Casting Light on the Idiosyncrasies of Public Tranfers in Brazil

Cassio M. Turra
Bernardo L. Queiroz
Tatiana Araujo

UFMG Cedeplar

CEPAL ECLAC

IDRC CRDI

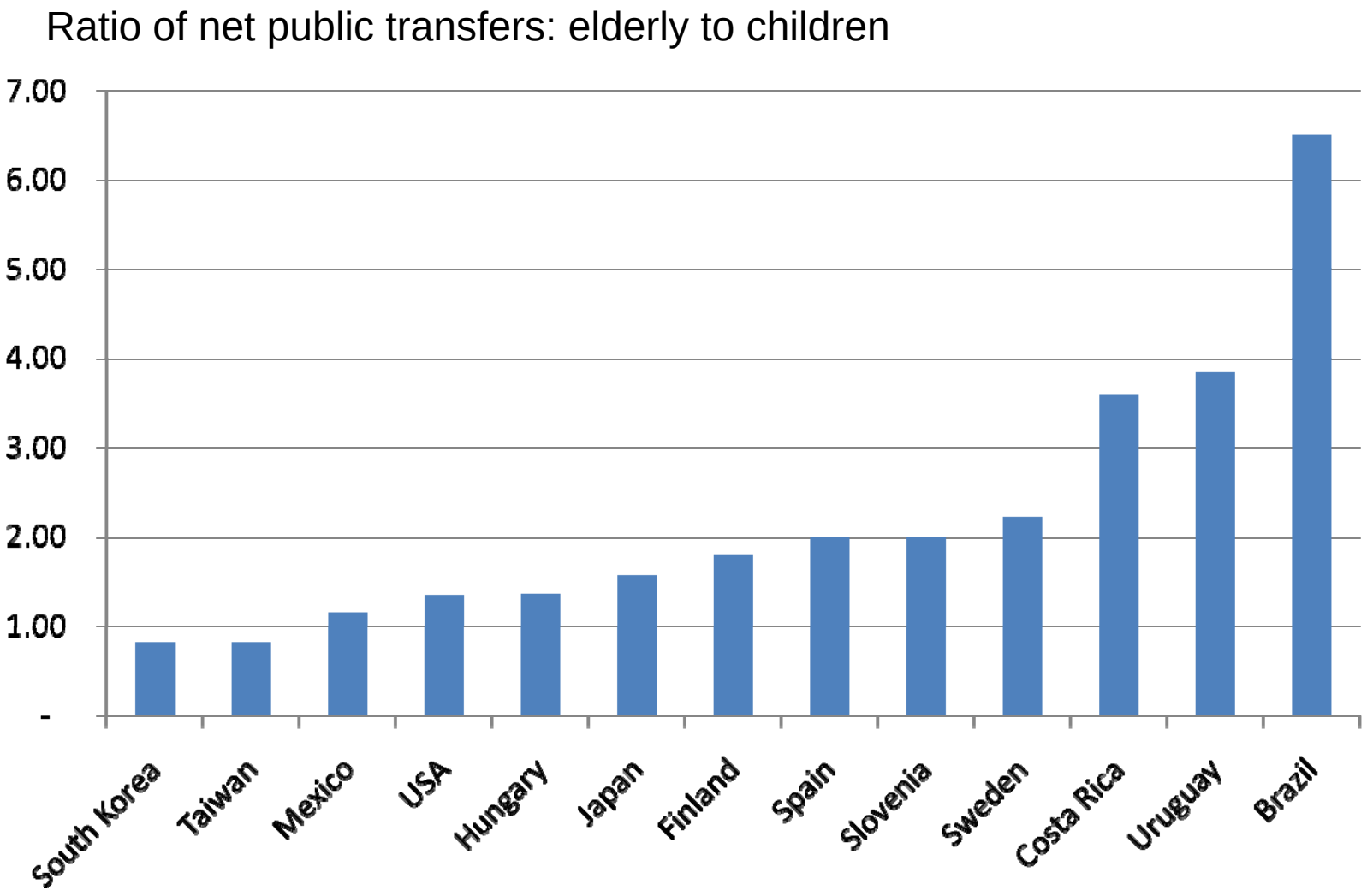
This research has been partially funded by a NIH grant awarded through the UC at Berkeley and a IDRC grant awarded through Cepal

Outline

1. What makes Brazil an interesting case among the NTA countries?

2. Look at historical data to…
    1. cast some light on our idiosyncrasies
    2. improve the discussion on public transfers for future generations

Compared to “older” countries, Brazil has larger net public flows directed to the elderly relative to children



Poverty Rates in Brazil, 1970 e 2001

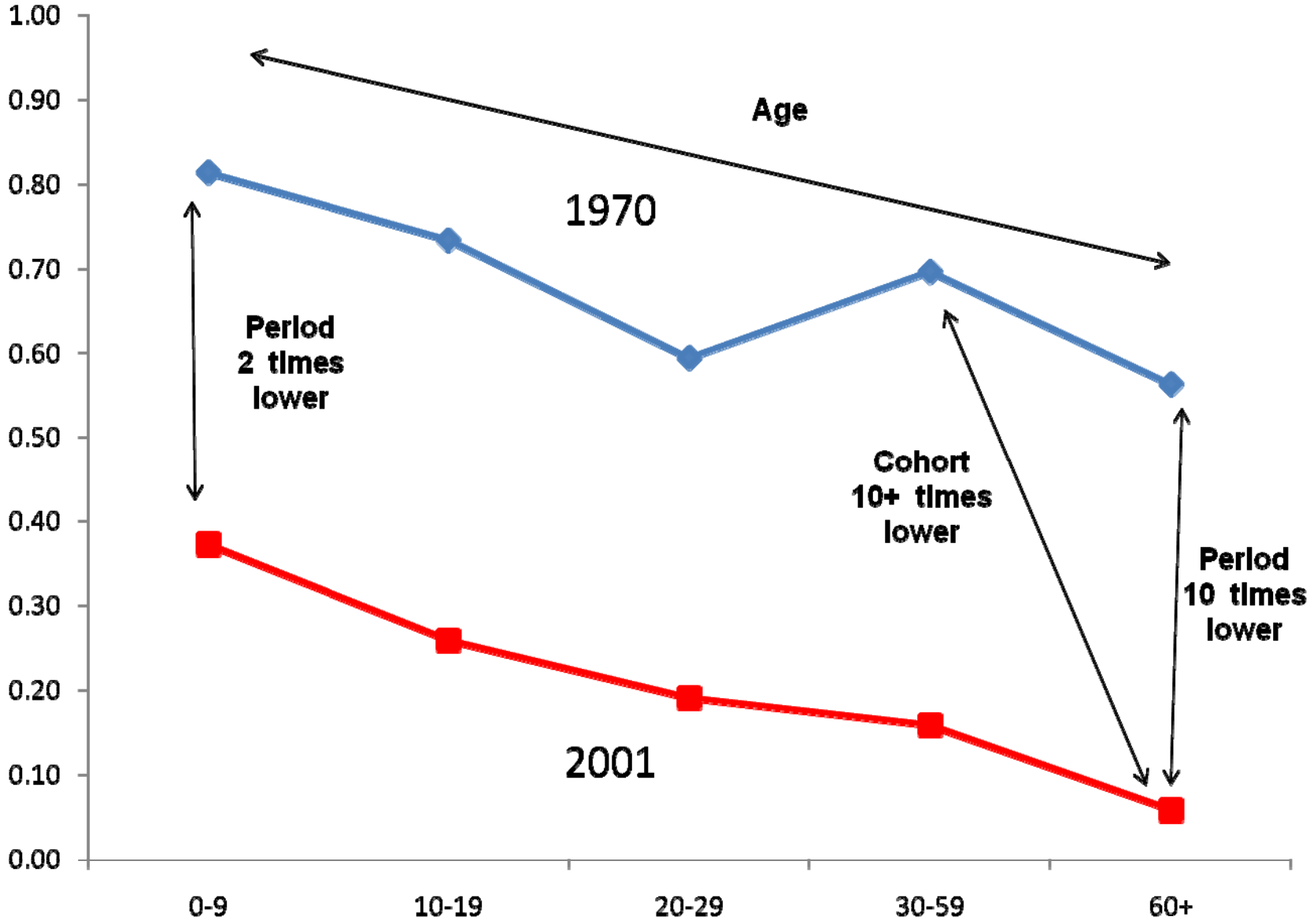
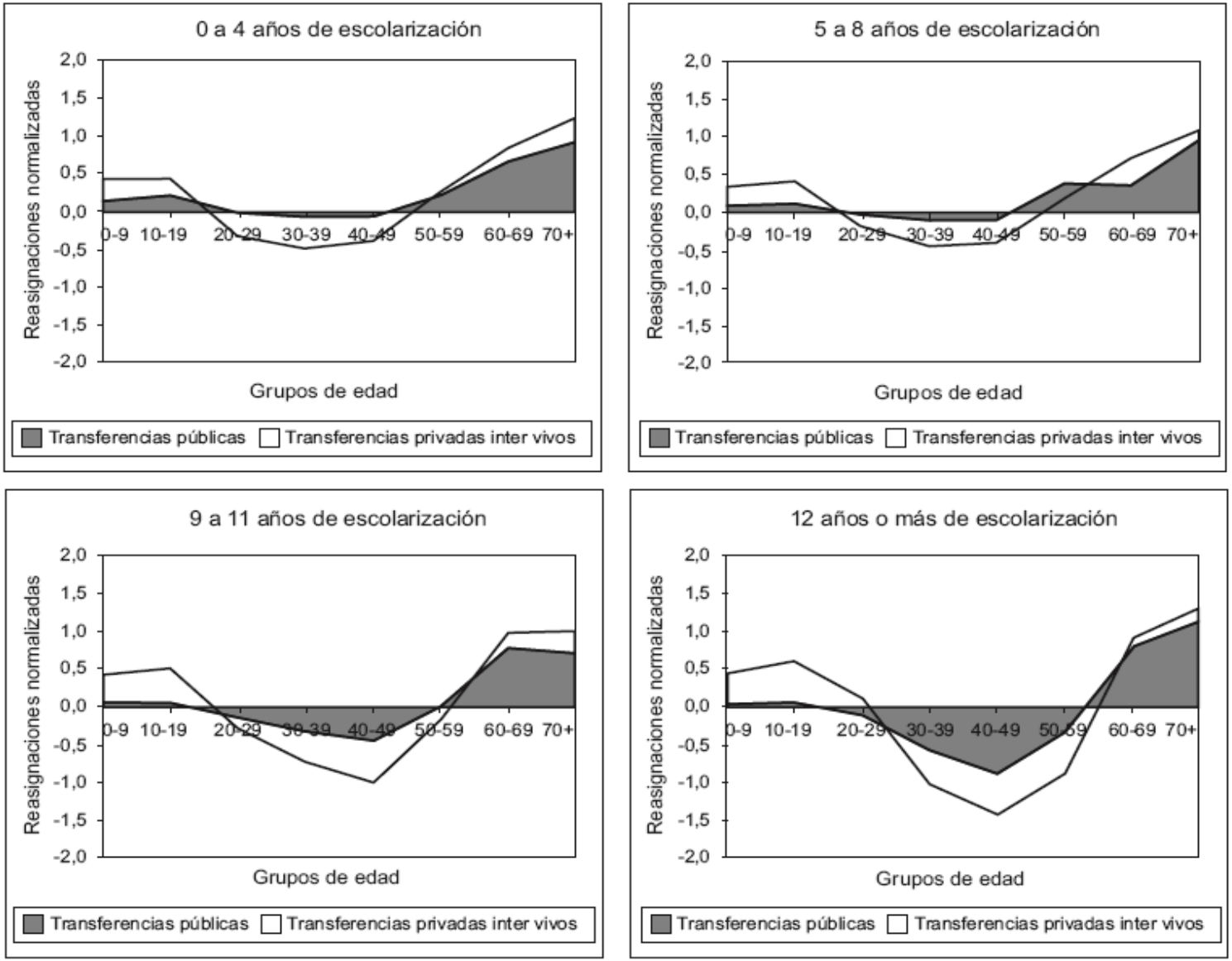
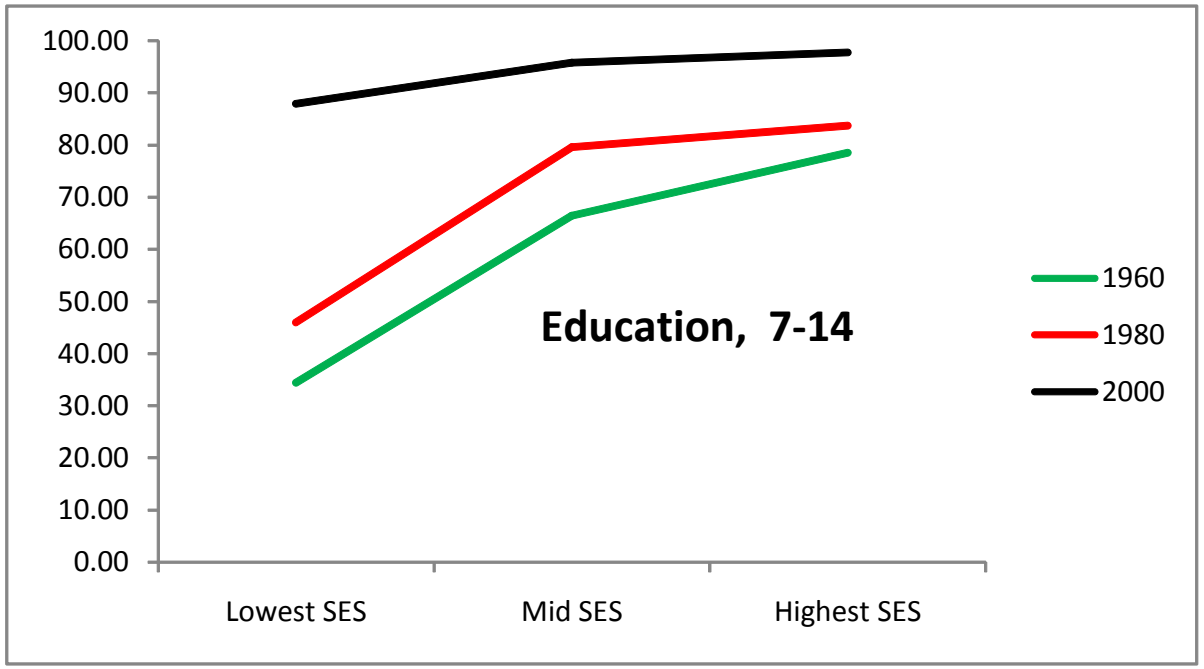


Gráfico 3

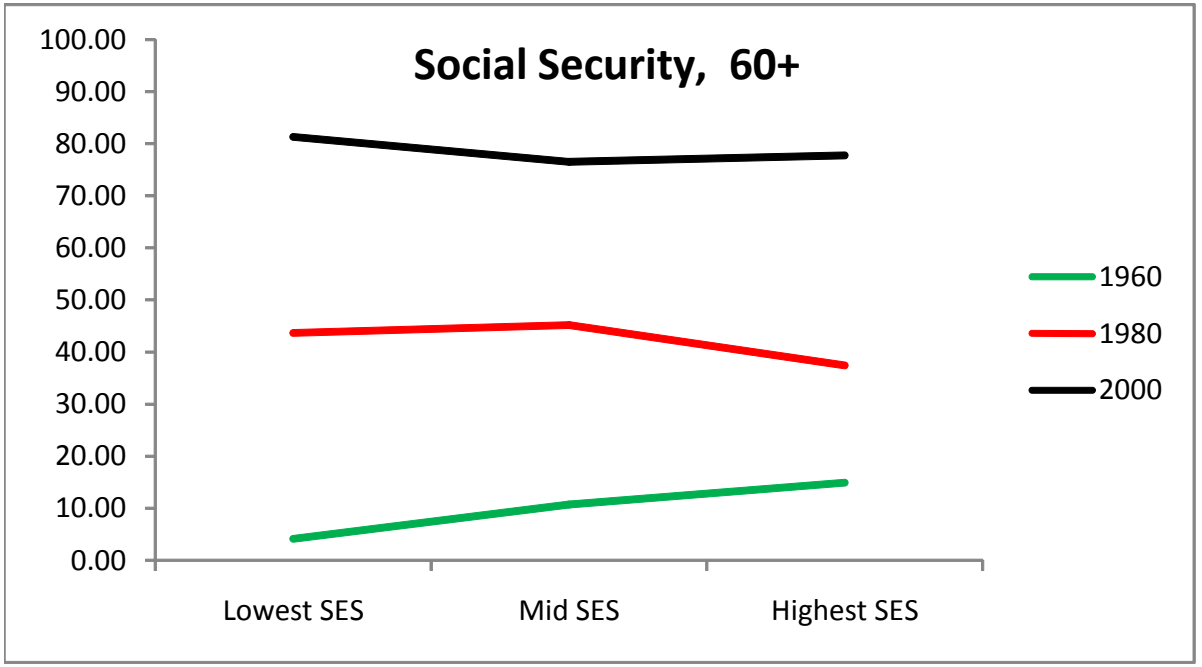
REASIGNACIONES ETARIAS POR NIVEL DE INSTRUCCIÓN[a] NORMALIZADAS,[b] BRASIL 1996



Education enrollment by year & SES



Social Security coverage by year & SES



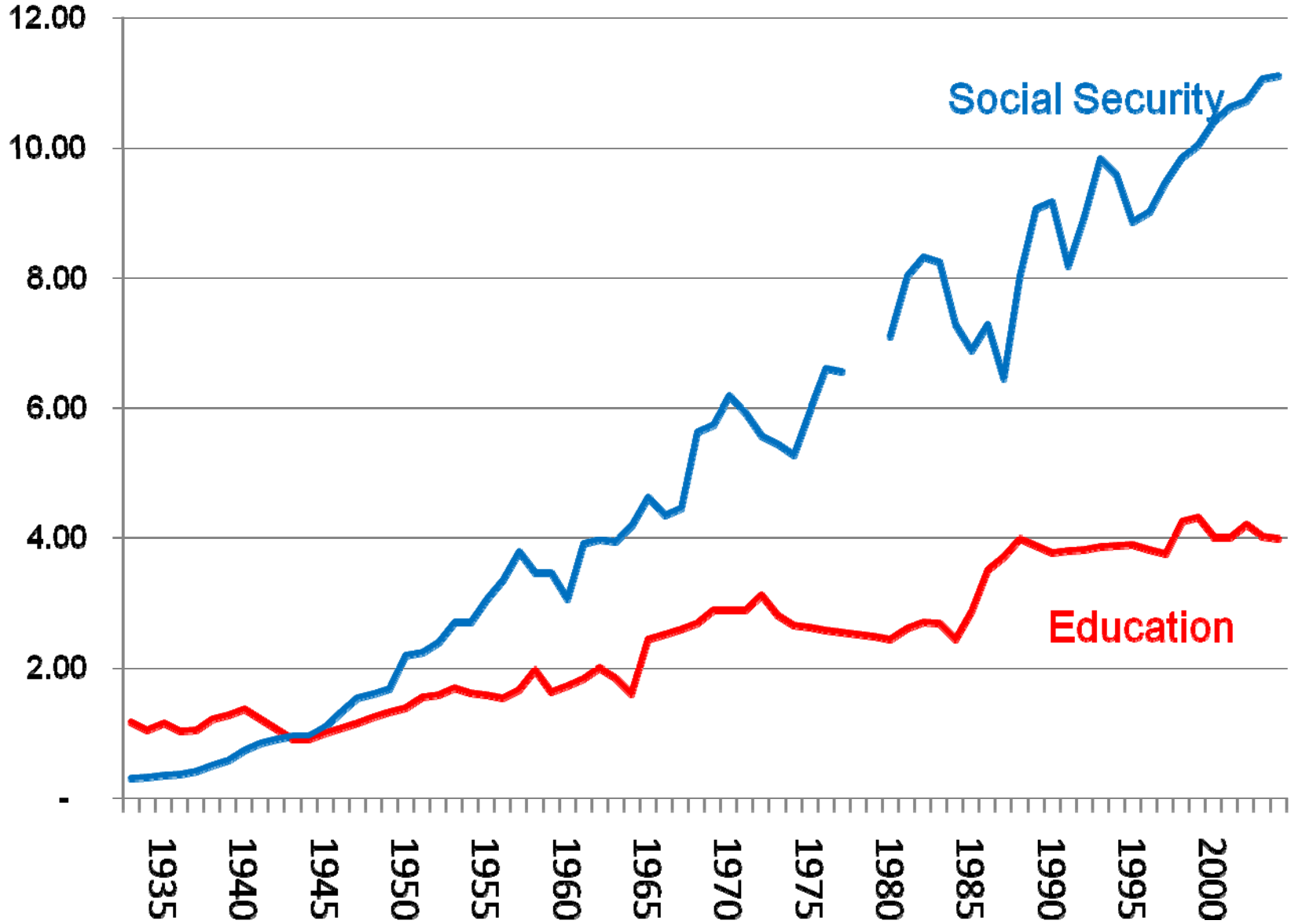
How to keep public flows for the future elderly generations while improving human capital (in a context of population aging)?

Historical Development of Public Transfers

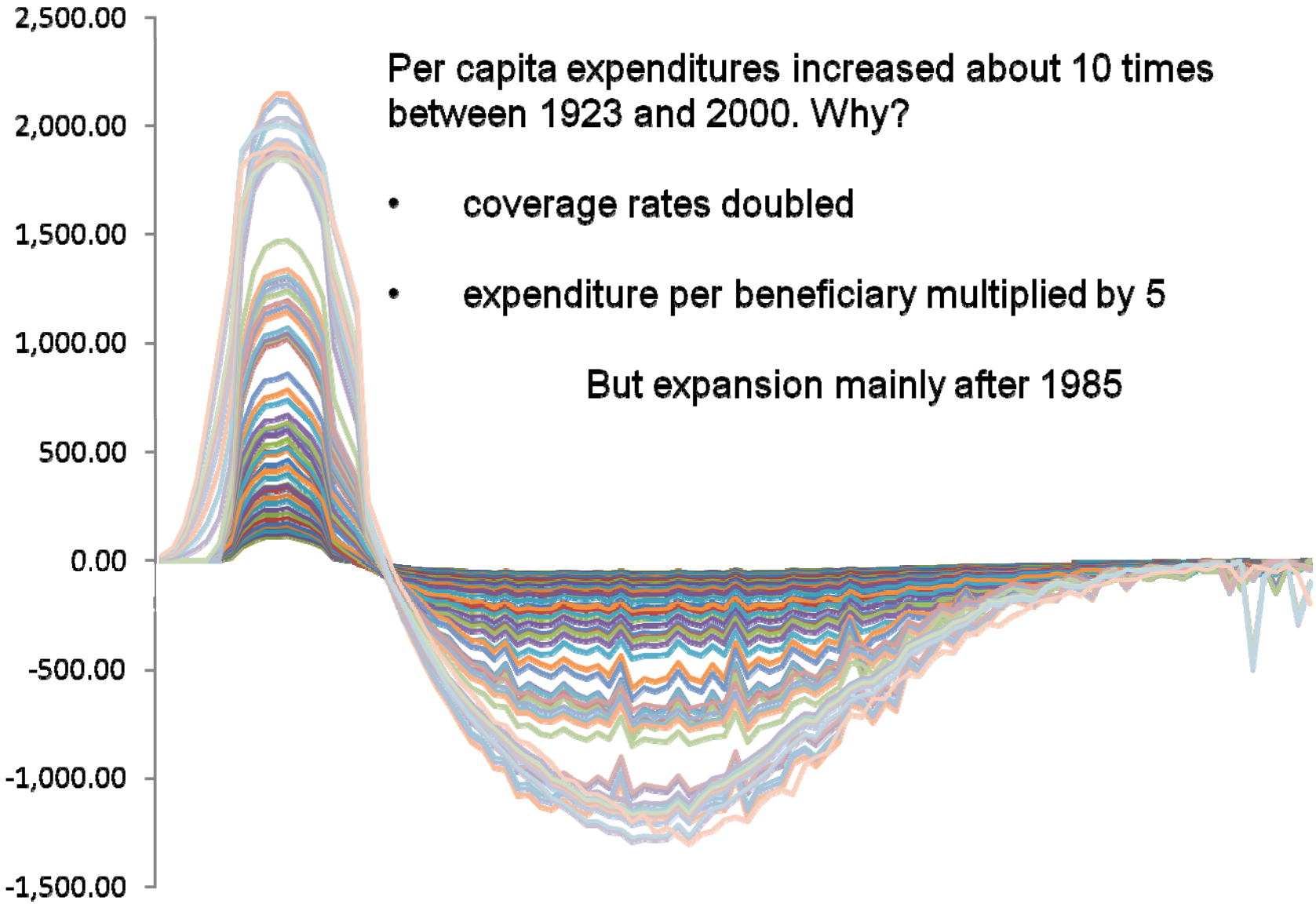
1. Becker and Murphy's Efficiency Hypothesis: investments in education precede the development of social security

2. Industrial-bias / Urban-bias Explanation (Filgueira-Draibe):
    1. Dual system of social states favored the urban middle class in the format sector
    2. Urban middle-class provided the needed skilled labor force and got protection at older ages

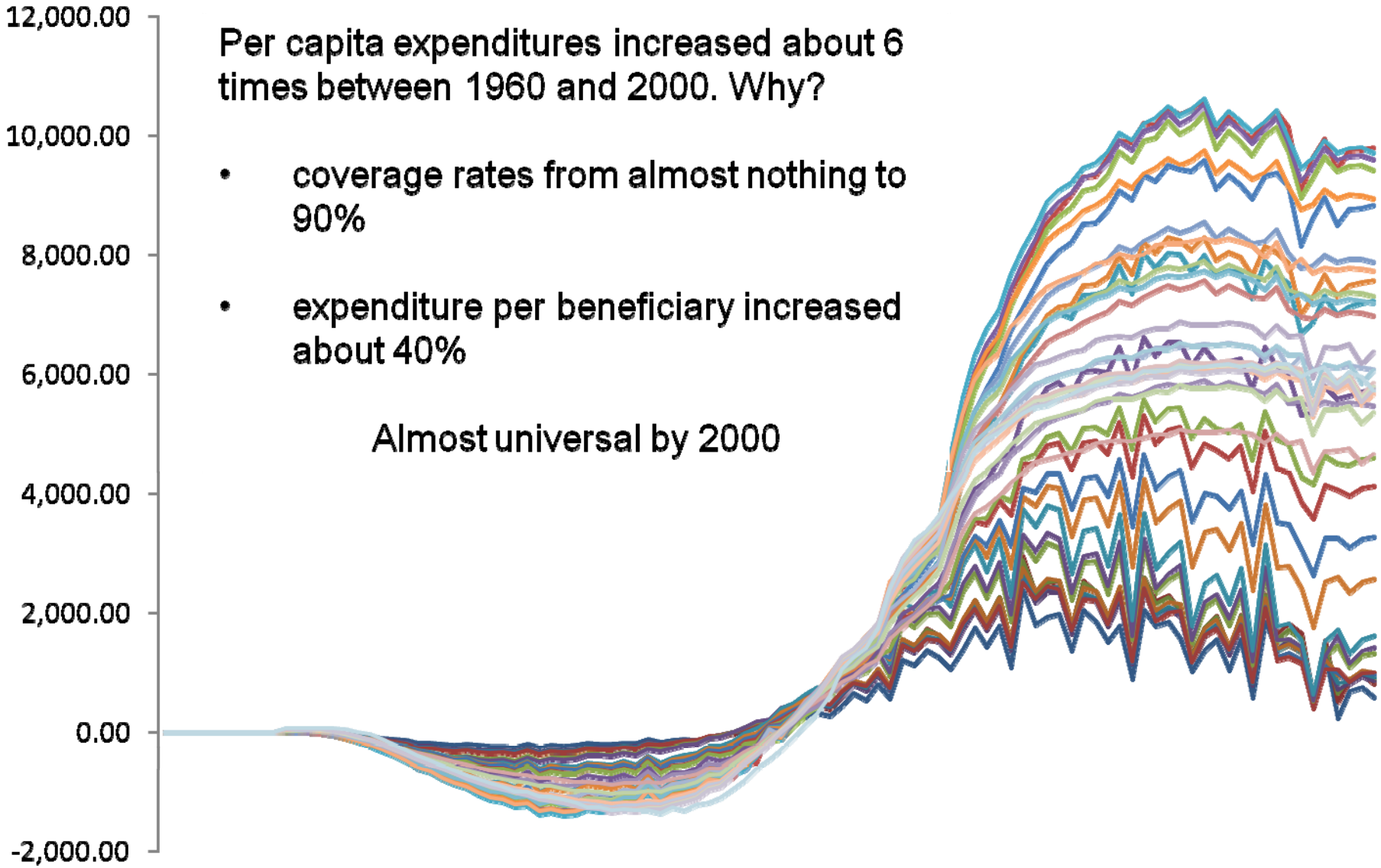
Public Expenditure as % of GDP: 1933 to 2004



Net transfers on education: 1923 to 2000



Net transfers on social security: 1960 to 2000



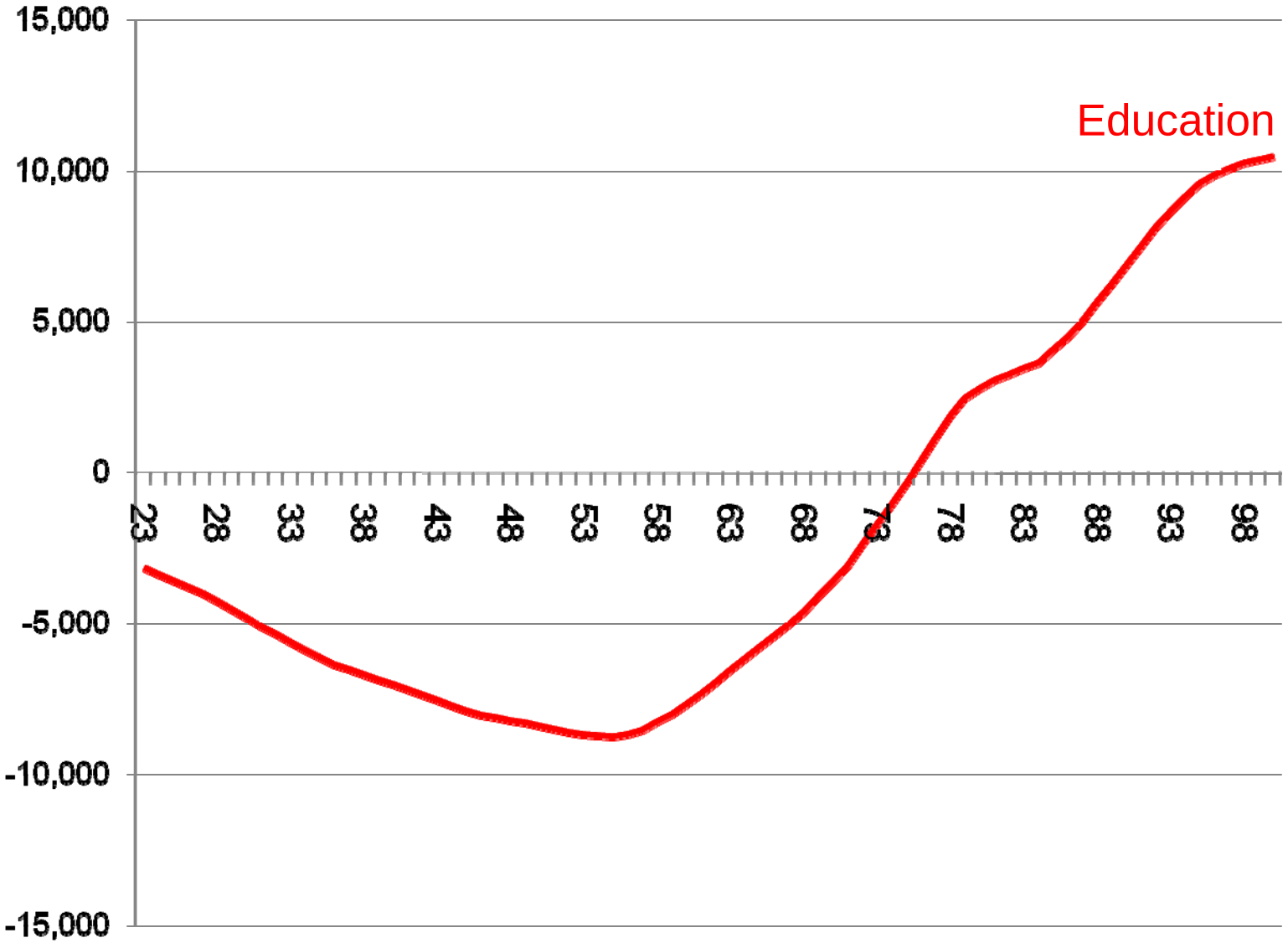
Is there a better way to summarize the historical expansion of public transfers?

1. Life cycle perspective: are the current elderly better off than other generations?

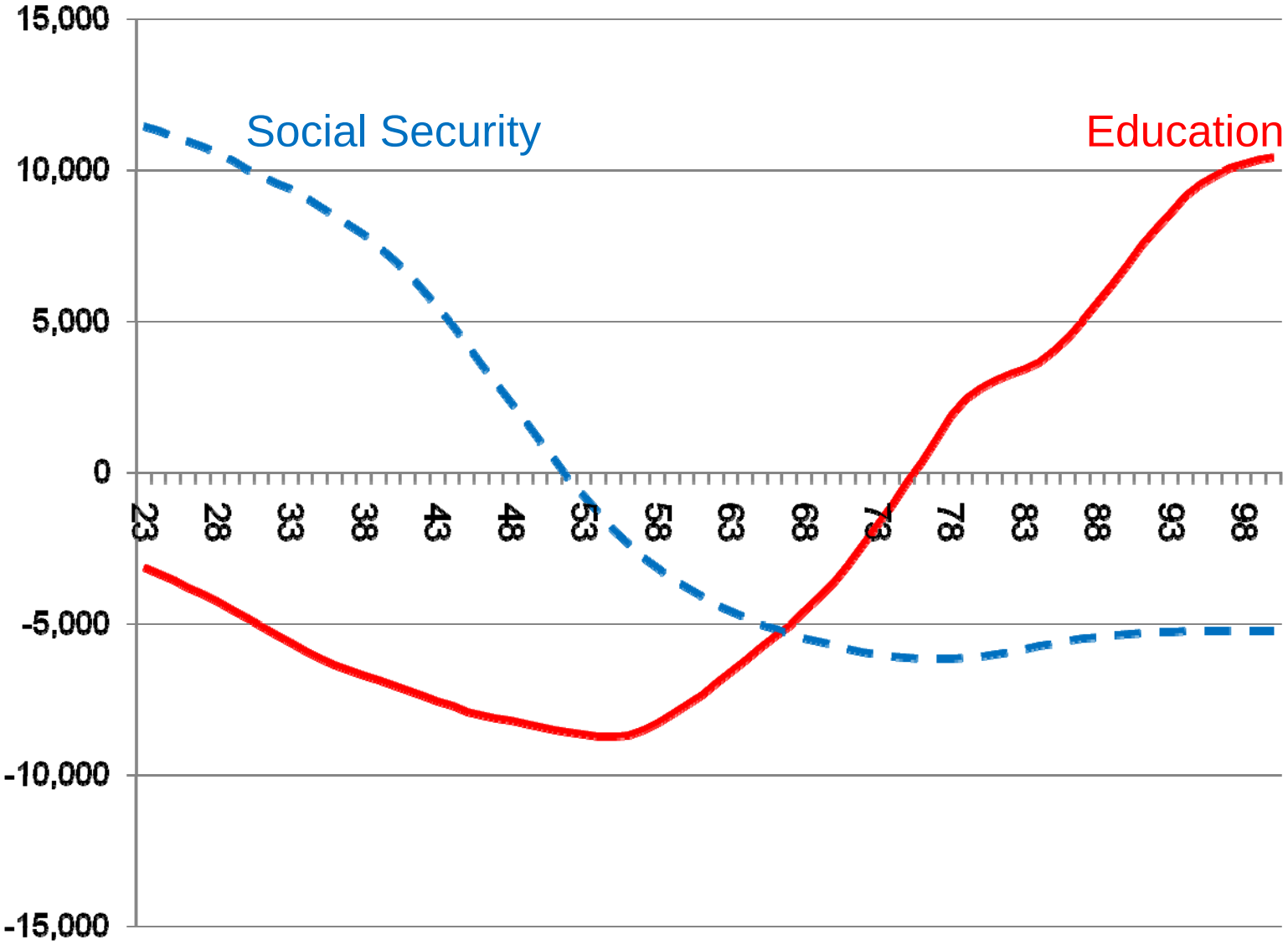
2. We follow the steps of Bommier, Lee, Miller and Zuber (2004) and estimate the Net Present Value for net transfers on education and social security in Brazil

3. Results are preliminary and we still need to build alternative scenarios for the future

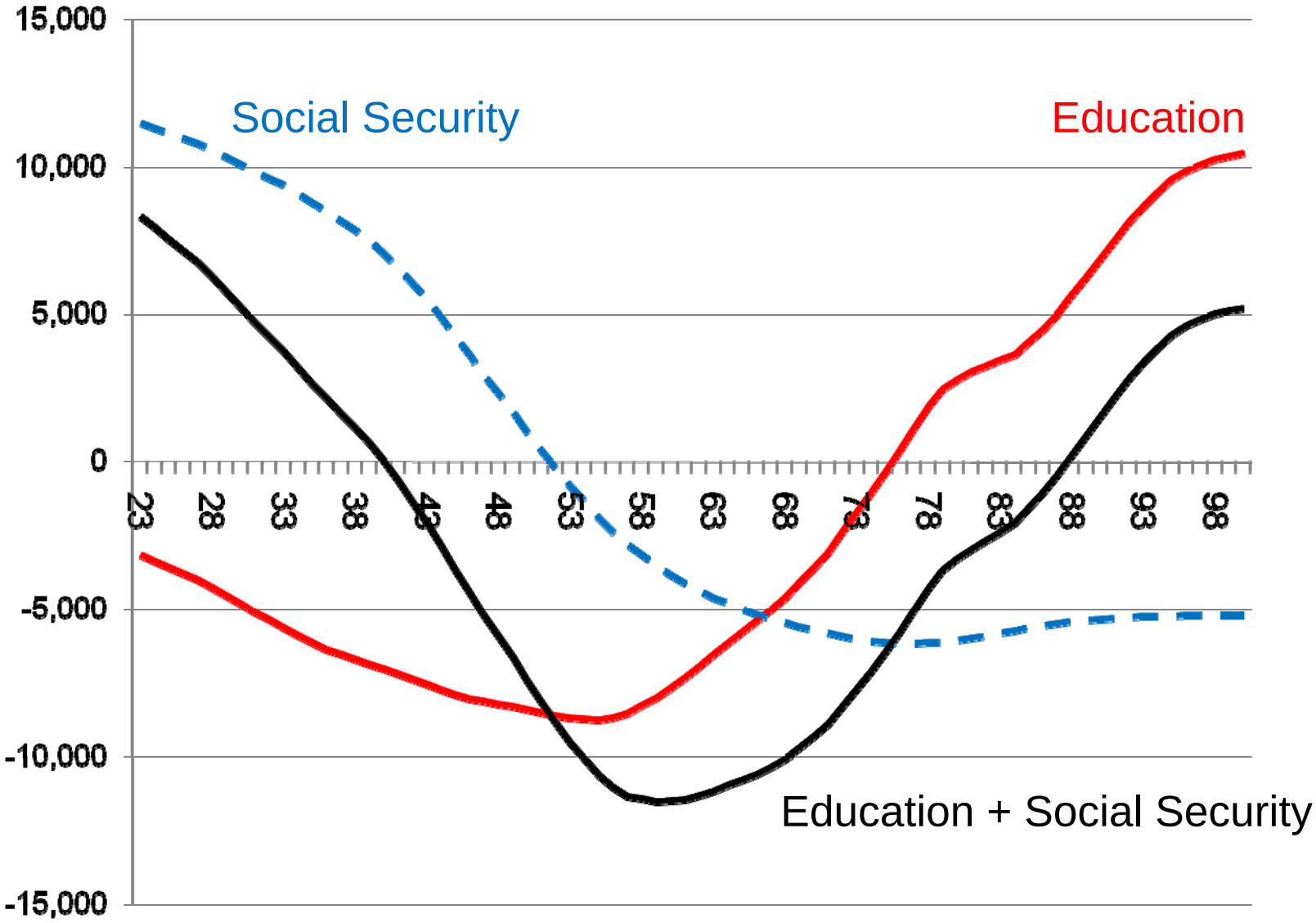
Net Present Value of Public Transfers: cohorts born from 1923 to 2000



Net Present Value of Public Transfers: cohorts born from 1923 to 2000



Net Present Value of Public Transfers: cohorts born from 1923 to 2000



Comparative Results

- Brazil: current generation of elderly will have net financial gains (gains with SS + only small losses with education)
- US: current generation of elderly loosing money (because of large net payments for education)
- In both countries, no evidence of the Becker & Murphy hypothesis.
- Brazil has a delayed pattern of NPV compared to the US. Current generations of prime age adults responsible for the expansion in education and expansion/generosity of social security