Social Policy for Neoliberalism: The Bolsa Família Programme in Brazil

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ABSTRACT

The Programa Bolsa Família (PBF) is one of the largest conditional cash transfer (CCT) programmes in the world. CCTs have been described as a ‘magic bullet’ for development, and PBF is widely regarded as an exemplary programme. Examination of its conceptual underpinnings, features, impact and limitations shows that PBF provides substantial income support to the poorest. However, PBF is also self-limiting and it can offer only limited long-term gains to the poor. More significant outcomes require the expansion of the scope of PBF and other social programmes towards the universalization and decommodification of social provision in Brazil.

INTRODUCTION

More than 150 million extremely poor households in dozens of countries currently benefit from conditional cash transfer (CCT) programmes (Garcia and Moore, 2012: 12). CCTs are widely considered to be effective because they alleviate immediate deprivation while simultaneously blocking the intergenerational transmission of poverty; they are also relatively cheap to run.

The Brazilian Programa Bolsa Família (Family Grant, PBF) is one of the world’s largest CCTs, and it has inspired similar programmes in several countries. This article examines the background, features, impact and limitations of CCTs in general and PBF specifically from a political economy perspective. It shows that PBF is shaped by the relationship between the transitions from military dictatorship to democracy and from import-substituting industrialization to neoliberalism. The impact and limitations of the programme are rooted in its history, the economic, social and

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1. The Ministry of Social Development and UNDP have promoted PBF in sixty-three countries (Fagnani, 2014: 3; Garcia and Moore, 2012: 194).
political developments in Brazil, and the neoliberal underpinnings of CCTs. The article concludes that PBF has reached its limits and that further gains for the poor require the expansion of the scope of social policy, including the universalization and decommodification of social provision, as elements of a new pro-poor strategy of development.

This article includes six substantive sections. The first shows that the role of Brazilian social policy has been primarily to provide political stability and to buttress the system of accumulation, and only secondarily to support social integration. The second section outlines the relationship between neoliberalism and CCTs, and explains their rise to prominence; this section also examines the achievements of PBF. The third reviews the limitations of PBF and other CCTs, and the fourth outlines the recent economic and distributional gains in Brazil. The fifth section suggests how transformations in PBF can support a pro-poor development strategy, while the sixth summarizes the main conclusions of the article.

POVERTY, INEQUALITY AND SOCIAL POLICY IN BRAZIL

Brazilian social policies have not been introduced primarily in order to expand citizenship, eliminate extreme poverty or reduce inequality (Câmara and Vernengo, 2007; Paiva et al., 2013). The main goal of the contributory systems rolled out since the 1920s was to assist selected categories of formal sector workers (generally urban, male and relatively better off) in manufacturing and public services. They were granted minimum wages, employment rights, maximum working hours, paid holidays, trade union representation, training opportunities, pensions and free health and education, albeit within narrow limits of quantity and quality of provision. In doing this, the state sought to secure political stability in urban areas, while also socializing part of the labour costs of the emerging manufacturing sector.²

By the 1960s, the goals of social policy also included demand regulation and sectoral policies, especially housing and financial development. Historically, social policy contributed to a dynamics of exclusion in which the upper and middle classes were well served by a subsidized private sector, while relatively privileged workers were unevenly and precariously provided for by the state. Most women and peasants, and self-employed, informal and rural workers and their families remained unprotected.

The Second Republic collapsed in 1964, and the military dictatorship (1964–1985) implemented a development strategy based on the further concentration of income, wealth and power. The regime offered token concessions to the poor, including non-contributory pensions and funeral assistance

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². These policies did not anticipate the ILO’s current ‘decent work’ agenda. Workplaces were regulated lightly, workers’ rights remained tightly circumscribed and social policy costs were borne almost entirely by the state rather than the firms (Antunes, 2006).
to some rural workers and the urban destitute, while capital received lavish incentives, including subsidized loans, tax breaks, state-funded infrastructure, declining minimum wages and greater employment ‘flexibility’. The better off enjoyed subsidized pensions, housing, health, tertiary education and urban amenities. Consumption stagnated at the bottom end of the scale and boomed at the top.

Rapid manufacturing-led growth and the expansion of state institutions unwittingly included millions of workers into the welfare system. By the late 1970s, 90 per cent of the population were entitled to some coverage; however, programmes were patchy, offering precarious facilities and minimal payments. Most benefits were captured by (contributing) formal sector workers, civil servants and military officers (Coutinho, 2013: 261–63; Paiva et al., 2013: 27).

The military regime collapsed in 1985 because of the combined pressures of a severe economic downturn and the rise of a mass democratic movement. One of the latter’s key demands was the construction of a universal and redistributive welfare state in order to address Brazil’s entrenched inequalities. This aspiration was included in the 1988 Constitution.

Articles 194–203 of the Constitution created social rights based on universality, social security and citizenship, instead of charity, targeting, conditional access or private insurance. The state was mandated to provide social protection, pensions, housing and education and to develop a universal (free) health system. The Constitution also limited the working week to 44 hours, increased employment security, mandated salary floors based on skills and length of service and guaranteed minimum overtime pay, holidays, maternity and paternity leave, and recognized independent trade unions and the right to strike. These rights and programmes would be funded by specific taxes and contributions (Coutinho, 2013: 263–65; Fagnani, 2005: xv–xvi, 219, 541–6).


It soon became apparent that the neoliberal reforms were incompatible with the new constitutional rights. In essence, the Constitution created a Swedish-type universal welfare state, while the reforms curtailed, privatized and individualized social provision. Their incompatibility led to repeated

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3. Singer (1981) shows that although these categories were growing rapidly, they only reached 20 per cent of the workforce in the mid-1970s.
clashes between mass demands for public provision, and the ideological imperatives and budgetary limitations of the neoliberal state.

The neoliberal reforms also transformed Brazil’s patterns of employment, with grave implications for social policy. Manufacturing employment declined by 40 per cent in the 1990s, accompanied by a loss of 1.5 million jobs; 500,000 posts were lost in privatized industries, and subcontracting and informalization boomed. ‘Restructuring’, low investment and low aggregate demand curtailed GDP growth: per capita income rose only 2.7 per cent per annum between 1981 and 2003, in contrast with 4.5 per cent per annum between 1947 and 1980. Metropolitan unemployment rose from 8.7 per cent to 18.3 per cent, and 54 per cent of the jobs created in the 1990s were unwaged or informal (Baltar, 2014: 452; Pochmann, 2003: 7; 2006: 137; 2011: 16; Pomar, 2013: 41–5). Constitutional protections were either removed or not enforced, contributing to the degradation of labour. The labour share in national income fell from 50 per cent in 1980 to 36 per cent in 2000 (Câmara and Vernengo, 2007: 77; Pochmann, 2011: 16).

Poor economic performance and mounting welfare needs were accompanied by a severe fiscal squeeze. In response, the federal government created a misnamed ‘Social Emergency Fund’ (Fundo Social de Emergência, FSE) in 1994, which cut social spending by 20 per cent, reduced transfers to states and municipalities and raised federal taxes. The government also diverted the Provisional Contribution on Financial Transactions (Contribuição Provisória sobre Movimentações Financeiras, CPMF), which should have funded the National Health Service (Sistema Único de Saúde, SUS), to service the domestic public debt. A similar fate befell the Contribution on Net Profits (Contribuição sobre o Lucro Líquido, CSLL) and the Contribution on Enterprise Revenue (Contribuição sobre o Faturamento das Empresas, Cofins), which should have funded social welfare. Finally, spending constraints were imposed on states and municipalities, regardless of their Constitutional duty to provide public services (Baltar, 2014: 436; Castro, 2012: 1025; Fagnani, 2005: 440).

In the meantime, the Constitution was criticized heavily because universal rights were allegedly incompatible with monetary stability, and because its social programmes had been captured by politicians, scoundrels and public sector workers. This dominant discourse suggested that only the ‘deserving destitute’ (however defined) merited public support, which validated initiatives to cut spending in public housing, sanitation and transport, prune workers’ rights and pensions, postpone universal health, education and social security provision, dilute unemployment and food programmes and curtail land reform (Cohn, 2013: 463; Fagnani, 2005: 547–55).

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4. Transitions to neoliberalism commonly lead to the expansion of informal and precarious employment while social security is curtailed. See ECLAC/ILO (2014: 10) and UNRISD (2010: 10).
In place of universal transfers and public services financed by progressive taxation, the neoliberal ‘minimal state’ promoted individual provision funded by private insurance and loans, supplemented by ad hoc, modest, targeted, conditional and ostensibly transitory relief to those completely unable to support themselves. Pauperism increasingly drove social policy (Seekings, 2012). Yet, most welfare recipients in Brazil are employed. They are, literally, working poor, and most transfers — valuable as they are — also subsidize the lowest wages and the worst forms of employment in the country (Fagnani, 2014).

SOCIAL POLICY UNDER NEOLIBERALISM: THE IRRESISTIBLE RISE OF BOLSA FAMILIA

CCTs have spread globally in tandem with neoliberalism. CCTs are non-contributory programmes providing small payments to extremely poor or highly vulnerable households, especially those with children. Benefits are conditional and generally paid to mothers (see below), both to empower women and because their behaviours are presumably better aligned with the intended use of the funds. Assistance may include cash, food, jobs, housing, fee waivers or scholarships, and the conditionalities can comprise school attendance, healthcare (vaccinations, check-ups and health workshops) or community work (cleaning or rubbish clearance) (ECLAC/ILO, 2014: 13).

The conditionalities are meant to reassure taxpayers that no one is given too much money, too easily, or indefinitely, and to weed out ‘undeserving’ applicants and reward behaviours matching the social optimum; that is, building human capital and curtailing the inter-generational transmission of poverty. These principles encompass very different programmes across goals and conditionalities which, in turn, may be implemented ‘harshly’ (e.g., in the Mexican Oportunidades programme) or ‘lightly’ (in PBF, the Argentine Asignación Universal por Hijo [AUH] and the Ecuadorian Bono de Desarrollo Humano) (Cecchini and Madariaga, 2011: 89–92). Programmes also differ according to region and country income levels (Garcia and Moore, 2012: 48–50).

CCTs presumably alleviate poverty in the short and the long run: while the transfers reduce destitution, the conditionalities strengthen the recipients’ position in the labour market, eventually obviating the need for the programme. CCTs also boost the consumption of local goods without undercutting producers’ prices, as food programmes often do, and they are cheap to run since payments are low and targeting draws upon centralized

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5. ‘[N]eoliberalism has created its own social policies: they are essentially the outcome of the displacement of the matrix of universal social rights towards welfarist policies . . . targeting extreme poverty . . . [These policies provide] very limited and inconsistent compensation for inequality, and fail to . . . change the structural [features of] social injustice’ (Coraggio, 2007).
systems that identify potential beneficiaries, prevent multiple claims and limit corruption (Seekings, 2012; World Bank, 2009: 8–11). Conventional wisdom states that CCTs ‘have spread because they work. They cut poverty. They improve income distribution. And they do so cheaply’ (The Economist, 2010). Similarly, Nancy Birdsall, president of the Center for Global Development, claims that ‘these programs are as close as you can come to a magic bullet in development’ (cited in Dugger, 2004).

CCTs have been supported enthusiastically by many international organizations, including the World Bank. They have proliferated with Latin America at the forefront, where nineteen out of twenty-three countries implemented CCTs in 2013 (Garcia and Moore, 2012). This may be due to the coexistence of poverty, relatively abundant resources and well-structured states in the region, in contrast with poorer areas where ambitious social programmes are unfeasible. CCTs also offered the incoming ‘pink wave’ administrations an opportunity to address urgent needs while avoiding risky confrontations with the rich, which would inevitably follow attempts to raise taxes, reform the financial system or redistribute land.

The glowing endorsements of CCTs in the literature evoke previous development fads such as pension privatization in the 1980s, microfinance in the 1990s and, later, ‘security’ (Ghosh, 2011a: 850–51; Seekings, 2012: 14). These were invariably justified by the need to support markets, optimize resource allocation, align incentives with the requirements of structural adjustment, and compensate the poor for the asymmetric impact of the economic reforms, especially unemployment and loss of property, income, marketable skills and public services.

These debates reached Brazil in the mid-1990s, and they catalysed a peculiar synthesis of neoliberal inclinations, constitutional imperatives and political pragmatism. Expanding needs, new attributions and tight budgets led local governments to experiment with targeted transfers. Basic income programmes were pioneered in Campinas and Ribeirão Preto, while Brasília introduced transfers to families with children, conditional on school attendance. These initiatives were copied elsewhere, and not always successfully (Coutinho, 2013: 265–7; Mattei, 2012: 156).

The federal government launched the Solidarity Community Programme (Programa Comunidade Solidária) in 1996, including non-contributory transfers to poor families. In 2002, the government replaced the (universal) cooking gas subsidy with a cash transfer to 8.5 million families (Auxílio Gás, managed by the Ministry of Mines and Energy). The Bolsa Escola (School Scholarship) programme, managed by the Ministry of Education, supported 5.1 million poor families sending their children to school, and a food subsidy (Bolsa Alimentação, managed by the Ministry of Health) reached 900,000

families. Finally, PETI (Programa de Erradicação do Trabalho Infantil, or Programme of Elimination of Child Labour, managed by the Ministry of Labour) paid poor families to send their children to school instead of working. It soon became apparent that these programmes were poorly funded, plagued by competition, and had managerial difficulties across the federal, state and municipal levels (Sánchez-Ancochea and Mattei, 2011: 302).

In 2003, President Luís Inácio Lula da Silva brought together the first three initiatives into the Fome Zero (Zero Hunger) programme, which also offered a card (Cartão Alimentação) subsidizing selected foods. However, the components of Fome Zero operated independently and had conflicting selection criteria, reporting procedures and banking arrangements; their incomplete databases led to targeting errors, duplication and high administrative costs, and the selection of beneficiaries was tainted by corruption. Those programmes were merged under the label Bolsa Família in October 2003; PETI was included in 2006. Their conditionalities were amalgamated and the benefits increased. The household was defined as the operational unit of PBF, and the female head was chosen as the main recipient (Campello, 2013: 18). In January 2004, the Ministry of Social Welfare merged with the Ministry of Food Security to form the Ministry of Social Development and Fight against Hunger (MDS), which manages PBF (Camargo et al., 2013; Hall, 2008: 803–05; Paiva et al., 2013).

PBF provides benefits to extremely poor families (per capita monthly income below R$ 70, or US$ 25 in early 2015) and poor families (income between R$ 70 and R$ 140). The programme comprises a basic (unconditional) benefit of R$ 70, paid to extremely poor families, and two variable benefits. The first, of R$ 32, is paid to families with up to three children aged under fifteen. The second, of R$ 38, is paid to up to two children aged sixteen to seventeen. Thus, PBF pays between R$ 70 and R$ 242 (US$ 25–85) per family per month, with the average being R$ 150. The benefits are paid monthly through a bank card issued by the state-owned Caixa Econômica Federal (CEF).

The variable benefits are conditional on school attendance (87 per cent for ages six to fifteen and 75 per cent for ages sixteen to seventeen), vaccinations and medical follow-ups on children under seven, check-ups and prenatal care for women aged fourteen to forty-four, and checks on babies and lactating mothers. The conditionalities are enforced lightly. The first violation brings a warning; after the second the benefit is blocked for one month (it is repaid when the conditions are fulfilled); the third and fourth violations lead to the suspension of the benefit for two months (without repayment); after the fifth the benefit is cancelled. Non-compliance due to lack of services, child

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8. Camargo et al. (2013) and Soares et al. (2009: 21) examine the family arrangements of PBF beneficiaries.
9. www.mds.gov.br/bolsafamilia/beneficiarios. The average payment per family is equivalent to 7 per cent of Brazil’s per capita income.
illness or family illness or death is waived, but begging, child labour, neglect, violence and sexual abuse are sanctioned (Coutinho, 2013: 272–3).10

In 2013, PBF reached 14 million families (50 million people or 25 per cent of Brazil’s population), and one-third of primary school children (see Table 1).11 PBF transfers correspond to 0.5 per cent of GDP, 0.8 per cent of household income and 1.5 per cent of tax revenues; in 2009, PBF accounted for 44 per cent of the income of the recipient families (Kerstenetzky, 2013: 471). Historically, the programme has followed a logic of expansion, implicitly aiming to include all extremely poor households.12

It is impossible to determine the administrative costs of PBF, because the programme relies on existing government staff and facilities and CEF branches and data services. These costs are not budgeted. The remaining costs reached R$ 232 million in 2007, or 2.6 per cent of PBF budget (Soares et al., 2009: 9–11).

The PBF database is Cadastro Único para Programas Sociais (Consolidated Database of Social Programmes, CadÚnico),13 which is run by MDS drawing upon information collected by the municipalities.14 CadÚnico was created in 2001 to provide information about households with income below three minimum wages, or below half the minimum wage per capita. CadÚnico covered 25.3 million families in 2013 (up from 14.0 million in 2007), including their names, addresses, earnings, expenditures, schooling, vulnerability (e.g., age, disability or pregnancy), housing (including access to sanitation, electricity and other basic services) and child development. CadÚnico allows governments to identify needs, target groups, run simulations and avoid overlapping benefits, and it has become the gateway to such programmes as Water for All (Água para Todos), Green Fund (Bolsa Verde), My Home My Life (Minha Casa Minha Vida), People’s Telephone (Telefone Popular), Social Electricity Tariff (Tarifa Social de Energia Elétrica), Old Age Card (Carteira do Idoso), Literate Brazil (Programa Brasil

10. In 2006–08, only 4.5 per cent of the families violating the conditionalities were excluded (Cecchini, 2013: 373).
11. The only comparable programmes are the (universal) National Health System, state education (52.8 million pupils) and social security (21.2 million beneficiaries) (Soares et al., 2009: 13).
12. Significant expansions included benefits for sixteen to seventeen year-olds (2007), rate increases (2007), the use of permanent income estimates to avoid exclusion due to income volatility (2009), Brasil Carinhoso, guaranteeing an income floor of US$ 1.25 per day (2012), and the expansion of nurseries (2012) (Kerstenetzky, 2013: 467–70).
14. Specifically: MDS provides the forms and municipal staff complete them through interviews and send the information to CEF. The database is used by MDS to ascertain eligibility. If the claimant fulfils the criteria CEF opens an account and issues a card to the (female) head of household; payments are made each month. Information about non-qualifying families may be used in other programmes. MDS routinely checks the number of beneficiaries against estimates based on census data in order to combat fraud.
Table 1. Brazil: Number of Beneficiaries of PBF and BPC and Value of Transfers, 2004–2013

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<tbody>
<tr>
<td>PBF</td>
<td>6,571,839</td>
<td>8,700,445</td>
<td>10,965,810</td>
<td>11,043,076</td>
<td>10,557,996</td>
<td>12,370,915</td>
<td>12,778,220</td>
<td>13,352,306</td>
<td>13,902,155</td>
<td>14,086,199</td>
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<tr>
<td>RS mn</td>
<td>440</td>
<td>549</td>
<td>687</td>
<td>831</td>
<td>906</td>
<td>1,174</td>
<td>1,239</td>
<td>1,602</td>
<td>2,013</td>
<td>2,139</td>
</tr>
<tr>
<td>% GDP</td>
<td>0.23</td>
<td>0.26</td>
<td>0.29</td>
<td>0.31</td>
<td>0.30</td>
<td>0.36</td>
<td>0.33</td>
<td>0.39</td>
<td>0.46</td>
<td>0.45</td>
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<tr>
<td>BPC (for the aged)</td>
<td>933,164</td>
<td>1,065,604</td>
<td>1,183,840</td>
<td>1,295,716</td>
<td>1,423,790</td>
<td>1,541,220</td>
<td>1,623,196</td>
<td>1,687,826</td>
<td>1,750,121</td>
<td>1,822,346</td>
</tr>
<tr>
<td>BPC (for disability)</td>
<td>1,127,849</td>
<td>1,211,761</td>
<td>1,293,645</td>
<td>1,385,107</td>
<td>1,510,682</td>
<td>1,625,625</td>
<td>1,778,345</td>
<td>1,907,511</td>
<td>2,021,721</td>
<td>2,141,846</td>
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<tr>
<td>RS mn</td>
<td>539</td>
<td>686</td>
<td>869</td>
<td>1,021</td>
<td>1,216</td>
<td>1,470</td>
<td>1,732</td>
<td>1,956</td>
<td>2,341</td>
<td>2,682</td>
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<tr>
<td>% GDP</td>
<td>0.28</td>
<td>0.32</td>
<td>0.37</td>
<td>0.38</td>
<td>0.40</td>
<td>0.45</td>
<td>0.46</td>
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Alphabetized) and Next Step (Programa Próximo Passo); it also supports Brazil without Deprivation (Brasil sem Miséria) and Tender Brazil (Castro, 2012: 1020–23).

Unsurprisingly, PBF has gained large support among the poor, and the votes received by Lula and Dilma Rousseff in 2006, 2010 and 2014 were strongly correlated with the distribution of beneficiaries (Coggiola, 2013: 93–4; Marques et al., 2009). The popularity of PBF is grounded partly on its size, and partly on targeting: PBF is the largest and one of the best-targeted CCTs, with 73 per cent of benefits reaching the poorest 20 per cent, and 94 per cent reaching the bottom two quintiles. Around 50 per cent of beneficiaries live in the Northeast, the poorest of Brazil’s regions, and 25 per cent in the Southeast, the most populous region (Hall, 2008: 807; Soares et al., 2009: 10).

The government claims that PBF explains one-third of the decline in extreme poverty, 16 per cent of the decline in poverty, and 17 per cent of the reduction of income inequality between 1999 and 2009. It also claims that PBF has raised school attendance by 4.4 percentage points, improved progression by 6.0 percentage points, and boosted child nutrition and vaccination (Jannuzzi and Pinto, 2013: 184–5). PBF mothers have more prenatal appointments than non-recipient mothers (IPEA, 2012: 16, 21), and the programme has empowered women through their purchasing power and because registration has led many to obtain their birth certificate and an identity card, which are essential for citizenship (Hall, 2008: 810; Jannuzzi and Pinto, 2013: 187). Studies also claim that PBF has driven economic growth in the poorest municipalities, that each R$ 1 transferred adds R$ 1.98 to aggregate consumption and R$ 1.78 to GDP (Castro, 2012: 1033; Neri et al., 2013: 201–202), and that PBF has improved recipients’ living conditions (Jannuzzi and Pinto, 2013: 187; Neri, 2013: 129). The transfers have not displaced paid work or encouraged ‘idleness’: three-quarters of recipients are economically active — the same proportion as the wider population — and the vast majority claim not to have rejected jobs to remain in PBF. Finally, the unconditional element of PBF implicitly recognizes that everyone is entitled to a minimum income, which could support a universal basic income programme (see below).

15. “First, I thank God” said Maria Andrade, an illiterate woman who for the first time was able to buy flip-flops for her barefoot children. “Second, I thank President Lula” (cited in Dugger, 2004).
17. Lavinas et al. (2012: 37–8); see also ECLAC/ILO (2014: 18–20) and Higgins (2012: 102). It is similar for other Latin American CCTs (Cecchini and Madariaga, 2011: 142).
LIMITATIONS OF PBF

The claims of success of PBF echo the glowing assessments of most CCTs. Are they, then, a ‘magic bullet’ for development? The answer depends on performance evaluations and the impact of four systemic limitations of CCTs that are explained below.

First, CCTs are constrained by their neoliberal roots. On the one hand, CCTs are symptomatic of the contradiction between the expansion of social rights in new democracies and the limitations on social provision under neoliberalism because of financial and ideological constraints. CCTs accommodate these conflicting imperatives through the provision of conditional assistance to narrowly defined groups. In exchange for modest transfers, the beneficiaries must fulfil duties springing from common sense, expert opinion and political expediency that are presumably imposed for their own good. At best, then, CCTs belong to the paternalistic workfare tradition; at worst, they revive the English Poor Laws through the provision of minimum assistance to the destitute under punishing conditions.

On the other hand, CCTs are designed to be cheap and unobjectionable. Even the largest programmes rarely cost 0.5 per cent of GDP (one exception is the Argentine AUH, which reaches 15 per cent of households and 30 per cent of children, and costs 0.8 per cent of GDP), and the benefits are rarely protected against inflation (PBF transfers have declined in real terms by 25 per cent since 2009). Because of their small size, most CCTs cannot assist macroeconomic stabilization, support economic growth, transform the life chances of the poor, boost their assets or enhance their income-generating capacity except in the long run, when the wage implications of marginally better schooling supposedly kick in (if a compatible job can be found).

However, if poverty is primarily urban (and prices are higher in cities), or associated with precarious employment or adverse economic integration, and if basic services are already available (e.g., state schools in Argentina and Brazil), CCT gains can be small unless the programme is accompanied

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18. Consequently, the poor are both unlucky and irrational, since they are disinclined to do what is in their own best interests (Standing, 2011).
19. The UN human rights rapporteur states that ‘[t]he exclusion of an individual or a household . . . because of failure to satisfy . . . conditions raises strong human rights concerns . . . States must ensure that whatever policy they implement . . . will not violate the right of individuals’ (Sepúlveda Carmona, 2009: 16).
21. Although PBF is unconnected to microcredit and microenterprise initiatives, nothing prevents the recipients from using the transfers in this way. However, this is uncommon: a study suggests that 87 per cent of payments are spent on food (Coggiola, 2013: 92).
22. Unemployment and informal employment are much higher among PBF beneficiaries than in the general population (Leichsenring, 2010).
by investments in public services (Lavinas, 2013: 24). It follows that CCTs are self-limiting: they can initially provide a large share of the beneficiaries’ income, but only because these incomes are extremely low. As incomes rise, the CCTs can lose relevance rapidly (Higgins, 2012: 104–08). The small size of the transfers also suggests that they are meant to be consumed. They include the poor primarily by bringing them to market as buyers; their secure cash flow can also support the purchase of financial services (credit cards, loans and health and life insurance). In doing this, CCTs can reinforce the financialization of social reproduction and support the privatization of basic goods and services.

Second, CCTs are limited by targeting. It is claimed that targeting delivers maximum benefit per unit of expenditure because it focuses resources on the neediest. Despite its intuitive appeal, this argument can be misleading:

(a) CCT income thresholds are often lower than the World Bank’s US$ 1.25/day poverty line (Lavinas, 2013: 23). Although low thresholds reduce programme budgets, they increase the cost of identifying the poor and excluding the non-poor, and make it harder to address poverty due to income volatility. Studies indicate that screening represents 0.4–29 per cent of the transfers, with 9 per cent being a typical figure. In contrast, self-targeting programmes cost around 6 per cent to set up, and universal programmes much less (Slater, 2008: 16–19). Once the poor have been identified, CCT management costs can reach 30 per cent of transfers, in contrast with 15 per cent for universal programmes (Sepúlveda Carmona, 2009: 11). These costs are lower in the advanced economies, where management systems already exist and most claimants are literate and hold the required documents.

(b) Targeting spawns two errors: Type I (undercoverage, or the exclusion of qualifying individuals) and Type II (leakage, or the inclusion of the non-poor). Given the budget, the minimization of one error normally increases the likelihood of the other; improved systems can reduce both errors but tend to raise costs. Classification difficulties and programme costs also increase with income volatility at the margin of poverty. In a comparative study, 59 per cent of the poor were excluded from PBF and 70 per cent from Oportunidades, while 49 per cent of the beneficiaries of PBF and 36 per cent of Oportunidades were found to be non-poor.

23. Pierri (2014) shows that AUH has raised school attendance; however, since teacher numbers and facilities were unchanged, the programme ‘has been making education more accessible, but it has reduced the quality of the education provided’.
26. This paragraph draws on Dutrey (2007: 2–3) and Mkandawire (2005: 9). These errors are non-equivalent: ‘from a human rights perspective inclusion errors . . . are not as problematic as exclusion errors’ (Sepúlveda Carmona, 2009: 12).
Nevertheless, most CCT evaluations consider only the beneficiaries rather than all the poor, artificially inflating their success rate. For example, if a CCT has ‘typical’ rates of 32 per cent leakage and 50 per cent undercoverage (Dutrey, 2007: 3; Rawlings, 2004: 11), two-thirds of the resources reach the poor — but half the poor remain uncovered. These difficulties tend to increase over time.\(^{27}\) Finally, PBF has failed to reach 3 million eligible families, perhaps because they are unable or unwilling to apply due to income volatility or fear of stigmatization (Lavinas, 2013: 28; Mattei, 2012: 170, Sánchez-Ancochea and Mattei, 2011: 305; Soares et al., 2009: 19).

(c) Targeting undermines social cohesion. It bypasses organizations with a legitimate stake in social provision (trade unions, research institutions, NGOs and community associations), validates ideologically driven limitations on welfare spending, and compels the poor to manage their own dispossession while threatening to deprive them of civic rights unless they meet extraneous conditions (Freeland, 2007: 77; Sen, 1995: 13–14). Targeting can also alienate the non-poor, who fund the programme through general taxation but cannot claim. Finally, the conditionalities can be fulfilled only if public services are available; however, the state is the service provider, programme manager and prosecutor, judge and jury of the success of the poor in fulfilling the conditions imposed upon them. The ensuing conflicts of interest can obscure state failure to provide services, divide the poor from the non-poor and thwart the integrative goals of social policy. In the meantime, the poor can be punished for not accessing facilities that, realistically, are unavailable to them.

Third, CCTs have a limited impact on gender relations. CCTs use women as conduits to reach the main programme target, their children.\(^{28}\) In the meantime, the transfers should enhance women’s status, promoting gender equality. However, they might also reinforce women’s caring role, as they are expected to fulfil government conditionalities while continuing to service the household; in contrast, their partners’ time and income are sheltered. Women’s roles may also make it harder to maintain stable jobs, contradicting the emancipatory goals of the programme.\(^{29}\) Conflicting evidence on the

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27. ‘[T]he share of non-poor beneficiaries has grown from 46 per cent to 65 per cent in Ecuador over the period 2004–10, and from 40 per cent to 61 per cent in Mexico over the period 2002–10. Brazil’s Bolsa Familia . . . is relatively better targeted, yet it exhibits a . . . leakage of 50 per cent’ (Stampini and Tornaroli, 2012: 15).

28. The recipients of PBF and Oportunidades are, respectively, 92.4 per cent and 95.5 per cent female (Lavinas et al., 2012: 33).

gender impact of CCTs suggests that ‘[t]he only safe conclusion that can be drawn . . . is that we do not know’ (Molyneux, 2007: 71).

Fourth, concerning PBF, the programme is weakly grounded in law. In contrast with public health and education, unemployment benefits, old age and disability pensions (Benefício de Prestação Continuada, BPC), and basic social security (Regime Geral da Previdência Social), that are Constitutional entitlements, PBF is regulated by Medida Provisória 132 and Law 10836, that can be modified or discontinued by Presidential fiat. The law also limits the number of beneficiaries by the programme budget, increasing PBF vulnerability to macroeconomic performance shifts and political bargaining. These limitations help to explain the small impact of PBF compared to the expansion of citizenship, economic growth and improvements in the labour markets (see below).32

In summary, there is no question that CCTs can help alleviate critical deprivation and reduce inequality. However, most CCTs provide no more than minimum income security. Their significance also declines as incomes rise and they reach the target population (‘saturation’). Even though the gains achieved through CCTs are immensely valuable, further improvements will not follow spontaneously. They require broader social policies nested within a pro-poor development strategy delivering labour market gains and funding more ambitious welfare programmes.

GAINS BEYOND SOCIAL POLICY

This section reviews the pattern of growth and the social policies in the administrations led by Lula (2003–2006, 2007–2010) and Dilma Rousseff (2011–2014), in order to inform strategies for the expansion of social provision in Brazil.

Growth under Lula and Dilma was unquestionably pro-poor, albeit with limitations. Outcomes were driven by faster growth due to the global commodity boom, higher minimum wages and the expansion of formal

30. Cecchini and Madariaga (2011: 153) review the legal framework of Latin American CCTs.
31. BPC is a non-contributory transfer awarded to the over-65s and those unable to work or live independently, and whose per capita household income is below 25 per cent of the minimum wage. Transfers are constitutionally fixed at one minimum wage, which is much higher than PBF’s. Consequently, BPC costs more than PBF despite a much smaller number of beneficiaries.
32. Fagnani (2014: 3) argues that the neoliberal view that PBF has driven social improvements during the last decade is a ‘mirage’.
33. International experience shows that targeting cannot challenge long-standing inequalities (Kerstenetzky, 2013: 475).
34. Pro-poor growth is examined in Dagdeviren et al. (2002), Saad-Filho (2007) and UNRISD (2010). Compatible social policies are examined by Korpi and Palme (1998) and Mckandawire (2005). The case of Brazil is reviewed by Dedecca (2014) and Morais and Saad-Filho (2012).
low-paid jobs. Poverty and inequality have declined across a spectrum of measures. Some 21 million jobs were created in the 2000s, in contrast with 11 million in the 1990s. Around 80 per cent of the new jobs were in the formal sector, which expanded from 45 to 51 per cent of the workforce; 90 per cent of those jobs paid less than 1.5 minimum wages, in contrast with 51 per cent in the 1990s. Urban unemployment declined sharply, especially among the lower income brackets; in 2014, it fell below 6 per cent for the first time in decades (Baltar, 2014: 437; Pomar, 2013: 42; www.ibge.gov.br).

After a long stagnation, real wages grew 4.2 per cent per year between 2003 and 2012, and real per capita household income increased 4.6 per cent per year. The real minimum wage rose 72 per cent between 2005 and 2012, while real GDP per capita increased 30 per cent. Rising minimum wages lifted the floor of the labour market and triggered simultaneous increases in federal transfers and pensions, two-thirds of which are constitutionally fixed at one minimum wage. The income of the lowest decile rose 6.3 per cent annually between 2001 and 2011, in contrast with 1.4 per cent per annum for the highest decile (Dedecca, 2014: 474; Paes de Barros et al., 2012: 15). These improvements were concentrated in the poorer regions. Real wages in the Northeast rose at twice the national rate; more in rural than in urban areas, and faster in the periphery than in the centre of São Paulo. Female income rose by 38 per cent against 16 per cent for men (60 per cent of the jobs created in the 2000s employed women), and the income of blacks rose 43 per cent against 20 per cent for whites (Bastos, 2012; Pochmann, 2011: 38; Tible, 2013: 68).

Brazil had 60 million poor people in 2003, of which 26 million were extremely poor (respectively, 35 and 15 per cent of the population) (Higgins, 2012: 90; www.ipeadata.gov.br). These numbers fell to 30 million and 10 million in 2012 (15 per cent and 5 per cent of the population). The proportion of poor households fell from 28 per cent in 2003 to 12 per cent in 2012 (see Table 2).

Federal social spending increased 172 per cent in real terms (125 per cent per capita) between 1995 and 2010, and from 11.0 per cent to 15.5 per cent of GDP (16.2 per cent in 2011; including states and municipalities social spending reaches 25 per cent of GDP) (Jannuzzi and Pinto, 2013: 179; Neri et al., 2013: 198). Spending increased mainly after 2003, supported by the additional tax revenues due to export growth and domestic prosperity (Dedecca, 2014: 475). Higher incomes and tax revenues allowed the expansion of existing programmes, the creation of new ones, including PBF, higher payments and the expansion of beneficiaries from 14.5 million to 24.4 million (85 per cent of those over sixty-five currently receive benefits). However, most informal workers remain excluded from maternity pay,
Table 2. Brazil: Poverty and Extreme Poverty (individuals and %)

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<td>million</td>
<td>27,659,557</td>
<td>27,954,489</td>
<td>28,739,397</td>
<td>22,430,610</td>
<td>23,320,367</td>
<td>23,676,733</td>
<td>22,255,804</td>
<td>23,954,701</td>
<td>25,225,808</td>
<td>23,596,581</td>
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<td>%</td>
<td>19.1</td>
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<td>million</td>
<td>61,163,147</td>
<td>59,558,144</td>
<td>55,495,531</td>
<td>48,539,284</td>
<td>46,255,253</td>
<td>41,507,735</td>
<td>39,653,621</td>
<td>33,958,884</td>
<td>29,978,622</td>
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<td>34.6</td>
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<td>million</td>
<td>25,960,147</td>
<td>23,356,695</td>
<td>20,690,098</td>
<td>17,157,720</td>
<td>16,355,050</td>
<td>13,888,528</td>
<td>13,465,366</td>
<td>11,636,688</td>
<td>9,960,742</td>
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<td>%</td>
<td>14.7</td>
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<td>% Poor households</td>
<td>28.2</td>
<td>26.4</td>
<td>23.6</td>
<td>20.3</td>
<td>19.4</td>
<td>17.2</td>
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Source: www.ipeadata.gov.br
illness cover or pensions in case of retirement, disability or death (Castro et al., 2012: 14, 29; Paiva et al., 2013: 27).\(^{35}\)

There was also a significant improvement in the distribution of income. The Gini coefficient fell from 0.60 to 0.53 in the last decade, while the income ratio between the top 10 per cent and the bottom 40 per cent fell from 23 to 15.\(^{36}\) Higher wages, distributional improvements, social programmes and personal credit benefitted millions of people and transformed the possibilities of consumption (Dedecca, 2014: 477–8). However, rising incomes were not accompanied by comparable improvements in public services and infrastructure, leading to the perception of a deteriorating quality of urban life. These difficulties were compounded by Brazil’s economic slowdown. GDP growth rates have declined since 2011; employment growth has tapered off, the minimum wage is rising slowly, the formalization of work has paused, and there is little scope for the further expansion of social programmes. Subcontracting continues to expand, and these jobs pay 40–60 per cent less than comparable formal jobs. This might help to explain the high proportion of low-paid jobs created in the 2000s and the slow recovery of the wage share of income, which rose only from 38 per cent in 2000 to 50 per cent in 2012 (the same level it had under the dictatorship) (Baltar, 2014: 443; Bastos, 2012: 29–31; Pomar, 2013: 42). In sum, pauperism has reached its limits, and further gains in poverty and distribution will require significant policy changes (Castro, 2012: 1028).

**MOVING FORWARD**

Despite the achievements outlined previously, Brazilian society remains highly unequal and millions suffer extreme deprivation in one of the world’s largest economies. Recent successes and their limitations derive, in part, from the ability of federal administrations to address key symptoms of poverty and inequality while leaving essentially untouched the social and economic structures that reproduce them. This section sketches a pro-poor approach to social policy supporting faster welfare gains in Brazil.

This approach recognizes that the conventional (neoliberal) view that labour and commodity markets are unproblematic creators of wealth, and that poverty is due to market exclusion, is both partial and misleading. First, poverty can derive from the form of *integration* into the economy, including the modalities of access to production and consumption. They

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36. See www.ipeadata.gov.br; for a detailed analysis, see Hoffmann (2013). Cecchini and Madariaga (2011: 119) and Fagnani (2014) examine the (small) impact of PBF in these outcomes.
may compel millions of people to rely on poverty-generating strategies including exploitative, insecure or degrading labour or ‘independent’ production with low productivity and low returns. Peasants and urban dwellers can be dispossessed by development projects, workers can be deskilled or left unemployed by technological or macroeconomic policy changes, and anyone can be affected by limitations or changes in social policy (Ghosh, 2011a). Since market relations can create both wealth and poverty, ‘market-driven’ growth does not necessarily eliminate poverty. Nevertheless, poverty remains amenable to policy intervention:

Sustained progress in combating poverty requires effective states that are both developmental and redistributive. Countries that have successfully reduced poverty in relatively short periods of time had purposeful, growth-oriented and welfare-enhancing political systems; they also built and maintained competent bureaucracies. (UNRISD, 2010: 6)

Second, poverty cannot be defined by the inability to reach an arbitrary income level, which would suggest that it can unfailingly be eliminated by transfers. Although transfers can alleviate instances and symptoms of poverty, large-scale eradication requires the transformation of the processes of production and distribution and the removal of legally condoned inequalities of control over labour, economic resources and political institutions, that is, the transformation of production, ownership and social integration. This conclusion is supported by Brazilian evidence suggesting that the main driver of poverty is the lack of secure and well-paid jobs, and that recent gains were driven by the labour markets. For example, job growth, the formalization of employment and higher minimum wages explain two-thirds of the decline of the Gini coefficient, while transfers account for only one-third (Hall, 2008: 812–15; Mattei, 2012: 167–8).

The limitations of conventional approaches suggest that neoliberal ‘pauperist’ social policy, focusing on CCTs and market growth, is limited (Heintz and Razavi, 2013: 1). On the one hand, CCTs address only the worst symptoms of deprivation while bypassing the structures of reproduction of poverty. On the other hand, CCTs are constrained by their cheapness and residual nature (see above). Continuing gains may require either increasingly refined targeting and escalating penalties for non-compliance, leading to the individual tailoring of conditionalities (that is, the dismantling of collectivity in social policy), or the universalization of social provision through the removal of conditionalities.

The asymmetries of economic, social and political power under neoliberalism can be tempered by the integration of industrial, employment and social policy. Compatible pro-poor goals can include labour market improvements, the reduction of élite control of productive assets and the universal (free) provision of basic goods and services including health, education, public transport and water and sanitation (UNRISD, 2010: 6). These can be supported but not replaced by transfers. In short:
Without recognizing the systemic roots of poverty, it simply cannot be eradicated. This should not lead to the simplistic conclusion that nothing can be done to reduce poverty until the system is overthrown: far from it. Rather, it points to the need to integrate particular interventions within a broader perspective of how societies and economies evolve and change. (Ghosh, 2011a: 857)

This strategy can be based on three axes. First, labour market changes can support the rebalancing of political power and help transform the processes of income generation. This will require a growth-promoting macroeconomic policy framework, the expansion of workers’ rights, greater integration between family agriculture, agribusiness and industry, targeted manufacturing growth and heavy investment in infrastructure, science and technology, education and training.

The second axis is the recognition of a minimum standard of living as a justiciable right. Collective responsibility for well-being can enhance social cohesion, while social protection can shelter those rendered vulnerable because of external constraints, health or life cycle.

The third axis is the universalization and decommodification of social provision and improvements in quantity and quality of provision (Ghosh, 2011a: 853; Sepúlveda Carmona, 2009: 11). This would require the transformation of PBF into an unconditional income guarantee programme that may be supplemented by a universal child allowance. This would help to secure minimum living conditions for everyone. Post-war European experiences also suggest that these programmes can shelter the poor from market-generated uncertainty, underpin the alliance between the poor and the middle class, support demands to raise the lowest salaries, and expand domestic markets and investment. Their fiscal cost is likely to be modest initially, but it can rise with the level of transfers (Cecchini and Madariaga, 2011: 149; Soares et al., 2009: 27). Universal programmes can also include the advantages of targeted initiatives through ‘smart targeting’: programmes can be available to all and, simultaneously, targeted because they are rolled out gradually (e.g., one product, service, sector or region at a time) in order to reach priority groups in sequence.

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37. ‘Employment represents the single most important source of income for the majority of the world’s people . . . Strategies for socially inclusive structural change should . . . be based on employment-centred growth and redistributive policies that address multiple inequalities of class, gender and ethnicity’ (UNRISD, 2010: 10). However, ‘employment . . . is not a guaranteed path out of income poverty, as the term working poor suggests. A large proportion of employed individuals worldwide do not earn enough to lift themselves and their dependants above the poverty threshold’ (ibid.: 111).

38. Minimum income guarantees are ‘desirable in themselves and constitute requirements for any civilised society’ (Ghosh, 2011b: 68). Pierri (2014) and Sepúlveda Carmona (2009) discuss the transformation of CCTs into justiciable rights.

39. The advantages of universalism are outlined above; see also UNRISD (2010: 16, 77–78, 134–39, 161). The ILO has advanced a social protection floor initiative; Cecchini and Madariaga (2011: 169–73) advocate the universalization of CCTs, and Cecchini (2013: 389) examines its implications in Brazil.
Those policies need not wait until Brazil reaches a higher per capita income. Instead, redistribution can support broad-based growth (Ghosh, 2011a: 858; Heintz and Razavi, 2013: 2) and Brazil already has the institutions required to run a pro-poor development strategy (Fagnani, 2014: 5). However, implementation would likely require the abandonment of the macroeconomic policy ‘tripod’ (inflation targeting, floating exchange rates and fiscal surpluses) enforced since 1999 (Morais and Saad-Filho, 2011; Saad-Filho and Morais, 2014). It would also demand a political base of support including left-of-centre parties, trade unions, NGOs, community organizations and social movements, many of which already advocate similar initiatives. In turn, they would reasonably expect to contribute to the formulation, implementation and monitoring of public policies.

Policy makers can seek inspiration from a wealth of experiences concerning the links between distributive macroeconomic policy and inclusive social policy. Yet, the success of pro-poor strategies does not depend primarily on precedents or resource availability. Experience shows that the biggest constraint is the lack of political will to confront conventional wisdom and entrenched interests and build alternatives based on the joint efforts of governments and civil society.

CONCLUSION

This article has examined PBF from a political economy perspective. It shows that Brazilian social policy has traditionally supported the country’s development strategies through the construction of consent and the mitigation of their adverse consequences. In doing so, social policy has legitimized exclusion and assisted the reproduction of poverty. These roles changed with the 1988 democratic Constitution, which mandates the creation of a universal welfare state in Brazil. However, this transformative project was hampered by the transition to neoliberalism.

The article has reviewed the diffusion of CCTs under neoliberalism and the emergence of PBF. Despite its significant achievements PBF remains small and its effectiveness is likely to decline; the programme also contravenes the universal principles in the constitution. PBF can alleviate but not abolish acute poverty and extreme inequality: being effective only at the margin, PBF assists the destitute while it subsidizes low wages and low productivity activities, and it buttresses the reproduction of poverty and inequality while it allays their most galling consequences. Consequently, PBF is valuable

40. See, for example, Cornia and Martorano (2012), Dagdeviren et al. (2002), Draibe and Riesco (2009), Hasmath (2015), Seekings (2012) and UNRISD (2010).

41. For a detailed review of policies and experiences, see Dagdeviren et al. (2002) and UNRISD (2010).
but it is also limited and conservative.\textsuperscript{42} Only in the age of neoliberalism would such a narrow programme be so sorely needed, and deserve general applause.

A more ambitious social policy agenda for Brazil should recognize the economic and social policy achievements in the Lula and Dilma administrations, while also admitting that they did not transform the conditions and life chances of the poor. Further gains can be accomplished through integration between macroeconomic and social policies and the transformation of the processes of income generation and social reproduction: that is, a shift in the system of accumulation transcending neoliberalism.

PBF can contribute to this transformative strategy if it becomes an unconditional basic income. This new programme, coupled with the expansion of public services, can support a pro-poor development strategy offering a minimum standard of living guaranteed by the state. This transformative approach is essential because poverty cannot be eliminated, or inequality reduced significantly, by social policy alone. The resources available for distribution are determined by macroeconomic outcomes, and the impact of earned income on poverty and inequality dwarfs that of transfers. International experience also shows that the integration of universal protection with a pro-poor development strategy offers the most effective arrangement to translate production capabilities into poverty reduction, neutralize market-generated poverty and promote equity.\textsuperscript{43} This strategy hinges on the expansion of social protection through universalization and decommodification, in order to shelter the poor from the vagaries of market provision. It also includes the poor as a resource for development, rather than a drag to be eliminated by transfers (Dutrey, 2007: 16).

In contrast with this transformative strategy, the mainstream wishes CCTs only to moderate the most destabilizing consequences of neoliberalism. This approach sidesteps the root causes of poverty, especially the lack of asset ownership by the poor because of its concentration elsewhere, and the sources of economic vulnerability, including low pay, precarious employment and housing, lack of land and dependence on fragile ecosystems. Effective strategies to address poverty and inequality require changes in the distribution of assets, access to stable and remunerative employment and reduced vulnerability to shocks. Instead of tackling these fundamental problems, social policy under neoliberalism remains a tool of poverty

\textsuperscript{42} ‘[T]he question . . . is not whether or not to oppose cash transfers . . . but . . . what . . . importance to give them . . . . The general tendency in the global development industry . . . is to see cash transfers as the singular basket into which most policy eggs can be usefully dropped. In particular, there is a tendency in many developing countries to see this as a further excuse for the reduction of publicly provided services, and replace them with the administratively easier option of doling out money’ (Ghosh, 2011a: 853).

\textsuperscript{43} ‘The more universal a programme becomes in terms of coverage, rules of access and membership . . . the greater the potential for redistribution, risk pooling, cross-subsidization, efficiency gains and quality control’ (UNRISD, 2010: 139).
management: a palliative addressing only the most urgent symptoms of poverty and inequality while subsidizing their reproduction. Brazil’s recent achievements provide an opportunity to build a more equal future. It should be seized.

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