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ONE PAGER 380

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A history of inequality: top incomes in Brazil, 1926–2015

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Brazil has undergone massive structural change since the mid-1920s. The country has become predominantly urban, gross domestic product (GDP) per capita has increased twelvefold, and educational levels have risen substantially.

Yet the concentration of income at the top has remained very high. Unlike the rosy predictions of modernisation theorists, there has been no secular trend towards a more egalitarian society.

Figure 1 illustrates how top shares have ebbed and flowed with major political and institutional changes. The concentration at the top increased during the *Estado Novo* dictatorship (1937–1945) and faded when war conditions dissipated. Another surge happened after the military coup of 1964, in the wake of a wide range of pro-business reforms. Top shares declined in the late 1970s, but rose again in the 1980s amid spiralling inflation. Macroeconomic stabilisation in 1994 seems to have been equalising, but top shares have not budged since.

On average, 24 per cent of total income accrued to the top 1 per cent—about twice as high as presently observed in most countries. The difference *vis-à-vis* rich countries was smaller at first but increased after the Second World War. The sine wave trajectory of top shares in Brazil bears no resemblance to the typical patterns found in developed nations.

Tax-based top shares differ from previous survey estimates in levels and trends: the latter are generally lower and show a significant decline in the 2000s. Differences are more pronounced at the very top. Adjusted Gini coefficients confirm that inequality has decreased since the 1980s, but the decline slowed down considerably in the mid-2000s.

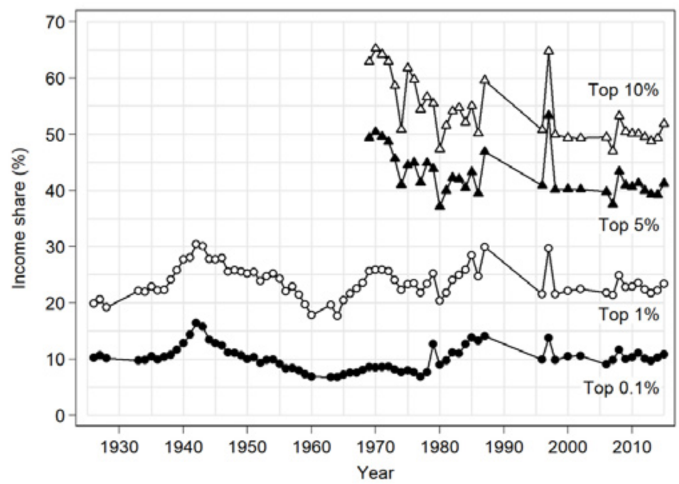
The Brazilian estimates strengthen the argument for more institutionalist explanations of inequality. Democracy is a necessary, but not sufficient, condition for redistribution—actual policymaking is crucial.

Giving with one hand and taking with the other is commonplace in modern States. For example, the recent expansion of the welfare state in Brazil was financed mostly via indirect taxation, which is often regressive, and the most redistributive transfers—such as the *Bolsa Família* programme—pale budget-wise when compared to the tax breaks and subsidised credit granted to big businesses.

Brazilian top shares also shed some light on the historical origins of Latin American inequality. Against conventional wisdom, Williamson (2015) has argued that Latin America was comparable to Europe prior to the 'great levelling' that reshaped the income distribution in the latter part of the 20th century. Thus, the colonial legacy was no 'original sin' that set the region apart. The evidence discussed in this paper partly supports this hypothesis. On the one hand, it is true that top shares in the USA, France and elsewhere were much more similar to Brazil's 100 years ago. On the other hand, my estimates are evidently silent on Brazilian history until the mid-1920s, and even in the inter-war decades the concentration at the top in Brazil was already slightly higher. Also, in Brazil and Argentina, the post-war years saw a 'mild levelling' that was halted or reversed by military coups.

Figure 1

Income shares of the top 0.1 per cent, 1 per cent, 5 per cent and 10 per cent—Brazil, 1926–2015



Source: Author's calculations based on tax returns and national accounts data.

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