The Indispensable State: public spending and direct income transfer during the Covid-19 pandemic

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Abstract
The money flow from direct income transfers, as well as public employee salaries, cushioned the negative economic effects of the Covid-19 pandemic on municipal economies. Based on this premise, we show the coverage and regional aspects of direct income transfer programs advocating the positive effects of social policies of a distributive nature for the most vulnerable fraction of the Brazilian population.

Keywords: Government expenditures. Transfer of income Covid-19 Pandemic in Brazil.

Quando o Estado importa: gasto governamental e transferência direta de renda na pandemia da Covid-19

Resumo
O fluxo monetário proveniente das transferências diretas de renda, assim como a massa de salários dos funcionários públicos, amorteceram os efeitos econômicos negativos da pandemia da Covid-19 nas economias municipais. A partir dessa premissa, mostramos a cobertura e a regionalidade dos programas de transferência direta de renda advogando os efeitos positivos das políticas sociais de natureza distributiva para a fração mais vulnerável da população brasileira.

Cuando el Estado importa: gasto gubernamental y transferencia de renta directa en la Pandemia de Covid-19

Resumen
El flujo monetario de las transferencias de renta directas, así como la masa de salarios de los servidores públicos, amortiguaron los efectos económicos negativos de la Pandemia de Covid-19 en las economías municipales de Brasil. Con base en esta premisa, destacamos la cobertura y la regionalidad de los programas de transferencia de renta directa, abogando por los efectos positivos de las políticas sociales de naturaleza distributiva para la fracción más vulnerable de la población brasileña.


Introduction
The observation of the federal government’s expenditures benefiting citizens, excluding social security benefits between 2019 and 2021, reveals long-term issues in the Brazilian economic, political and social domestic environment. According to Portal da Transparência (Brazil, 2021b), spending jumped from R$89.1 billion in 2019 to R$388.7 billion in 2020, being reduced in 2021 to R$154 billion. Two pieces of information would be sufficient to question the nature of such expenditures. The first refers to the New Tax Regime (Brasil, 2016), which resulted in expenditure-reducing, especially investments, and has since become known as the “austerity fairy”. The second information responds to the challenges facing the Covid-19 pandemic and the respective increase in government-led health expenditures and the emergency transfer of income.

The increase in expenditure on benefits for citizens is limited to the programs shown in Figure 1. The state-led social assistance program such as Bolsa Família, Continuing Benefit Conveyance (BPC, in Portuguese), and Child Labor Eradication Program (PETI, in Portuguese) are framed in direct transfers of income, in the same way as the Emergency Aid. The Garantia Safra (Brazil, 2002) and the Seguro Defeso (Brazil, 2003) target rural producers and fishermen in a condition of productive vulnerability. The six programs have different histories, regional contexts, and institutional setups. Emergency Aid alone, between 2019 and 2021, represented 55.74% of the total resources of said benefits to the citizen. Still, some questions must be raised about federal-government description of benefits to citizens:
The selection of the six “programs” excluded a series of other public policies that contributed in recent years to reduce resources, such as the National Program for Sustainable Family Agriculture (Pronaf, in Portuguese), National School Meals Program (Pnae, in Portuguese), Food Acquisition Programme (PAA, in Portuguese), the Student Funding Fund for Private Higher Education (Fies, in Portuguese), and Minha Casa Minha Vida.

The selected government programs are of a distinct institutional nature. BPC, for instance, was created from the normative arrangements of the 1988 Constitution (Brazil, 1988) and the Organic Law of Social Assistance (Loas, in Portuguese) and, unlike Peti or Bolsa Família, cannot be extinguished without a constitutional change. Peti and Bolsa Família ceased to exist, giving room to the Criança Feliz (Brasil, 2018) and Auxílio Brasil (Brasil, 2021c) programs.

The benefit of State social action does not result only from cash transfers, but mainly includes public health and education services. Considering the execution of expenses by higher bodies of the federal government, we verified that, in 2017, education expenditures reached R$129.5 billion, representing 5.41% of the total. In 2020, they fell to R$117.3 billion, representing 3.43% of the total (National Treasury, [s.d.]).

This investigation raises questions about the nature of state intervention and the political pact built from the 1988 Constitution (Brasil, 1988), disregarding divergent interpretations of social expenditure functions. This debate, more than ever before, should not be limited to abstractions. It is essential to demonstrate more concrete elements, describe regional aspects, and highlight the significance of social expenditure in reducing income inequality and creating opportunities, as indicated in specialized literature (Piketty, 2014; Atkinson, 2015). This is even more relevant when considering the effects of the Covid-19 pandemic.

Until May 10, 2021, Brazil registered 30,574,245 people contaminated and 664,192 deaths (MS, [s.d.]) as a result of Covid-19, giving us a measure of the mobilization of public resources, at federal, state, and municipal levels, for dealing with the tragic effects of an unprecedented health crisis. This mobilization created intense pressure to temporarily interrupt the under-investment in the Public Health System (SUS).

There is sufficient evidence of positive effects that social expenditure has on overcoming crises, which was translated into indirect transfers to public health services, education, social assistance etc., and direct income transfer. In 1935, the US published The Social Security Act.
(1935), and in 1942, England published the *Beveridge Plan* (Beveridge, 1973) laying down the pillars of policies to generate employment and fight poverty.

In Brazil, studies have already demonstrated the positive role of the State in reducing income inequalities (Ipea, 2012; Peres; Santos, 2020). In 1991, according to UNDP ([2010]), 85.8% of municipalities had low-level municipal development, a percentage reduced to 41.8% in 2000 and 0.6% in 2010. If previous social policies were decisive in removing the country from the world hunger map, the current monetary erosion of these same policies has led a significant portion of the population to a situation of food insecurity.

Figure 2 shows the federal government’s resources for combating the Covid-19 pandemic. In 2020, the total reached R$524.03 billion and, in 2021, R$121.44 billion. Another R$13.19 billion had been recorded as State expenditure between January and March 2022. The federal government’s budget in 2020 reached R$4.13 trillion, rising to R$4.30 trillion in 2021. But even in the worst moments of the Covid-19 pandemic, resources from budget programs for *refinancing operations and internal debt services*, including *interest and amortization*, reached between January and October 2021, R$1.94 trillion (Brazil, 2021b).

The set of actions is directed to different fields, it is not limited to health or transfer payments (Figure 2). In these sets of actions, many employers’ demands were attended to, whether through credit, private initiative, granting payroll financing, or federative transfers such as the Municipal Participation Fund (FPM, in Portuguese) and the State Participation Fund (FPE, in Portuguese). It is worth mentioning the regime of public procurement of medical-hospital supplies that capitalized on various segments of the market, indicating what the economist Kenneth Galbraith (1975) adjective, taking the USA as an example, of “bureaucratic symbiosis”. It would not be an exaggeration to say that, in the Covid-19 pandemic, no sector of society escaped the state’s protective and preventive web of action.

**Figure 2 – Union Expenses (billions R$) with Covid-19 – Brazil**

![Figure 2](image-url)
Government spending and public income flow

By individual income flow we mean irregular monetary value destined to people that results from labor income, retirement and pensions, besides direct income transfers from the government (Arrais, 2019). In addition to territorial and demographic characteristics, regional aspects of this set of incomes are influenced by the way formal and informal labor market is structured. The results of PNAD (National Household Sample Survey, IBGE, 2021a), for the second quarter of 2021, pointed to a vacancy rate of 14.1. The number of 14.444 million unemployed combined with 74.914 million people outside workforce is higher than the total amount of people employed, indicating contemporary economic and social challenges. It is by chance that the specter of hunger has returned to Brazilian homes. Hunger, in fact, always walks hand in hand with unemployment, precarious work and reduced income.

Unemployment associated with average income reduction was not higher for two reasons. The first is related to the stability of employment rates in the public sector. Statutory civil servants, military, with or without a formal contract, totaled 11,821 million workers in the second quarter of 2021, representing 20.68% of general formal employment. The multiplier effect that comes from the wage bill of federal, state and municipal civil servants is undeniable. The second cause refers to the increase in average income back in 2020, as pointed out by PNAD-Covid-19 (IBGE, 2021b), that was influenced by Emergency Aid, which reached 41% of Brazilian households in 2021, with an average of R$558.00.

Figure 3 summarizes the main direct income transfer programs aimed at the most vulnerable groups. It was responsible for the flow of public income, at different intensities, in the Brazilian territory and specifically in the worst period the Covid-19 pandemic. The Rural Retirement and CCBP, although they first appeared in the 1970s, experienced profound changes from the 1988 Constitution (Brasil, 1988), with the chief amongst them being the raising of the benefit to a minimum wage. Bolsa Família emerged in 2004 from the aggregation of other social programs, such as the Gas and Food Card Allowance. It is a program with focus and circumstances in the field of education and health (Alencar, 2019).

Figure 3 – General data of social programs of direct transfer payments - Brazil

<table>
<thead>
<tr>
<th>description</th>
<th>Year established</th>
<th>total beneficiaries</th>
<th>total resources (in billions of BRL)</th>
<th>Average value of benefits (BRL)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td>2021</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td>2020</td>
<td>2021</td>
<td></td>
</tr>
<tr>
<td>Rural Retirement</td>
<td>1975 1988</td>
<td>6,589,894</td>
<td>6,596,036</td>
<td>81.1 59.06 942.43 968.11</td>
</tr>
<tr>
<td>Continuous Cash Benefit Programme</td>
<td>1988 1993</td>
<td>4,783,615</td>
<td>4,731,008</td>
<td>58.19 61.79 1,032.21 1,097.47</td>
</tr>
<tr>
<td>(BPC)</td>
<td></td>
<td>43,366,279</td>
<td>44,003,407</td>
<td>32 30.04 60.15 56.88</td>
</tr>
<tr>
<td>Bolsa Família (Family Allowance)</td>
<td>2003</td>
<td>59,602,267</td>
<td>39,377,089</td>
<td>294.84 57.34 558 250</td>
</tr>
<tr>
<td>Auxílio Emergencial (Emergency Aid)</td>
<td>2020</td>
<td>81,586,324</td>
<td>64,215,734</td>
<td>626.44 83.68 1,083.11 1,170.22</td>
</tr>
</tbody>
</table>

* In 1988, with the Federal Constitution, the value of rural retirement became a minimum wage, as well as the Continuing Installment Benefit, regulated by Law in 1993. Sources: Brazil (1975, 1988, 1993, 2004a, 2004b, 2020) and INSS ([s.d.]).
The Bolsa Família has a boomerang effect: the State grants a benefit to the beneficiary, and this comes back in the form of demanding the State itself health services and education. Emergency Aid was established during the Covid-19 pandemic, basically in two steps. The first lasted three months of 2020 (Brazil, 2020), and, secondly, was an extension in 2021 (Brazil, 2021c). The two stages enabled, provided that the eligibility conditions were met, three installments of R$600.00 and four of R$250.00.

The contributory character and its connection with the formal labor market do not include the set of direct transfer payments General Social Welfare Policy (RGPS, in Portuguese) benefits. The latter added up, considering only urban pensions (age, invalidity, contribution time) and death pensions, 19.83 million in benefits in September 2021 (INSS, [s.d.]). Social Security, linked to National Social Welfare, is the most robust social protection system in Brazil. Considering the execution of federal government expenses by area of operation in 2020, spending on Social Security consumed 54.4% of resources, higher than education (3.49%) and health (4.62%). Despite tributary dynamics and the tripartite financial system, available data on expenditures historically feed the discourse on the pension fund deficit, which is contested by the literature (Gentil, 2006; Arrais; Viana, 2017).

Especially after the social security reform, is expected that the benefits of the RGPS increasingly exceed the value of a minimum wage, mainly because of the discontinuity of contributions and new-age requirements and the reduction in the value of contributions caused by reduction of income. In September 2021, according to INSS data ([s.d.], 83.45% of benefits issued by RGPS reached up to two minimum wages and 68.9% up to one minimum wage. Including retirees and pensioners of the Special Social Welfare Policy, we need to take into account a number of 2,793,721 retirees and 936,985 pensioners (ME, [s.d.]).

Analyzing income flows, it is common to first focus attention on the formal labor market and after, due to the reliability of the sources, on the informal one. Formal labor market performance is like an economy thermometer. It turns out that not all income is the result of formal labor. This does not mean that this direct or pension government transfer payments is unproductive or has no multiplier effect on municipal economies. On one hand, this small resource feeds the family economy and, on the other, if we consider it nationally, it becomes the most relevant vector of heating up the economy of all 5,570 Brazilian municipalities.

**Table of direct transfers of government income**

The analysis of the evolutionary framework of direct income transfers shows how social state has historically dealt with social inequalities. This analysis also reflects the struggle involving the federal government budget. We cannot lose sight, as Arreche (2018) points out, that the State also produces inequalities. It is enough to observe the different capitalization of the territory through tax incentives or even refusing to implement a tax reform with a progressive tax regime.

The analysis of the dynamics of granting benefits of direct transfer payments, will be translated into the analysis of the expansion, coverage and to regional scope of direct income transfer programs. Indeed, direct cash transfer programs have increased the total number of beneficiaries and the total amount of cash targeting these group. The curve of the Rural
Retirement and BPC is the most stable, which is explained by the pace of granting benefits linked to the National Institute of Social Security (INSS, in Portuguese). Unlike Bolsa Família, there is no possibility of reducing resources or excluding eligible people due to budget limits. Access to the Rural Retirement is guaranteed to worker able to prove 15 years of work rural activities, with a minimum age of 60 years for men and 55 for women. The BPC is intended for people living with disabilities and the elderly, with a per capita family income of up to ¼ of the minimum wage, and minimum age of 65 years.

The cut-off in income for eligibility purposes is adopted for the Bolsa Família program. Until October 2021, families in situations of extreme poverty (monthly per capita income of up to R$89.00) and poverty (monthly per capita income of R$89.01 to R$178.00) were eligible to receive the benefit. To define extreme poverty and poverty, on November 5, 2021, the income was adjusted respectively to a limit of R$100.00 and R$200.00 per month (Brazil, 2021c). The increase in the monthly income limit from R$178.00 to R$200.00 will generate a negative impact on the eligibility dynamics. It can prevent people previously qualified in the National Single Registry from accessing the Brazil Aid program, since the increase produces access problems, especially when we consider inflation and consequent income erosion since 2018. In September 2021, there were 79,383,926 people in the Single Registry, with 41,697,555 of them surviving with a per capita income of up to R$89.00 and 8,603,498 with an income of R$89.01 up to R$178.00 (MDS, [s.d.]). The linkage between the condition of poverty from income, in theory, follows the guidelines of the World Bank (The World Bank, [2021]), which defines extreme poverty as people living with up to US$1.90 daily. According to a World Bank survey, between 2013 and 2019 (Figure 4), Brazil’s population living in extreme poverty increased from 3.1% to 4.6%.

![Figure 4 – Proportion of people living in poverty with US$1.90 per day in selected countries](source: The World Bank ([2021]).)
Between 2020 and 2021, R$674.44 billion were mobilized for the four direct income transfers reported in Figure 5. Considering the cumulative total of the four programs, Emergency Aid represented 52.22%, followed by Rural Retirement at 20.78%, BPC at 17.79%, and Bolsa Família, at 9.19%. The resources distributed in all 5,570 Brazilian municipalities can be compared to the total of federal constitutional payments, in the same period, to states, municipalities and the Federal District. Transfers such as the FPM, the FPE, and the Primary and Secondary Education Maintenance and Development Fund (FUNDEB, in Portuguese) totaled R$425.70 billion between 2020 and 2021 (National Treasury, [s.d.]). On the one hand, the federal government capitalizes municipalities and states with constitutional transfers that are applied for funding and investing in respective public machines and, on the other, it guarantees a minimum income for the most vulnerable population through direct payment programs.

To comprehend the evolution in the volume of resources we should also consider macroeconomic dynamics. Household economy and income flow can be more or less affected by the number of resources and the individual value of each benefit, and both depend on inflation, unemployment, regional cost of living, reduction of labor income, and familiar indebtedness. The evolution of the unemployment rate, by age (Figure 6), refers to the hypothesis that economic condition, social vulnerability and increased demand for social benefits are strongly connected. The comparison of the age curve of unemployment with the age curve of income is sufficient to understand the impoverishment of the population in the observed period. The highest percentage of unemployment is worrisomely concentrated among young people, since this group has less access to cash transfers.

Figure 5 – Total spending (billions R$) on selected direct income transfer programs – 2020-2021

source: Brazil (2021b) and INSS ([s.d.]).
Coverage data indicate the relevance of transfers during the Covid-19 pandemic. Nonetheless, consideration should be given to the possibility of accumulating benefits. It is not allowed to accumulate Rural Retirement with Continuous Benefit, but this does not mean that in the same family or domicile there are no residents benefitting from one and/or another program. The accumulation of Bolsa Família with other benefits depends on per capita household income. The Emergency Aid, in turn, targets unemployed, microentrepreneurs, and individual INSS taxpayers who did not receive previous benefits, allowing only the accumulation with the Bolsa Família, provided that family’s monthly income was less than three minimum wages (Brasil, 2020).

The effectiveness of direct payment coverage of direct income transfers, especially Emergency Aid, was attested by PNAD (IBGE, 2021a) which found that, in 2020, 41% of households received the benefit. In thirteen states, the percentage exceeded 50% of households. The increase in household income ranged from R$487.00 to R$740.00 in the states of Paraíba and Acre, respectively. Without considering the duplicity of the benefit with the establishment of Emergency Aid (Figure 7), the curve of coverage of the four income payment programs declined from 24.12% to 44.38% between 2019 and 2021.

Among analyzed programs, Emergency Aid had a greater short-term impact, due to economic and sanitary circumstances and the incorporation of different groups of people. Is important to note that the analysis of the effects of Rural Retirement, Continuing Benefit Conveyance, and the Bolsa Família on income distribution, in the last three decades, should take into account generational dynamics. It is because the regularity of cash benefits affected the reproduction of life, social mobility, and reduction of income inequality (Medeiros; Britto; Soares, 2007; Alencar, 2019).
* Bolsa Família’s beneficiaries was calculated by multiplying total number of families by the average number of people per family.

Given geographical and historical characteristics of Brazilian territory, one can analyze the regional elements from many angles. One possibility is to consider a traditional regional conception or even states (Figure 8). Another is to choose the demographic context from municipalities’ demographic typology. However, the two perspectives are complementary and can allow incursions into the discussion of the labor market and the different costs of living. This point of view is vital since income allows the consumption of both durable and nondurable goods and services.

Comparing the total amount and coverage with the other direct payments, the regional reach of Emergency Aid is impressive. In 2020, states of São Paulo, Minas Gerais, Rio de Janeiro concentrated 11.84% of the total. There is no correspondence between the highest total values and the wide-area coverage recorded in Piauí (40.09%), Bahia (39.03%), Maranhão (38.29%), or Pará (38.08%). The states with smaller totals are from North region. For the states of Roraima, Acre and Amapá, R$3.87 billion was allocated, almost the same registered in Mato Grosso do Sul (R$3.7 billion). Even with some different regional aspects, the level of coverage shows how important Emergency Aid for is for all states. It is enough to see that the lowest coverage, registered in Santa Catarina, reached 23.99% of the population.

Considering the total value and coverage, Bolsa Família is more relevant in Northeastern states, although its urban profile makes it also relevant in São Paulo, Rio de Janeiro and Minas Gerais. The difference between the highest (Piauí, 13.80%) and the lowest coverage (Santa Catarina, 0.53%) is justified by the regional development status. Of the 11 states with coverage above 10%, ten are from the Northeast region. The regional scope of Bolsa Família fully
summarizes levels of regional development. Maranhão, representing the second-best state coverage, is pointed out in a survey by IBGE (2021a) having 14.4% of the population living in extreme poverty, based on the parameter of US$1.90 daily income. The other states with the highest concentration are Amazonas with 12.5%, and Alagoas and Pernambuco, both with 11.8%.

The regional scope of the Benefit of Continuing Provision and Rural Retirement reveals different types of integration and rural/urban development of the territory, although with similar average and total transfer of values. In 2020, São Paulo (R$9.35 billion), Bahia (R$5.67 billion), Minas Gerais (R$5.8 billion), Rio de Janeiro (R$4.27 billion) and Pernambuco (R$3.91 billion) were the states with the highest volumes of resources. In December 2020, 2,275,530 Continuous Cash Benefits were issued to these states, corresponding to 45.92% of the national total. Of this total, 2,111,238 total benefits (INSS, [s.d.]) were intended for poor elderly people.
and 2,559,866 for people with disabilities, which makes this program the one that serves the most vulnerable public. Northeast and North regions hold the highest percentages of coverage. The analysis of Rural Retirement leads to intuitively consider the linkage between total benefits issued and the total rural population. This correlation is only valid, however, when we take into account the ending of the benefit. It is common to find beneficiaries of rural pensions migrating to small towns and/or villages, which attests to the need to relate rural regional dynamics to urbanization. The 2017 Agricultural Census (IBGE, 2018) is helpful in understanding the context. Of the 5,073,024 rural establishments, 3,897,408, or 76.82% are characterized as family farming. The North and Northeast regions, with 82.77% and 79.17%, respectively, have a higher percentage of family farmers. The states of Amazonas (86.91%), Maranhão (85.14%), Pará (85.10%), Alagoas (83.59%) and Acre (83.28%) have greater participation of family farmers. It is no coincidence that the highest coverage is registered in Piauí (13.13%), Maranhão (10.68%), Paraíba (9.03%), Ceará (8.68%) and Bahia (8.06%). In December 2020, 9,610,575 accumulated rural benefits were issued, between January and December, a sum of R$43.73 billion. We should not lose sight of the relationship between the resources aimed at rural pensions and the financing of agriculture. It is not uncommon, as indicated by Arrais (2017), that resources are transferred to finance small investments both in rural properties and urban families. The total accumulated value of the benefits of Rural Retirement, between 2020 and 2021, was R$140.1 billion, a total amount higher than the R$71.28 billion allocated to Pronaf for the same period (BC, 2020).

To analyze the volume and coverage of the benefits of direct income transfer programs, it is necessary to make an incursion into issues concerning the labor market and income. This is due to the fact that there is a significant variation in income, which echoes in the purchasing power of people. In 2020, the average household income in Brazil (IBGE, 2021a) was 1,349.00, reaching 1,623.00 in the Southeast and R$891.00 in the Northeast (Figure 9). Regional differences increase in the context of gender and race, making a woman in the Northeast receive R$874.00 and a black person, R$766.00. This difference in income is even greater in the informal market.

Regarding the labor market and income, regional aspects is also illustrated in Figure 10. In the Southeast region, considering where household income comes from, work represented 74.5%, above the national average (72.8%). Now, considering where the sources of the transfer come from, including retirement, pensions, and benefits, the Northeast represented 33.8% and Midwest 19.4%. The regional profile of the distribution of income sources is also affected by informality, which varies greatly when considering the demographic profile of municipalities. According to IBGE (2020, p. 32):

Informality, in spatial terms, is predominant in North and Northeast regions. In 2020, the proportion of informal workers reached 59.1% and 53.1% in the North and Northeast region, respectively. On the other hand, the Southeast and South regions presented 32.8% and 26.1%, respectively, while the Midwest region (38.1%) was close to the country’s average (38.8%).
Figure 9 – Household income *per capita* (R$) – Brazil

source: IBGE (2021a).

Figure 10 – Percentage distribution of total income sources from household arrangements (%)

source: IBGE (2021b).
High rates of informality are an expression of job instability, a state of things that produces income inequality. According to IBGE (2021a, 2021b), in 2020, 38% of occupations were informal. This total does not include individual small businesses. Data from the Federal Revenue Service show that, in October 2019, this modality concentrated 9.2 million workers, rising to 11.08 million in 2020 and 13.03 million in 2021 (Brazil, [s.d.]). In 2021, 53.77% of these occupations, equivalent to 7,104,678 jobs ensured, were concentrated in the age group between 21 and 40 years. Plenty of precarious micro-entrepreneurs, that is, retailers, hairdressers, manicurists, pedicures, masonry workers, sales promoters, household food suppliers, app-delivery people, drivers, etc., were then eligible to receive the Emergency Aid.

The most disquieting issue, though, results from comparing the coverage in 2020 and 2021, and with the end of Emergency Aid in 2022. The importance of income from social programs is undeniable (Figure 11). The situation of greater equality, closer to zero, is positive in the simulation that incorporates social programs into the composition of incomes. Still with the Covid-19 pandemic affecting society and no Emergency Aid available, the opening of the two curves probably will be greater.

**Figure 11 – The Gini ratio of the distribution of per capita household income by social programs beneficiaries.**

The average income, which in 2020 was R$2,771.00 and decreased in 2021 to R$2,489.00, had Emergency Aid as a factor of monetary increase. The R$352.19 billion allocated between 2020 and 2021 were unequally distributed in the national territory, covering a small portion of the non-recipient public. In the concession profile, the largest group was aged 25-34 years. The worrying scenario for 2022 can be illustrated by the information in Figure 12. Considering only the first payment of Emergency Aid, South and Southeast regions presented the highest proportional coverage of beneficiaries not registered in the Single Registry and therefore, not defined as low-income people. While the Emergency Aid in the Northeast covered 38.65%
of people not registered in the Single Registry, it represented 70.18% in the Southeast. Santa Catarina and the Federal District represented, respectively, 80.24% and 79.57% of the people not registered in this program. In Brazil, 38.14 million beneficiaries of Emergency Aid, equivalent to 56.21% of the total, were not registered in the Single Registry. Irrespective of the distribution of the Auxílio Brasil (Brazil’s Aid) in the amount of R$400.00, there will still be a gap in coverage of a significant portion of more vulnerable Brazilians.

### Concluding Remarks

Former senator Eduardo Suplicy (2002) authored the 1991 Bill that would create universal minimum wage and income tax credits. In line with Friedman’s (1977) negative income tax, the program would benefit people over 25 years old, who earned a monthly gross income of less than Cr$45,000.00. It could be as much as 30% of the difference between individual’s income and the monetary limit of eligibility. In February 1991, the minimum wage was Cr$15,895.46 (Brazil, 1991), which shows the relevance of this proposal.

The Senator’s enthusiasm was likely influenced by the atmosphere of democratization. Article 6° of Citizen’s Constitution places as social rights education, health, work, maternity and childhood protection, social security, and assistance to the helpless. Since then, the political and democratic challenge has spread to at least two fronts. The first was the universalization of public
services, especially health and education. Universalizing services means expanding to a territory of 8.5 million\textsuperscript{2} the physical infrastructure (hospitals, health posts, outpatient clinics, schools, universities, daycare centers, etc.) and public service personnel (nurses, doctors, teachers, social workers, etc.) to serve, without distinction, all Brazilians. The advancement of universalization can be illustrated by the creation of the Unified Health System (SUS), which is based on the principles of integrality, universality, and gratuity of its health coverage. The fight against the Covid-19 pandemic has demonstrated its relevance all around the world.

If the former is in line with the challenge of universalizing public services, the latter is in line with the necessity to create a perennial program of direct transfer of income aimed at the most vulnerable people. The successful experience of Bolsa Família, which expired in October 2021 to give room to Brazil’s Aid, shows that direct cash transfer programs are effective in combating extreme poverty and, simultaneously, it is functional for municipal economies (Neri; Vaz; Souza, 2013).

But the debate on the necessity of income transfers has come to occupy a prominent place on Brazilian’s political agenda as never before. On November 22, 2021, the Federal Supreme Court unanimously confirmed, rejecting federal government arguments, the requirement to implement a basic income program for the year 2022 on. After contextualizing the emergence of Law No. 10,835 (Brasil, 2004b), which instituted the basic income of citizenship, Minister Gilmar Mendes (2021, p. 30-31), wrote:

The events that took place last year since the release of the emergency assistance benefit, made us reflect on what the press called “attention to the invisible”. This means that our fellow citizens living without official recognition from the State, those deprived of civil id status, Individual Taxpayer Registration (CPF), some bank account, or any official form to prove they are citizens, are basically off the state’s radar.

The refusal of the motion for clarification does not only concern the legal system. The debate is historical and addresses the nature of state intervention. It can date back to the beginning of the 20th century in Europe and the USA, when national states increased tax revenue to finance social spending (Piketty, 2014). The environment of increasing state intervention throughout society holds the genealogy of neoliberal doctrine (Dardot; Laval, 2016). The so-called neoliberal trinity, formed by economists Ludwig von Mises (1881-1973), Friedrich von Hayek (1889-1992) and Milton Friedman (1912-2006), has been feeding a repertoire of arguments to condemn socialist experiences, the expansion of planning and the enlargement in social spending. At that time, the debate was contrasted by economists such as Myrdal (1986) and Galbraith (1975).

But discussions and the development of basic or universal direct payment policies are not recent, as indicated by Vanderborght and Parijs (2006) and Bregman (2018). In Alaska, since 1980, the Permanent Fund Dividend fulfilled this role. In 2020, according to data from the State of Alaska (Alaska, [s.d.]), the dividend amount reached US$992.00 for 630,937 qualified candidates, totaling US$597,022,299.00. It is undeniable that these policies have gained weight in the political agenda, especially in moments of crisis, when labor market and
the way income is generated is strongly affected. Thus, for example, on October 28, 2021, the City of Los Angeles (USA) approved the Basic Income Guaranteed: Los Angeles Economic Assistance Pilot (Big Leap, [s.d.]). The justification is the need to combat the economic impact of Covid-19. The pilot program will serve 3,000 individuals with $1,000.00 for 12 months (Big Leap, [s.d.]). In England, the Bank of England’s report entitled Household debt and Covid-19 summarizes the situation:

Government measures, such as the Coronavirus Job Retention Scheme (CJRS) and the Coronavirus Self-Employment Income Support Scheme (SEISS), have supported income and employment in the past year, especially for low-income households. A cumulative total of 11.5 million jobs have been supported by the CJRS since its inception, while SEISS gave assistance to 2.8 million people in May 2021 (Bank of England, 2021).

Beyond the set of urgent measures from national states to face the pandemic, Covid-19’s crisis first called to the production of vaccines and medical-hospital supplies to combat and prevent the effects of the disease, followed by the creation of mechanisms to alleviate economic effects that can be seen in unemployment rates, income reduction and the return of hunger to Brazilian homes. In the case of Brazil, the action of the State action is essential if one considers the size of the territory and the intense process of social inequality that dates back to slavery. Despite the expansion of public services since the 1990s, there is still a deficit, mainly due to the underfunding of public services in the territory. Still, only the State and its constitution can mobilize financial resources and infrastructure to deal with the demands of the Covid-19 pandemic. Despite media scaremongering and the neoliberal doctrine surrounding government economists, the R$352.19 billion allocated to Emergency Aid between 2020 and 2021 did not bankrupt the State, since indebtedness, as Streeck (2018) well described, is part of the constitutive nature of the capitalist State.

The year of 2022 reserves political struggle over the nature of state intervention in society and the very nature of our democracy. Those who defend the austerity claim that the Reform Administrative, new changes in labor laws, and greater privatization, besides changes in financing the public health system and public education are necessary steps to ensure the solvency of the State. They will try to make us believe that the debate is about austerity, not about a regime of political solidarity that we call democracy. Facing the tombs of almost 700,000 dead and tens of thousands of orphans and sequels, they will say that the putting resources to protect them will depend on the correct environment for the proper functioning of the market. It will be up to each of us to look around and recognize that, despite problems and challenges, it is the welfare state – and not the market – that has guaranteed to most vulnerable some hope for a better life.

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