in their average income of 26% whereas the 20% poorest families of 12%, showing a concentration of income.⁷ In Alaska, thanks to the system that distributes every year about 6% of the Gross Domestic Product equally to all residents (a total of 700,000 today), the 20% richest families had an increase in their average income of 7%, whereas the 20% poorest of 28%, that is 4 times more. Alaska has become the most equal of the 50 American States. Goldsmith says that today it is considered political suicide for any leader to propose the end of the Alaska Permanent Fund dividend system. As we normally say at the end of the mathematical theorems that we learn in school: Q.E.D.

I would like to propose that we dedicate a moment of this XI International Congress of BIEN to homage Jay Hammond that died last year at 83. I had the opportunity to share a conference with him during the 2004 International Conference of USBIG. I asked whether he had knowledge of Thomas Paine's "Agrarian Justice" (1795)⁸, an essay to the French National Assembly in which he proposed the Alaska Permanent Fund. He didn't but became very glad to know that he had applied one of the main ideas of one of the main ideologues of the American and French Revolutions. During his last years until 2005 he was engaged in convincing President George Walker Bush that the US should propose to the Iraqis to follow the example of the Alaska Permanent Fund Dividend system. Last September, editor Steve Forbes also gave a lecture with a strong proposal for Iraq to follow the example of Alaska. Also in favor of this proposal were Sergio Vieira de Mello, following my suggestion, Paul Bremmer III, Guy Standing, Steve Schafarman, Steve Clemons among others in 2003. I propose that this XI BIEN International Congress send a

⁷ Goldsmith, Scott "The Alaska Permanent Fund Dividend: An experiment in wealth distribution". In Guy Standing (org.) *Promoting income security as a right: Europe and North America*. London. Anthem Press, 2004, pp. 549-61.

⁸ Paine, Thomas (1796). "Agrarian Justice". In: Foner, P.F. (ed.) (1974). *The Life and Major Writings of Thomas Paine*. Secatus, NJ, Citatel Press, 1974.

message to the Iraqians saying how much we believe that the introduction of a basic income following the example of the Alaska dividend system will contribute a lot to the democratization and pacification of Iraq. Every Iraqi will have the feeling of participating in the wealth of the nation.

Having confirmed the efficacy of income transfer programs associated with education and health assistance opportunities in Brazil, which started under the Bolsa Escola and Bolsa Alimentação programs and then were later unified in Bolsa Família, is it not time to take a step towards implementing a Citizen's Basic Income? Let's take into consideration President Luiz Inácio Lula da Silva's own statement on January 9, 2005 practically one year after having sanctioned Law 10.835, on January 8, 2004, which established a Citizen's Basic Income, given on program broadcasted by Radiobrás, "Café com o Presidente" (Breakfast with the President); which emphasized the Bolsa Família program would reach by 2006 the total amount of families that according to IBGE are below the poverty line. He said:

"Brazil that I wish is a Brazil where, someday, the State does not need to have an income transfer because people are working and earning their sustenance from their own work. It is that what dignifies the man, the woman, it is that what gives us pride, to live at the expense of ourselves, at the expense of our work, of our sweat".

In order for us to accomplish this wish of our President for us all to live at the expense of our own work, it is necessary to understand a the Citizen's Basic Income does not correspond to any sense of charity or assistance but that it is a right, granted unconditionally to all citizens of Brazil to participate in the wealth of the nation, whether produced by natural resources or by previous generations (including those who previously worked as slaves), or, wealth provided by technological progress achieved through the interaction of the inventors with the whole of society.

In discussions I had with the Minister of Social Development Patrus Ananias at the World Social Fórum in Porto Alegre in January 2005 and with the participation of Philippe Van Parijs, or, at the Meetings of the National Association of the Post Graduation Centers in Economics (Associação Nacional dos Centros de Pós Graduação de Economia, ANPEC) in Natal, in December 2005; the minister expressed a great interest in the proposal but has formulated some important questions:

- How is it feasible to pay a reasonable amount of basic income to 187 million Brazilians, if the amount paid now to poor families by Bolsa Família is still modest?
- Which should be the amount to start the basic income?
- Would it not be more adequate to first increase the amount of Bolsa Família?
- How is it possible to finance the payment of a basic income to everyone?
- As public opinion supports the requirements of the school attendance and vaccinations and considers them positive, how can we start paying non-conditional income guarantees to all citizens?

It is paramount to remember that the law establishing Citizen's Basic Income grants great flexibility to the executive power regarding its implementation. The amount given and

its realization will be gradual and given under the criterion of the Nation Executive, which gives priority to the neediest until everybody can receive it.

In January 2006 I accompanied Patrus Ananias, the Minister of Social Development and the Fight against Hunger, on a visit to a poor district in the municipality of Campinas, where we had a dialogue with families who benefit from income transfer programs. Eight programs are superimposed and naturally there was a great difficulty for the families to understand, in which ones they were supposed to be included. If someday we can implement a Citizen's Basic Income program in all of Brazil, it will be much simpler to explain to all Brazilians what their effective right is.

The government, as President Lula told me last Sunday just after knowing the result of his reelection, is studying how to increase the amount of the Bolsa Família for its 45 million beneficiaries. The government may also expand the number of eligible families who have the right to enroll in the program. An alternative to the gradual implementation could also be done through the universal concession of a Citizen's Basic Income initially awarded to people up to 18 years old, as is defended in Argentina by economists Ruben Lo Vuolo⁹ and Alberto Barbeito and in Brazil by economist Lena Lavinás¹⁰.

If in the following years the Citizen's Basic Income is really instituted it will start with a modest amount, let's say R\$ 40.00 per person. In a family of 6 persons that would mean R\$ 240.00 per month. If the head of the family receives a minimum wage of R\$ 350.00 in 2006 and there is no other income in the family besides these two, the family income would be R\$ 590.00. R\$ 40.00 times 12 months signifies R\$ 480.00. Multiplied by 187 million we will have to pay an annual amount of R\$ 89.8 billion. This is about ten times the total amount now paid for the Bolsa Família program in 2006. It is much less however, than what we have paid for the interest on the public debt. This will be close to R\$ 150 billion in 2006. The decrease in interest rates in Brazil, by reducing the cost of public debt, will of course contribute to fiscal feasibility of introducing a basic income.

Even starting with a modest amount for Basic Income as in the example above, the total amount of R\$ 89.8 billion corresponds to nearly 4.5% of GDP estimated to be R\$ 2 trillion in 2006. This is a difficult amount to be available in the short term. This concern was the subject of the discussion that I had with the Minister of Finance, in 2005, which is why it is important to introduce the system gradually. Ex-Minister Palocci told me that a possible way was to consider Basic Income firstly for poor families, granting it, afterwards, to everyone. I told him that it this is a possible alternative.

Let's remember that the Fight against Poverty Fund which provides the resources for Bolsa Família created through an Amendment to the Constitution in 2001 will last until 2011. It is therefore still necessary to think of a permanent source of revenue that can keep up to the growth of the country.

A possible solution is to finance the program through the creation of Citizen's Brazilian Fund, which over time would be able to provide the necessary resources to pay the basic income in accordance to the model formulated by Thomas Paine and by the Alaska Permanent Fund. This is the main purpose of the law which I proposed to the Senate in 1999 that has been approved by Senate last August and will next be

⁹ VUOLO, Rubén Lo, BARBEITO, Alberto C., *Contra la exclusión. La propuesta del ingreso ciudadano*. Buenos Aires, Ciepp/CIEPP/Mino y Dávila, 1995.

¹⁰ LAVINAS, Lena. *et alli* "Exceptionality and Paradox in Brazil: From Minimum Income Programs to Basic Income". 9th International Congress, Bien, Geneva, September 12th-14th, 2002.

appreciated by Chamber of Deputies. The initial capital of the fund would be constituted by 10% of the shared participation of the Federal government in the capital of the public companies. The resources of the fund would be formed by endowments consigned to the federal budget; 50% from royalties produced by natural resources; 50% from resources proceeding from concessions of public works and services; 50% from rents coming from federal real estates and other assets and donations.

Regarding that the conditionalities are considered to be positive by the public, we should take into consideration the teachings of great masters like Jean Piaget, Maria Montessori, Anísio Teixeira and Paulo Freire, who showed that education is a liberating process through which a person becomes more and more conscious. Just as richer people usually take all the right steps to get their children vaccinated and attending the best schools, we can also expect that all families once given the right to receive a basic income for all their members will also make efforts to improve the education and the health of their children

The Italian philosopher Antonio Negri from the University of Pádua, and the political scientist Giuseppe Cocco from the Universidade Federal do Rio de Janeiro in an article in *Folha de São Paulo* praised the Bolsa-Família, qualifying it as the embryo of a universal and citizen's income. They exalted Lula's government for aiming towards non-conditionality and trying to accelerate the popularization and democratization of the program.¹¹

Celso Furtado, the greatest Brazilian contemporary economist understood very well the proposal. On the day law was sanctioned he sent the following message to the President:

Dear Mr. President Luiz Inácio Lula da Silva

President of the Republic

At this moment when Your Excellency sanctioned the Citizen's Basic Income Law I want to express my conviction that, with this measure, our country puts itself in the vanguard of those that fight for the building of a more harmonious society. Brazil was frequently referred as one of the last countries to abolish slave labor. Now with this act which is a result of the principles of good citizenship and the wide social vision of Senator Eduardo Matarazzo Suplicy, Brazil will be referred as the first that institutes an extensive system of solidarity and furthermore, it was approved by the representatives of its people.

At this opportunity I would like to wish Your Excellency a continuous success in the important mission assigned to you.

*Cordially,
Celso Furtado,
Paris, January 8, 2004*

We may predict, however, that much will have to be done in the future for all Brazilians to share Professor Celso Furtado's perception. When Muhammad Yunus won

¹¹ NEGRI, Antonio e COCCO, Giuseppe, "Bolsa-Família é embrião da renda universal" *Folha de S. Paulo*, 05.01.2006.

the Peace Nobel Prize last October, one of the main newspapers in Brazil, “O Globo”, wrote an editorial praising the microcredit initiative as a very positive stimulus to the entrepreneurial spirit of the beneficiaries.¹², contrasting it with the assistance or charitable character of the Bolsa Família Program, in spite of the conditionalities that are required by it. In Brazil, in South Africa and in all countries we will have to continue BIEN’s efforts to show that both the microcredit and the basic income are among the main instruments of economic policy that will help us to build a Just and Civilized Society or a Good Society, the kind of society proposed by Paul and Greg Davidson and John Kenneth Galbraith, as by Paul Davidson himself brilliantly reminded us last October 15, 2006, in a lecture at Kennedy School, Harvard University.¹³

Let me conclude by saying that we Brazilians, I, Lena Lavinias, Maria Ozanira Silva e Silva and others that in 2004, in Barcelona formed the Rede Brasileira da Renda Básica de Cidadania, the Brazilian equivalent of BIEN, feel very encouraged to continue our common battle. This happens because we can feel here in South Africa, in Namibia and in other African nations how much the debate about basic income has advanced and matured. We will bring back to Brazil and other countries in South America what we have learned here from you.

¹² “Premio Exemplar”, editorial of “O Globo”, October 18, 2006.

¹³ Davidson, Paul’s Opening Remarks as member of a panel on “Towards Good Societies, Kennedy School, Harvard University, October 15, 2006, with references to his book with his son, Greg, *Economics for a Civilized Society*, 1988, Macmillan, London and W. Norton, New York, revised edition 1996, and Galbraith, John Kenneth, 1966, *The Good Society*, Houghton Mifflin, Boston.