

THE INFLUENCE OF THE BRAZILIAN “BOLSA FAMILIA” PROGRAM ON THE FORMATION OF THE NEW MIDDLE-CLASS AND HOW THE WELFARE PAYMENTS ARE SPENT

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ABSTRACT

The main purpose of this study is to show how the “New Middle-Class” has been formed in Brazil and how both the beneficiaries and non-beneficiaries of the “Bolsa Família” spend (or would like to spend) their welfare payments. Basically, in undertaking this work, an exploratory analysis was conducted through documentary research which was supplemented by semi-structured interviews with both the beneficiaries and non-beneficiaries of the program, but that would meet the basic requirements to be entitled to the payments. The results of the analysis highlighted the importance of public cash transfer policies in the formation of the “New Middle-Class”. It also found that the beneficiaries spend basically the whole of the payments received on food and shoes for their children and that the non-beneficiaries would also spend their money to buy the same kind of goods if they were also recipients.

Keywords: *Bolsa Família Program, “New Middle-Class”, payments received, expenses, consumption*

1. INTRODUCTION

In the 1970s, Brazil began to be known as a country that had grown a great deal. Its GDP (Gross Domestic Product) was increasing, on average, at a rate of about 11% a year, but since 2001, there has been a different picture: the country has experienced slow growth but there has been a significant redistribution of income (Neri *et al.*, 2007). This factor draws attention not just because the country has managed to break away from the pattern of stagnation and inequality but also because in nations where there has been a high rate of economic growth, there is an increase in the concentration of income (Sen, 2012).

Since 2005, in Brasil, the increase in consumption with regard to the GDP – largely driven by the C Class – was greater than the growth of GDP. The Brazilian social pyramid has been altering; it has become narrower at the base and broader in the center (Perez & Segalla, 2012).

But what exactly is this “new middle-class”? It should be stressed that this class is not something that corresponds to the classic definition and marketing concept of the traditional middle-class. It is not a class that represents the traditional bourgeoisie in terms of education and culture but rather, a significant part of the population that is experiencing a boom of consumption and credit (Marangoni, 2011). For this social group can really form a part of the middle-class, in the traditional sense of the term, it is essential for there to be a steady period of educational, cultural and social progress in the country together with an “[...] ability to maintain this consumer potential for a prolonged period of time” (Neri *et al.*, 2011: 24), without necessarily only depending on economic factors. The concept of social class is not restricted to the question of income.

It can be concluded that what is occurring is not social mobility but mobility in terms of finance, particularly with regard to the expansion of consumption and purchasing power. The “new middle-class” is what is in the middle. It is the C Class which has a monthly salary that ranges from R\$ 1,200 to R\$ 5,174 a month (Table 1), and it is notable the volume of its consumption and its capacity for it, in qualitative as well as quantitative terms, in so far as it is consuming products and using services which had previously only been purchased by Classes A and B (Stefano, 2010; Marangoni, 2011).

Insert Table 1

One unusual and interesting effect of the “rise” of the new C Class is being noted in the strategies employed by companies, especially those selling consumer goods. With the growth of the purchasing power of this class, a large number of firms have been increasing their investment portfolios, broadening the range of their products, and adapting marketing strategies to cater for the needs of this public. Even though it is not easy or cheap, the companies are introducing changes and adopting new measures to attract the C Class because, it could be extremely damaging to lose this share of the consumer market (Aragão, 2011).

It is thus essential to underline the importance of the role played by government cash transfers – with a highlight on the Bolsa Família welfare program which will be discussed in this article – in expanding the purchasing power of the C Class and shifting the dynamics of the economy, since it is a class that currently includes more than 50% of the population of Brazil (Neri *et al.*, 2011). The transfer of funds has enabled more than 21 million families – including people both in the C Class and also D and E – to have greater access to the market and thus to goods they have never consumed before. (MDS, 2012).

2. REVIEW OF LITERATURE

2.1. Antecedents of the New Middle-class

At the end of the 1960s and beginning of the 1970s, Brazil experienced a period of rapid economic growth – known as the Economic Miracle – which stemmed from a favorable macroeconomic climate in the context of a dynamic international economy and the reforms of the Government Economic Action Program – the benefits of which were restricted to the higher social classes (Velooso, Villela & Giambiagi, 2008). The following decades were characterized by what was known as “Brazilian inertial inequality” (Neri *et al.*, 2011, p.6), in a pattern which was only broken from 2001 onwards. Since then, there has been a steady decline with varying degrees of intensity depending on the prevailing socio-economic situation. This critical social condition was added to the serious inflationary spiral. (Neri *et al.*, 2011).

In the last years of the 1990s, the crises abroad – in Mexico and Asia for example – and their effects on the Brazilian economy led to a serious crisis in the exchange markets. This crisis was largely responsible for new measures and new “courses of action” chosen by Brazil, with regard to its macroeconomic and social policies such as: the introduction of the Law of Fiscal Responsibility (Supplementary Law No. 101), the implementation of the policy of Inflation Targets and the de-indexation of the key prices of the economy (Simonsen, 1995; Bacha, 1996; Kakwani; Néri & Son, 2006). As well as this, there was an internal crisis characterized by high rates of unemployment, to such an extent that the distribution of income was directly jeopardized. (Neri *et al.*, 2012).

In addition to the changes caused by the severe devaluation of the currency, the country began to experience new economic difficulties at the turn of the century. The international scene did not appear to be politically and economically stable. However, in social terms, the country maintained its policy of a redistribution of income with small alternated increases in the level of poverty followed by a significant fall in the indices in the period 2003 - 2004.

There was a fear among the business sectors on the coming to power of Lula as the President of the Republic, principally over suspicions regarding his “leftist ideas”; however, the energy crisis in Brazil, the political and socio-economic crisis in America and the unstable economy in Argentina, were not sufficient to completely reverse the decline in inequality. On the other hand, the economy of the country went through a turbulent period which was a setback to its growth. The most badly affected classes were those that were at the top of the Brazilian social pyramid (Neri *et al.*, 2011).

In spite of this unsettled climate, from 2004 onwards Brazil began to undergo a new period of stability accompanied by growth and socio-economic development.

It should be stressed how the two mandates of President Cardoso and Lula had a continuity with regard to the socio-economic question and there were only small differences between them. The former stabilized the economy and as a result, managed to implement the first distributive policies and the latter maintained this stability – without changing the macroeconomic fundamentals of his predecessor, such as curbing inflation, keeping high interest rates, and adopting measures for devaluing the currency – and broadened the pattern of public social policies. (Neri *et al.*, 2007).

One of the cornerstones of the two mandates of Lula was its struggle to eradicate the country's poverty. With this in mind, it could be seen that the forces of the Workers' Party government were geared towards broadening the scope of currently existing social policies – with an emphasis being laid on the Minimum Income Policy – and introducing new measures that were aimed at reducing the poverty in Brazil. As a result of an improvement in social equality, a lowering of the rates of poverty and the international demand for Brazilian agricultural products, it was possible to encourage the rise of a new social class: the “New Middle-Class” (Pnud, 2012).

2.2. Poverty and social inequality in Brazil

It is important to note that poverty and inequality in Brazil have not arisen from one day to the next. Their origins can be traced back to historical factors which make it a difficult challenge to overcome. The roots of a society based on paternalism, huge landed estates and a slavocracy, together with more than twenty years of priority being given to the Brazilian business sector in the socio-economic sphere during the Military Dictatorship (1964-1985), are the main explanation for the serious degree of social inequality found in Brazil (Suplicy & Buarque, 1997). This heritage, which bore all the hallmarks of social injustice, became deeply embedded in Brazilian culture and continues to have repercussions today (Barros, Henriques & Mendonça, 2000). It can be said that the two social features are interrelated, with one marking the origins of the other, and the disappearance of one leading to the end of the other.

There are many definitions of poverty. According to Rocha (2003), it is a phenomenon that entails a situation where people find themselves excluded from the job market and being unable to find the means of supplying their basic needs. It is worth noting that on the basis of this definition, poverty is not confined to income but also to the question of the freedom and ability of individuals to make choices which can improve their welfare and happiness (Sen, 2000).

For a better analyzing of the rise of a chronic situation of social inequality in Brazil, it is necessary to understand the relationship of a range of factors: the lack of a qualified manpower, the situation that prevailed during the economic boom, and the high unemployment rates.

About 40 years ago, the problem of high rates of inflation devastated most of the countries in Latin America. Some of them managed to control this problem and became stabilized in the 1980s but Brazil only succeeded in doing so through the introduction of the Plano Real, in 1994 (Kakwani, Néri & Son, 2006). This meant that a large mass of workers, who lacked necessary qualifications, either through a lack of funding to train them or a lack of measures by the State to provide the materials needed for education, were found to be increasingly poor and with few job opportunities. This situation made it inevitable that income would be concentrated in the hands of the already wealthy class because it had at its disposal the financial means to improve its skills and knowledge. This was to the detriment of the popular masses who did not have the required professional skills and as a result, there was a widening of social disparities (Rocha, 2003).

Overcoming the problem of social inequality is a slow process and thus requires at least one, and perhaps two or three presidential mandates. For this reason, there is a need for a sense of “continuity” between governments and their successors and for party difference to be put aside when implementing public policies for cash transfers (Neri *et al.*, 2006). It can be argued that this occurred in the transition from the government of President Cardoso to the government of Lula, and from this to the present government of Dilma Rousseff. The effects of this smooth transition are confirmed by the figures in the index for inequality and poverty.

2.3. The role of social cash transfer programs

Another key factor which allowed a steady rise of the New Middle-Class was the setting up of cash transfer programs by the government. In its eight years in power, the government of President Cardoso created the macro- and micro-economic conditions necessary to resume the socio-economic development of the country whether through programs, laws or the provision of incentives. And these measures were continued and improved by his successor in the years that followed.

Thus, subsequently, during the two mandates of ex-President Lula, there was a great concern and a good deal of political activity to create, refine and broaden public policies designed to improve the indices for poverty in the country – one of the main programs for this end being the Bolsa Família. Once it had been improved, modified and broadened in scale, this social program came to be the flagship for a large number of government plans and schemes aimed at improving the social situation of the country.

The amount spent on social policies by Brazil is one of the largest in the world. This expenditure represents 25% of the country's GDP – when account is also taken of the amount of social welfare benefits. This figure would

not be so serious if the funds were well targeted and employed in an efficient way. The country not only spends a great deal but is also unwise in the way its spends on its social programs and in the long term this will be unsustainable and harmful to the growth of the economy (Moschella & Salomão, 2011; Neri *et al.*, 2007).

This raises the question of the need to focus on public policies rather than simply implementing them everywhere; in this way, the poorest and most needy sections of the population can be helped by having new (and effective) conditions and a new operational system (Neri *et al.*, 2006).

It is worth pointing out that it is not enough simply to make a cash transfer. What is needed is to expand the educational system and make it more professional by introducing a new grant system and broadening the range of programs for students of undergraduate age etc. This will involve binding the conditions of the programs more closely to health and education and introducing a wide range of alternative measures, which are mainly aimed at improving education (Neri *et al.*, 2011). It is essential to “provide” the beneficiaries with an exit route from poverty through income policies so that a definitive outcome can be achieved (Neri *et al.*, 2006).

2.4. The Brazilian Bolsa Família Program

2.4.1. *The Minimum Wage Policy: its Origins, History and Application in Brazil*

The Policy of a Guaranteed Minimum Wage was introduced to the country by the then Senator Eduardo Suplicy, in 1991. The work was drawn up together with the economist Samir Cury and was inspired by foreign models – such as those of the United States (in 1975, *Earned Income Tax Credit*), France (in 1988, o *Revenue Minimum d’Insertion*), and among others (Suplicy & Cury, 1994; Burlandy *et al.*, 2007).

There were debates about the best way this program could be introduced and how the income of those below the poverty line could be supplemented. Three possible courses of action were discussed: cash transfers, the supply of non-refundable tax credits; and a system of a negative (or reverse) income tax (Suplicy & Cury, 1994). The decision was made in 1991, when a law was drafted in the Senate to create a Guaranteed Minimum Income Program. This consists of the right to a negative income tax for those who do not earn a gross monthly income of more than US\$ 140, and began with citizens over 60 years old and was later extended to anyone over the age of 25 (Suplicy & Cury, 1994).

However, the draft bill was not passed by the Federal Chamber. The explanation given was that it was impossible to ensure the massive funding that such a program would require if it was put into effect in a situation of serious shortages or to deal with the economic crisis the country was experiencing at that time (Monnerat, 2009). In addition, several arguments were raised against the implementation of the scheme in Brazil. Among these were the following: it would lead to the lack of an incentive to work and an encouragement of employers to pay their workers low wages (given the fact that the State would “cover the remainder”). However, these objections were overcome. It was believed that even if there were a number of people who preferred not to work and to receive the allowance made available by the government, this number would not be significant. As well as this, it is more common for people to seek a better standard of living for its own sake and this fact would encourage them to work more and not less. With regard to the attitude of the employer, there are ways of tackling this problem. It is enough to look at the situation from another standpoint. If the worker had a guaranteed minimum wage, this meant he had a certain bargaining power in negotiations with his employer about what his salary should be. Added to this, society itself had instruments of control to prevent a “boycott” of the scheme by the employer, such as the enactment of laws that stipulated a minimum wage, for example (Suplicy & Cury, 1994). But notwithstanding the arguments, the scheme was forgotten for a time.

The idea of creating a transfer policy was revived two years later on the basis of the ideas of José Márcio Camargo¹. These entailed devising a new scheme but with the same parameters and humane values as the Guaranteed Minimum Income Program, and involved combining the issue of poverty and inequality with education (Camargo, 2003). And the first pioneers that followed this line of reasoning were the town of Campinas and the city of Brasília.

This was the beginning of the Bolsa Escola program, which was subsequently adopted by a large number of municipalities and States. And later, its importance led it to being turned into a federal program where it was expanded, improved and integrated with other cash transfer policies (Monnerat, 2009; Suplicy & Cury, 1994). And this culminated in the current Bolsa Família program.

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2.4.2. The Bolsa Família

Before being called the Bolsa Família, the program was called Bolsa Escola and had to be reformed and expanded. Originating from the ideas of the Guaranteed Minimum Income Program it has a striking difference from the scheme outlined by Senator Suplicy in 1991: the beneficiaries are the families (Monnerat, 2009). The idea of Camargo (2003), who first devised the cash transfer policy, was based on the following features: (i) the people targeted would be families who had children aged between 5 and 16 (i.e. of school age); (ii) the choice of families was based on the criterion of a linkage between children and schools or in other words, the families must have their children enrolled in a school to be entitled to take part in the program.

The inclusion of the Bolsa Família in the federal government's agenda occurred in 2001 during the government of President Cardoso. Currently, the government criteria for determining who is (or who is not) entitled to receive the benefits are as follows: if the monthly family income is less than R\$ 70 *per capita*; or if the family has a monthly income *per capita* between R\$ 70.01 and R\$ 140 and comprises a pregnant woman, children (up to the age of 12), and teenagers (up to the age of 15); or if the family has a monthly income *per capita* less than R\$ 140 with teenagers between 16 and 17 years old. There is also the need for children to attend school and for families to be willing to meet certain requirements made by the State which involve questions of public health – for example: regular visits to health centers and prenatal check-ups for pregnant women, as well as socio-educational activities - before being able to benefit from the cash transfers (MDS, 2012; Monnerat, 2009; Neri *et al.*, 2007).

Social assistance can range from R\$32 to R\$306, depending on the circumstances of each family, since there are variable factors with regard to the benefits. For example, the existence of a pregnant woman will entitle the family to a further R\$15, which is the variable allowance for a pregnant woman. And the “distribution” of the benefit is carried out through a Single Registry. It is a computerized system prepared and coordinated by the Ministry of Social Development and Hunger Alleviation (MDS) which stores the socio-economic information of 21 million registered families. With this material, the Federal Government is able to identify and select which families and individuals will benefit from its social programs (MDS, 2012).

This work is undertaken in a partnership between the municipalities, States and Federal Union and a decentralized management team. Within this framework, each entity is committed to implementing the program in the best way possible and is coordinated in its attempt to harmonize the decision-making and work in a cooperative way, to overcome the problems of social inequality and poverty. Gradually, the public social policies in Brazil are being interconnected through joint action between different social sectors (such as health, education, culture etc) to ensure that multiple, simultaneous and effective results are achieved for the social problems (Burlandy *et al.*, 2007).

Despite its effects in reducing poverty and social inequality, the program has features that suggests the policy needs to be reformed and *upgraded*. The criticisms levelled at it include the following: the criterion employed to select the beneficiary families, the arbitrary way the level of income is fixed to determine a family's eligibility and the need to broaden its effects so that it is not restricted to just cash transfers (Burlandy *et al.*, 2007; Neri *et al.*, 2007).

2.4.3. Upgrading the Program

As a result of some of the criticisms of the features of the Bolsa Família Program, some changes have been made to the way it was originally set up. These include the following: improving the conditions laid down for its entitlement, giving priority to its measures and objectives and enabling its beneficiaries to have greater access to the market (Neri *et al.*, 2007).

There are several criticisms of the conditions that are laid down including the following: a) the inability of the municipalities to keep the information about the registered families up-to-date, which leads to unnecessary sanctions being imposed; b) the pressure on the defective and poorly-resourced systems of education and health which find it difficult to comply with the conditions, even if the families are willing to do so but then find they are unable to have access to them; and c) the fact that the families are forced to seek their rights – though this is something which is viewed in a positive way by some economists and academics (Burlandy *et al.*, 2007; Neri *et al.*, 2007).

The problem of concentrating the policy can be attributed to the fact that there is a constant attempt to expand the system without attending to the shortcomings of the way it is put into effect (Monnerat, 2009; Neri *et al.*, 2007). The desire to expand the plan so as to reach more families that are suffering from dire poverty, is a natural course of events when there is a desire to make public policies successful and the Bolsa Família is

increasingly being extended to cover a larger number of families. It is essential to keep a focus on the social groups suffering from extreme poverty (Monnerat, 2009).

The other criticism concerns the need to provide skills to the registered families so that each of their members “can stand on their own two feet” (Neri *et al.*, 2007). From a social standpoint, the Bolsa Família is not a policy that can be sustained over the long term. It must create the conditions that can allow people assisted by the program to be able to develop skills and be included in the job market so that they can avoid being dependent their whole life on cash transfer hand-outs from the government (Neri *et al.*, 2007; Guerra; Cazzuni & Coelho, 2011).

The Bolsa Família is a compensatory policy and thus can bring about rapid results in combating poverty. This would be one of the advantages of using this kind of policy in so far as structural policies such as changes in the educational system can take decades before having significant effects on the socio-economic conditions of the country. For this reason, the program has played a crucial role in reducing the rates of the GINI index – an index which measures social inequality from zero (less unequal) to one (more unequal) – and the other indices of poverty in the country. With more income and more opportunities for consumption and making choices, the C Class is going through an important economic stage since it is now able to try out and purchase goods which were never imaginable before – such as: trips by plane, LCD televisions, 6-burner stoves etc – and are coming to be known as the “New Middle-Class” (Neri *et al.*, 2011).

2.5. The rise of the Middle-Class in Brazil

In the face of the international financial crisis of 2008, Brazil has not experienced serious effects on its economy compared with other countries. Whereas much of the world population has experienced difficulties stemming from economic instability, the Brazilian C Class has had one of its best times, particularly with regard to the increase of its purchasing power. This class has been dubbed the “New Middle-Class” of Brazil (Neri *et al.*, 2007).

The members of this social group are consuming like never before and learning to purchase goods for the first time, ranging from household electronic appliances to broadband Internet services (Marangoni, 2011). Given the fact that the world is still in a crisis, this Brazilian phenomenon is proving to be extremely attractive to large numbers of multinational companies, new entrepreneurs and even financial institutions which are more selective in making their investment (WTO, 2012; Aragão, 2011; Messeder, 2011).

The Bolsa Família cannot be restricted to the C class, but the program encourages internal consumption and benefits society as a whole, in so far as it creates jobs and increases income. The number of jobs in the formal economy has never been so high and inequality has been falling since 2001. These combined factors have led to the forming of the “New Middle-Class”, which acts as a consumer, worker, producer and generator of wealth for the country as a whole (Neri *et al.*, 2012).

The growth of the C class was due to the increase of income of its new members – more than forty million who left the base of the pyramid (made up of classes D and E) and since 2003 have formed a part of the new class (Paduan, 2011). The increase in income and availability of credit, added to the social transfer programs of the government – the most important being the Bolsa Família –, has allowed the “new middle-class” to have access to restricted goods which could only be purchased before by Classes A and B. In addition, the members of the C class are spending more money on goods of greater added value. Now they purchase beef instead of chicken, olive oil instead of ordinary vegetable oil, together with many other similar examples (Perez & Segalla, 2012).

When the situation is analyzed from a business perspective, there has been a rise of a more robust consumer market and this sector is proving more willing to invest in the country. As a result, a large number of companies are actively seeking a better understanding of the requirements of this new market and adopting appropriate strategies, launching new products, and investing money in new factories and affiliates to cater for the needs of these “new” consumers (Stéfano, 2010).

3. METHODOLOGICAL APPROACH

The main purpose of this article is to determine the influence of cash transfer policies, in particular the Bolsa Família program, in broadening the Brazilian middle-class and attempting to find out how both the beneficiaries and non-beneficiaries of these transfer schemes spend (or would like to spend) their payments. The following measures were adopted in pursuit of these goals: 1) to determine how this extension of the Brazilian middle-class took place; 2) to analyze how the cash transfer schemes influenced this phenomenon; 3) to assess the importance of the cash transfer schemes and how the beneficiaries and non-beneficiaries of these schemes spend (or would like to spend) the payments they receive.

The research is exploratory and an analysis of the documentary material and bibliography was conducted to attain the first two objectives cited above. A quantitative research study was carried out on the basis of secondary data for a more comprehensive understanding of the scenario in question. This involved undertaking searches in the electronic pages of statistical databases such as IPEA (Institute of Applied Economic Research), the Ministry of Development, Industry and Commerce and the Center for Social Policy-FGV-RJ (Getulio Vargas Foundation, Rio de Janeiro).

Another investigative technique that was employed for data collection, was to conduct interviews and this was designed to address the third point cited above. The sample was divided into two categories for this: the beneficiaries of the Bolsa Família and the people who did not form a part of the program but who wanted to be in a position to do so and met the requirements for acceptance. Seven interviews were carried out with semi-structured questions – four with people being given the assistance and three who are not but might be entitled to receive it.

Each of the interviews lasted for approximately 15 to 20 minutes and the interviews were held in May 2012 during the rest breaks from work of each of the interviewees. All the interviews were recorded and later transcribed. It should be pointed out that all the interviews were conducted with women since the Bolsa Família program itself gives the benefits to mothers, as a matter of preference, since they are seen as “more closely tied” to the family and children than the fathers.

The general aim of the questions in the first type of questionnaire was to observe how people who benefit from the Bolsa Família regard the program and how it affects the lives of their families.

The purpose of the second questionnaire was to demonstrate how the non-participation of people entitled to receive the financial assistance of the Bolsa Família is reflected in the purchasing power of the “excluded” families and their degree of access to basic public services like health and education. In addition, an attempt is made to define the conditioning factors such as, for example, the obligation for the children to attend school, and the insistence on them having a valid vaccination certificate. The Bolsa Família in fact influences the decision made by parents about whether or not to enrol their children in a school (rather than making them work) and taking good care of their health. Moreover, by including people who are legally entitled to receive the benefit but are not doing so, the aim of the questions was to discover why this situation has arisen and detect the failings in the system for allocating allowances and examine the selective nature of the program.

4. RESULTS AND DISCUSSIONS

The interviews made it possible to record the benefits obtained from the Bolsa Família Program (PBF), especially with regard to the purchasing power of the beneficiaries. According to the mothers who receive the assistance, the destination of the cash transfers received from the government is clearly the purchase of goods for their children, with clothes, shoes and food at the top of the list of items bought with money from the Program. The beneficiaries have begun to have a wider range of choices and greater access to the consumer market, which has also led to the rise of the phenomenon of the “New Middle-Class” of which they form a part. This represents the “swelling” of the C class and the “added potential” of its purchasing power. Assuming that this same situation of an increased purchasing power has occurred among at least the majority of those involved in the program, it can be said that there are millions of people currently buying and obtaining new products (Perez & Segalla, 2012; Neri *et al.*, 2011).

This policy of cash transfers has undoubtedly brought about benefits but clearly there are serious problems, both from the standpoint of the beneficiaries of the program and those who are not being given assistance (but should be receiving it). The points most criticized by the interviewees were the poor monitoring, the lack of information and the excessive bureaucracy involved in registering and re-registering the names of the applicants. Another point that was often brought up in the interviews – and also in the criticisms of Neri (2007) and Burlandy (2007) – was the need on the part of the State to provide an environment that could encourage culture and sport among the children and teenagers. As the mothers mentioned during the interviews, the existence of a place for extracurricular activities would be a really good measure as it would mean the children spent less time on the streets. Moreover, it would reduce the likelihood of their coming in contact with the criminal world and encourage them to pursue new interests. This point can be used to support the fact that it is really essential for the Bolsa Família to be *upgraded*, with an emphasis on the educational field, which needs an improvement in standards both in the academic sphere and with regard to extracurricular activities.

The large number of documents required and forms to be filled in, is a factor that has been much criticized since it makes the program “complicated” and difficult for both the beneficiaries and those seeking assistance to

understand. Both of the groups that were interviewed stressed the excessive amount of bureaucracy that was involved. However, from the perspective of public administration and the scarcity of funds, it can be argued that the requirements for registering and re-registering are reasonable. (Barros & Carvalho, 2003).

The criticism about the lack of information can be found in indirect ways. In the interviews, there was not a direct complaint about a lack of any effective communication between the beneficiaries and the State. The problems over the receipt of the assistance referred to by the interviewees are reported to the town hall responsible but without any explanation are only addressed at a different time. This breakdown in communication undermines the credibility of the program as well as casting doubts on the monitoring, the forms of control and the structures of the Bolsa Família.

From the standpoint of those who do not receive the allowance – but should receive it – it is worth noting that there is a slight reduction in their purchasing power. In the replies of the interviewees, it is evident that they are unable to obtain some products and services owing to a lack of money.

5. FINAL CONSIDERATIONS

The rise of the “New Middle-Class” took place as a result of a combination of socio-economic factors. From the time of the creation of the Plano Real, in the mid 1990s, to the present climate of international economic instability, it is possible to take note of the factors that led to the formation of this social phenomenon. The sluggish rates of poverty and social inequality began to decline and economic growth, in recent years driven by consumption, has become a significant factor in the world recession.

With the Bolsa Família as one of the “flagships” against the eradication of poverty, the State has been striving to formulate new public policies with an emphasis on cash transfer payments. Thousands of families who have been involved in these government programs, have begun to receive an allowance to supplement their respective incomes and thus managed to escape from destitution. This situation has also been reflected in the decline of social inequality in so far as these public policies are serving as a system of allocating allowances in a society as unequal as Brazil.

As a result of the extra funds, thousands of beneficiaries are beginning to have access to the market and in the light of this, consumption has begun to boost the Brazilian economy as a whole. A large number of goods and services which were formerly beyond the reach of this sector, have now begun to form the list of their regular purchases. As well as managing to purchase more and better consumer goods, this sector is also rising up the social pyramid. It can thus be claimed that the concept of “changing class” does not only concern the question of an increase of income but also covers changes in life-style which are invariably bound up with the idea of consumption.

The fall in poverty and social inequality, a greater availability of income and an increase in internal consumption have led to the formation of the “New Middle-Class” in the country, - the former C Class. This currently represents more than half of the Brazilian population and is one of the main reasons for the expansion of consumption. The components of this social group, in particular its new “members” – before belonging Classes D and E – are buying more and more since they have never had this opportunity before. And now, with more income and relatively cheap credit, they have a greater access to the market.

Hence there is a correlation between the emerging features of the C Class and socio-economic development. The expansion of internal consumption – initially made possible by cash transfer policies and later by the dynamics of the economy itself – is not simply restricted to the buying and selling of goods and services. It is a phenomenon that encourages direct and indirect investment, creates jobs, produces wealth, promotes social and behavioral change and has other consequences.

In addition, it can be inferred that the factors linked to the phenomenon of the rise of the C Class are not confined to the obvious effects of an increase of consumption, economic growth and an improvement in the welfare of the new consumers. As stated throughout this work, the business perspective and the long-term social effects are fundamental issues that require thought. In other words, in this climate of progress and social climbing there is a considerable scope for a significant growth in internal and external investments and for a middle-class- in the classic sense of the term- to become larger and more robust and can be established in the country.

Through the interviews it was possible to ascertain that the mothers spend all the money that they receive from the Program on their children and mainly to buy items like shoes and food such as chocolate, savouries, biscuits

and various kinds of snacks. In view of this, it would be reasonable for the State periodically to provide a supplement to the Bolsa Família, in the form of new shoes for the children of families involved in the program or even a basket with food so that children could have a snack at home. As a result, the money previously spent on these items would be used to buy other articles such as beef, yoghurt, or even some electronic goods which are more expensive and thus beyond the means of the lower classes.

It was clear from the research that an increase of income allowed a rise in consumption but a worrying factor is that in the long term the families will become dependent on the allowances provided by the Program. The Bolsa Família needs to be restructured so that it can create alternatives which can definitively remove people from a state of poverty.

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Table 1: Division of the Economic Classes – Total Monthly Income

	Minimum Income In Reais	Maximum Income In Reais
Class A	6745	
Class B	5174	6745
Class C	1200	5174
Class D	751	1200
Class E	0	751

Source: information obtained from the database of the Social Policy Center- Getulio Vargas Foundation, Rio de Janeiro (FGV-RJ)