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OF THE  
POOR

# ***BACK TO THE COUNTRY OF THE FUTURE***

Forecasts, European Crisis and the Brazilian New Middle Class



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# **Back to the Country of the Future: Forecasts, European Crisis and the New Middle Class in Brazil**

**Coordination: Marcelo Neri**

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# **Back to the Country of the Future:**

## **Forecasts, European Crisis and the New Middle Class in Brazil**

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## **Executive Summary**

*“Greater wealth than gold, forest and wood that has given color and name to our nation,  
it is their brightness reflected in the eyes of our people.”*

The purpose of the present study is to assess future Brazilian perspectives from both objective and subjective angles. We developed a model to predict the performance of different economic classes (A, B, C, D and E) in Brazil until 2014 and then we assessed the expectations by the Brazilian population of future life satisfaction. Another target of the study is to project the present, capturing the recent performance of the Brazilian income distribution in the post-European crisis with data to January 2012. These objectives are organized in four blocks of questions below:

### **Chronicle of a Foretold New Crisis**

Our studies defined the impacts of the September 2008 crisis on Brazil but as an undertow just strong as fleeting, which reached the country in January 2009. How did the new crisis departed from the old continent in August 2011 affected the Brazilian's purses? Like a tsunami or a ripple? What is happening with income here in 2012? Who loses and who wins after the new crisis? Do inequality and poverty continue to fall? Although inequality is high, is it now at its lowest historical level (series since 1960)?

### **Back to the Future of the New Middle Class**

How are economic classes defined in the light of the new POF (Family Budget Survey) data? What are the predictions for the Brazilian's life for 2014? What will the aggregate change in economic classes (A, B, C, D and E) be like by then? Which class will have grown more by then? Will we be talking about the new A class like we talk today about the new C class?

### **Expectation of Life Satisfaction for 2015**

What do Brazilians expect for their own future? How does Brazil compare to another 158 countries? Will we still be the world champions of future happiness? Who is happier: man or woman? Are single ladies happier than married ones? What is the happiness age? How do change the differences in gender happiness between countries? We present below brief answers to these questions to be discussed at depth during the survey.

## Chronic of another Foretold Crisis

### After the New Crisis

*“The European crisis did not reach Brazilian wallets. In 12 months ended in January 2012, poverty falls 7.9%, three times faster than the UN Millennium Development Goals’ pace.”*

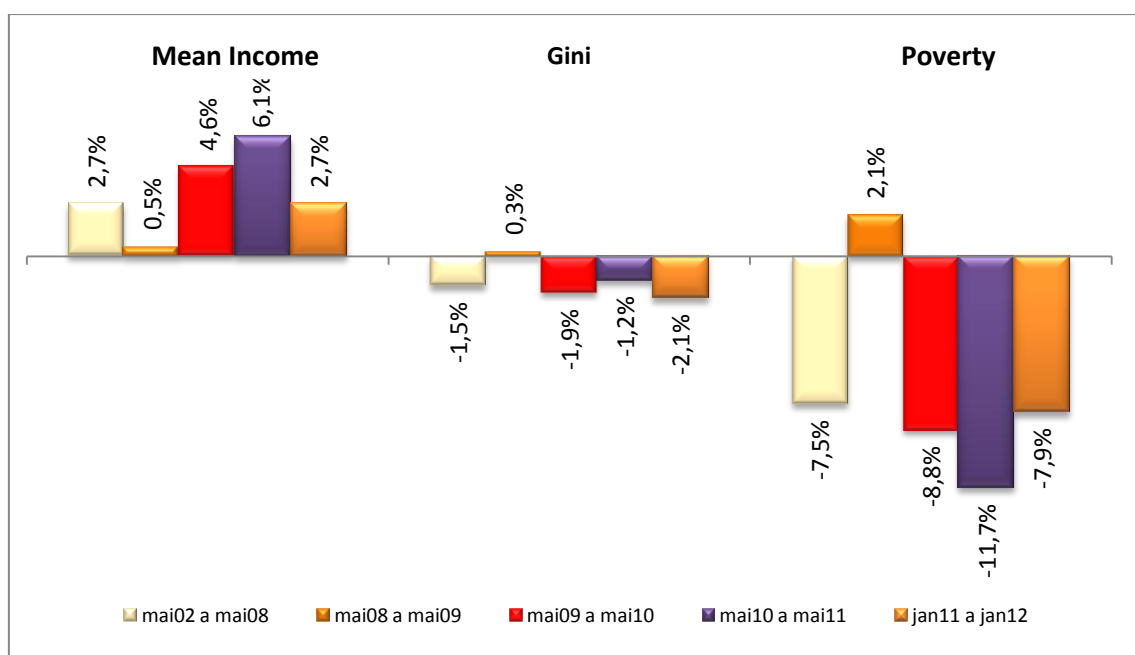
*“On the 12 months until January 2012, the Gini falls 2.1%, a rate almost two times faster than of the 2000’s , which was known as the decade of inequality fall.”*

We present here data of social indicators until January 2012. Despite of its limitations, all major inflections in Brazilian income distribution over the past 20 years ([www.fgv.br/cps/debatesocial](http://www.fgv.br/cps/debatesocial)) were anticipated by PME (Monthly Employment Survey), like those caused by the stabilization of the Real plan, the break in inertial inequality in the 2000s and the ascension of the new middle class. Or would you like instead to be stuck in September 2009, the date of the last PNAD (National Household Survey) available? At this point the direct effects of the financial earthquake of September 2008 were still being felt.

We firmly believe that only after January 1st, 2012, we would get to know better about the post-crisis social perspectives. The point was that the impact of the European crisis here would only be fully assessed after the end of the Gregorian calendar. The 1997 Asian and the 2008 Lehman Brothers crises, both occurred in September, only had repercussion on the series in January the following year (the 1998-2003 unemployment crisis and the undertow effect of 2008 crisis).

According to the POF microdata - the most complete in terms of coverage of income and spending concepts – the crisis reached Brazilian pockets and purses in the first week of 2009. Poverty rose 11% by the POF. Just like the weekly PME data already suggested the 2008 crisis was not a tsunami or a ripple, but an undertow as strong as fleeting.

January 2012 coincided with year I of Dilma’s government, and the previous 12-month variations of income based social indicators show that:



Source: CPS/FGV from the PME/IBGE microdata

i) a rise of 2.7% in mean family income per capita measured by PME, coinciding with the average growth rates observed between 2002 and 2008, referred to by many as the global golden age, and higher than the 0% in year I after the 2008 crisis. The 2.7% growth also coincides with the total 2011 GDP gross growth recently announced by the Brazil Central Bank and then by IBGE. That is, it is growing faster now than GDP in 2011 discounted by the rate of population growth.

ii) income inequality that only household surveys manage to capture continues dropping now at a rate of 2.13% per year, against the 1.11% in the period 2001-2009, known as the period in Brazilian inequality fall. Between 1970 and 2000 the Brazilian Gini was almost constant and it is now dropping uninterruptedly for 11 consecutive years, (see the next section).

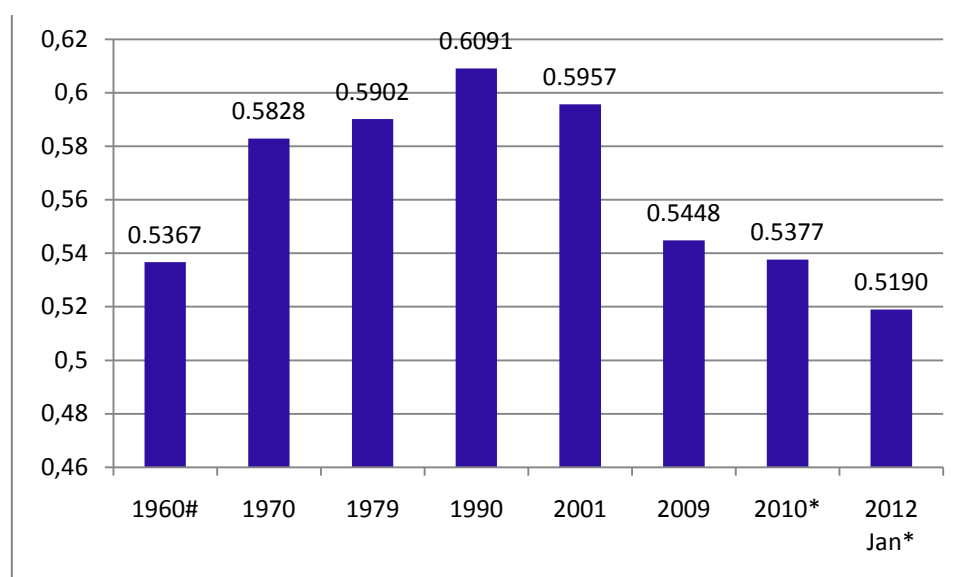
iii) as a consequence of the shifts in the mean and inequality of income, poverty continues its downward trend at a rate of 7.9% a year, more than the 7.5% per year of the aforementioned golden age. Poverty dropped in 2011 at a three times faster rate than the one required to meet the UN millennium goal to halve poverty in 25 years.

## The Minimum of Brazilian Inequality

*“The Brazilian Gini falls from 0.596 in 2001 to 0.519 in January 2012, around 3.3% below its lowest historic level in 1960.”*

As we have seen, extending the series using the time changes adjusted by the PME, inequality continues to fall. In 2010, it matches the 1960 level and goes to its 12th year of straight fall. In January 2012 the Gini reaches 0.519, falling in the last year at a rate almost two times faster than the first years of the last decade. The Brazilian Gini goes from 0.596 in 2001 to 0.519 in January 2012, a level 3.3% lower than its minimal historical record in 1960.

**Inequality Long-Term View (Gini)**



Source: CPS/FGV based on PNAD (september) microdata, PME and Census / IBGE e Langoni (1973)

obs: PNAD adjusted by # Census and \*PME.

The early years of the new millennium will be known in future Brazilian History books as the decade of inequality fall, in contrast to the reasons for the occupation of icons of American and European wealth, like Wall Street in New York and the City, in London.

# Back to the Future of the New Middle Class

## Class Definitions

We are interested in the EGR (Esteban, Gradin and Ray 2007) strategy because it generates endogenously the income brackets that divide different economic classes observed in practice. The chosen brackets are those that distinguish best the groups in order to minimize the possible internal differences of these groups and by the same token maximize differences between them. Our strategy was to generate initially relative measures using 2002-03 data and then maintain constant the initially arbitrated values in order to produce absolute class changes.

**POF adjustment** - The POF (Household Budget Survey) presents levels of inequality very similar than those observed in the PNAD (National Household Survey). Their Gini indexes are almost the same, 0.591 for the POF and 0.594 for the PNAD. On the other hand, the mean of the household incomes are distinct, resulting in a difference of more than 40%<sup>2</sup>.

The good news is that since the difference is restricted to means, our classes were defined by relative distribution, creating direct comparability of the population proportion in each class between the two surveys. It is only necessary to change the reference of values of the PNAD by the POF income mean adjustment factor, to reach the values in the following table that would be a more accurate assessment of each class.

## Classes and Total Household Income (calculated in per capita terms with regional price deflation)

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<sup>2</sup> In this exercise we used the PNAD 2002 with correction for the internal cost of living differences following the CPS methodology and imputation of not reported incomes (*missings*) using mincerians equations differentiated by year.

## Definition of Economic Classes

	Limits	
	Inferior	Superior
Class E	0	1085
Class D	1085	1734
Class C	1734	7475
Class B	7475	9745
Class A	9745	

\*Adjusted by POF

\*\*Updated to July 2011 Prices

Source: CPS/FGV

## 2014 Prospects

*“We use the 2003-09 period as a basis to draw the class scenario by 2014.”*

*“Poverty would fall 40% and the AB class would rise 40% until 2014.”*

We forecast for the 2010 to 2014 period extrapolating what the 2003 to 2009 series predicted, when occurred marked changes in the social welfare indicators based on income. These changes were a result of a rare combination of growth with sustained inequality reduction. Now, how reliable would be this future projection based on the past? An analysis by income sources shows growth rates in labor income in the 2003-2009 period almost as strong the other sources of income, suggesting some sustainability of past growth with redistribution, slowed down but was not reversed with the previous crisis.

We project the growth of mean and inequality from the 2003-2009 period until 2014. This scenario can be quantified. The premise is the per capita income growth for each state will be the same as the one observed between 2003 and 2009. Inside each state, we apply the corresponding per capita growth factor until 2014 in all PNAD individual observations. This allows us to estimate how many people are in each economic class at different moments in time.

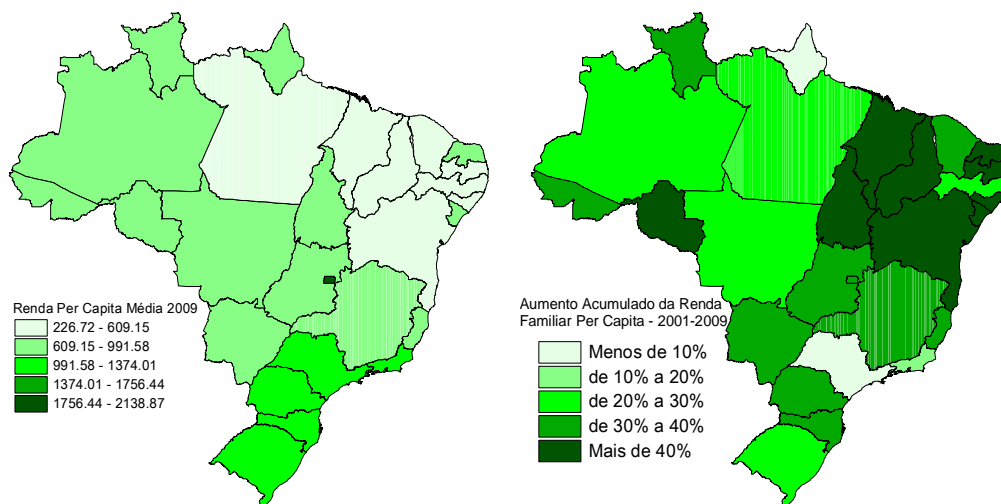
The last step was to adjust each growth factor applied to include inequalities in recent income expansion inside states. For each state, people were arranged by income and then divided by 50 brackets. The initial year of reference was 2003. It was observed how each bracket evolved until 2009. The relative income change rate observed between 2003 and 2009 was maintained for the forecast period.

Our projections take into account the advances in the inequality, that is, we projected differentially the growth observed by each income bracket, as well as the regional particularities (differentiated changes for each State of the Brazilian federation). The maps below illustrate the level of per capita household income from the last PNAD of 2009 and the accumulated growth since 2001, which coincides with the period of the fall in the Brazilian inequality. We can observe that the places with the biggest incomes today tended to present lower accumulated growth rates.

# Classes Scenarios until 2014

## Per Capita Familiar Income (R\$) by State of the Federation

### Income Levels in 2009      Income Variation 2001 a 2009

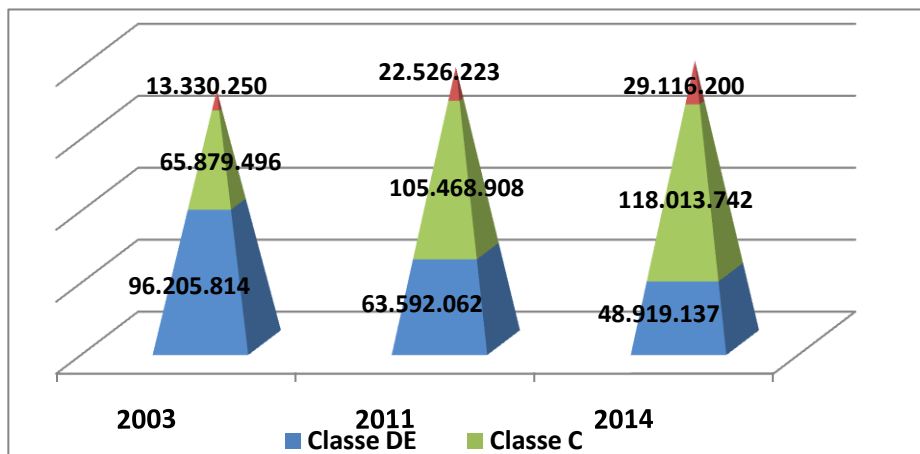


Fonte: CPS/FGV a partir dos microdados da PNAD/IBGE

**Forecasts** – The class pyramids, where the height refers to the size of the population, illustrate past and future aspects. If we continue the trend of upward mean growth and downward inequality observed in each Brazilian state since 2003, we will have around 118 million people in class C by 2014 and 29.1 million in classes AB against the 65.8 million and 13.3 million, respectively, of 2003. This means that in the period 2003-2014, 52.1 million people will join class C and another 15.7 million the AB classes. This totals 67.8 million, more than the UK population, new members to the upper classes. This fact is remarkable, considering the shrinking consumer markets in the developed countries as a result of the ongoing international crisis.



## The Population Pyramid and Economic Classes 2003, 2011 and 2014



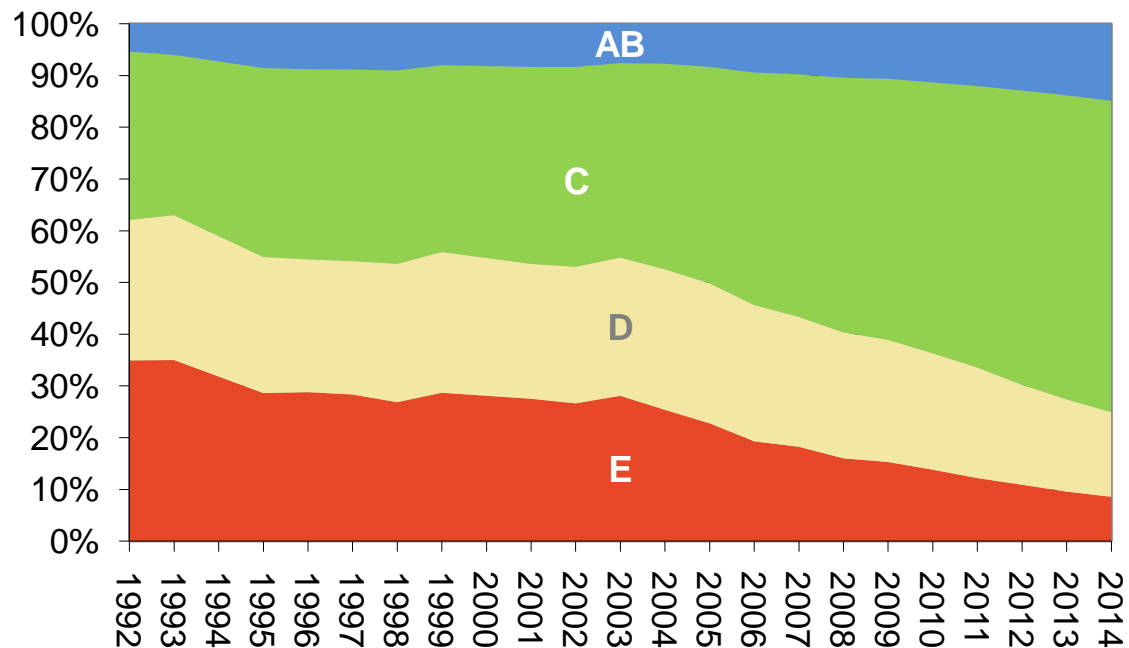
Source: Center of Social Policies – CPS/FGV based on PNAD/IBGE microdata

If we open up these changes by economic strata in time with regard to class C we see an addition of 40 million people between 2003 and 2011 and another 12.5 million between 2011 and 2014. In relation to classes AB we had an extra 9.2 million in population between 2003 and 2011 and will have additional 7.7 million between 2011 and 2014. The AB class population will grow proportionately more than class C: 29.3% and 11.9%, respectively.

Note that between 2003 and 2014, despite overall population growth, the absolute population of classes DE will decrease by 47.3 million, dropping to almost half of their joint initial size. Incidentally, Brazil in 2003 had around 50 million poor people (class E) and 96.2 million in the DE classes, which in 2014 would be 48.9 million.

In relative terms to the total population, the proportion of individuals in class C increases from 50.5% in 2009 to 60.19% in 2014. Initially, in a neutral scenario in distribution terms between the states, if the income per capita increases 4.7% a year in the next five years, the middle class will rise to 56.22%, an accumulated increase of 11%. This increase would be even higher if the income growth came hand in hand with the recent drop in inequality. In this case, the new middle class will reach 60.19%, a rise of 19.3%. The percentage evolution of classes is presented below.

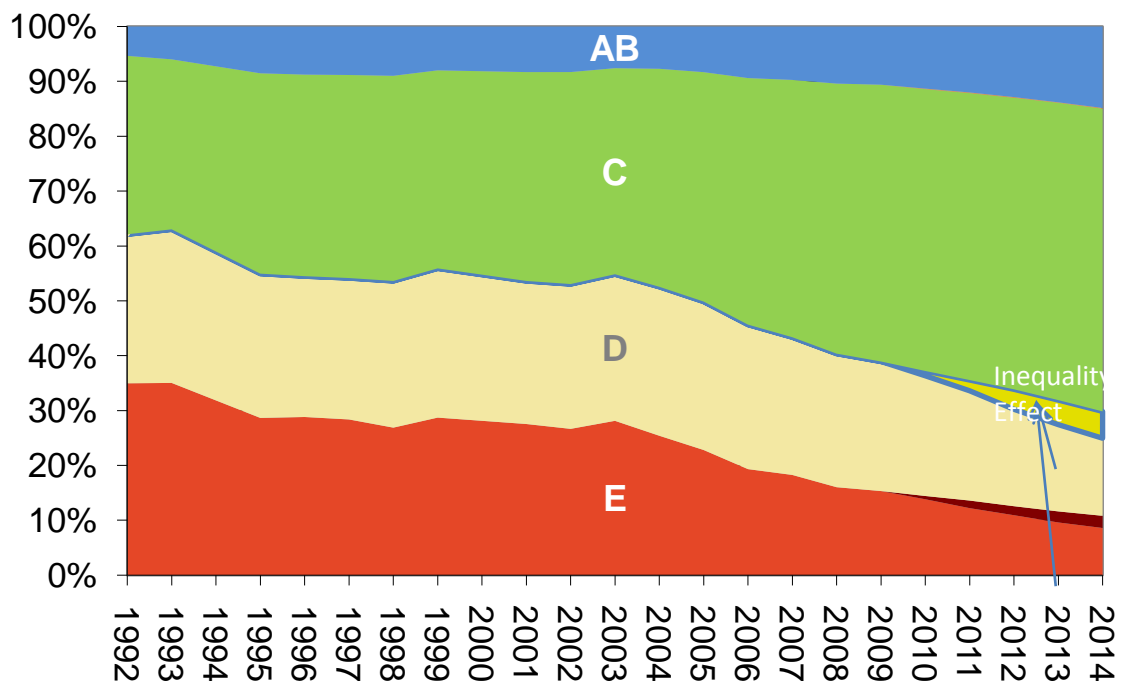
**Class Composition 1992 to 2014\***



\*class growth forecasted onwards 2010 to 2014 – with inequality reduction

Source: CPS/FGV from the PNAD/IBGE microdata

**Class Composition 1992 to 2014\*- Assessing the Inequality Effect**

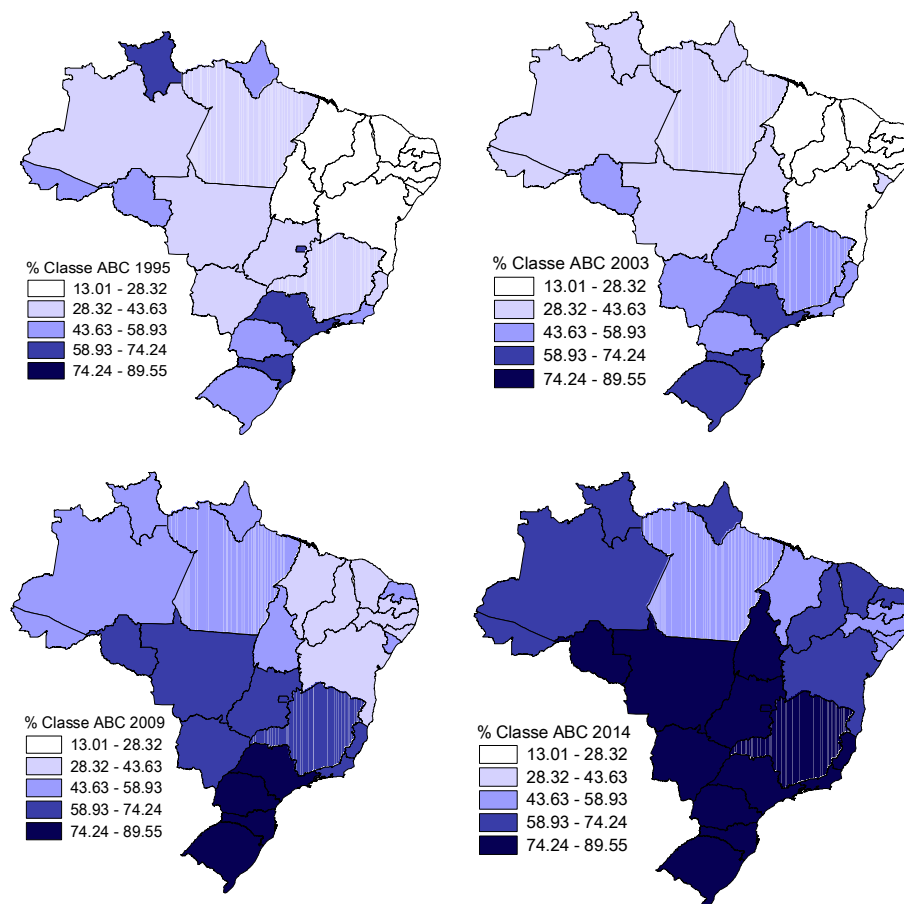


\*\* class growth forecasted onwards 2010 to 2014 – with and without inequality reduction

Source: CPS/FGV from the PNAD/IBGE microdata

In the first figure above we show the composition of the economic classes with forecast up to 2014, adjusted by the change in relative inequality for each Brazilian State. In the next figure we show these same forecasts accompanied by a darker area, indicating the specific effect of maintaining the level of inequality. In other words, it is a scenario of pure balanced growth. That is, income variation is uniform amongst all Brazilians, and in this way eliminates growth differences between and within states. The inequality effect is the result of the difference between the two scenarios and is relevant when determining classes C, D and E, but not AB. For example, the class E forecast for 2014 is 8.6% (the first graph above), being 10.8% if we do not consider the advances of inequality. This 2.2% difference can be seen in the red (darker) area in the second graph above.

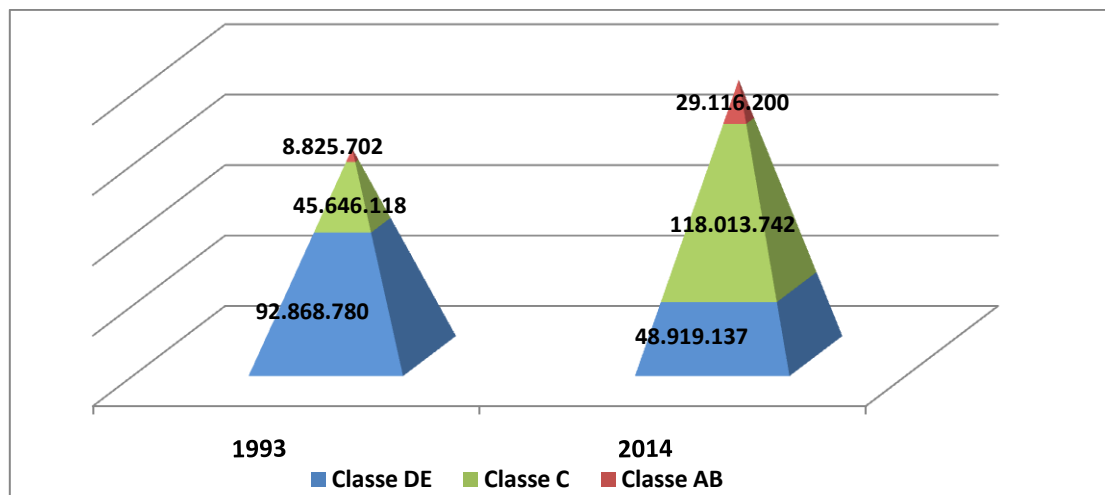
**Proportion of Population in Class ABC – 1995, 2003, 2009, 2014**



*Source: CPS/FGV based on PNAD/IBGE microdata*

Finally, we present a brief portrait of the absolute change in classes projected between 1993 and 2014, which in fact shows remarkable changes after the so-called Brazilian lost decade of the 1980s and early 1990s.

### **Population Pyramid and Economic Classes 2003, 2011 and 2014**



Source: CPS/FGV based on PNAD/IBGE microdata

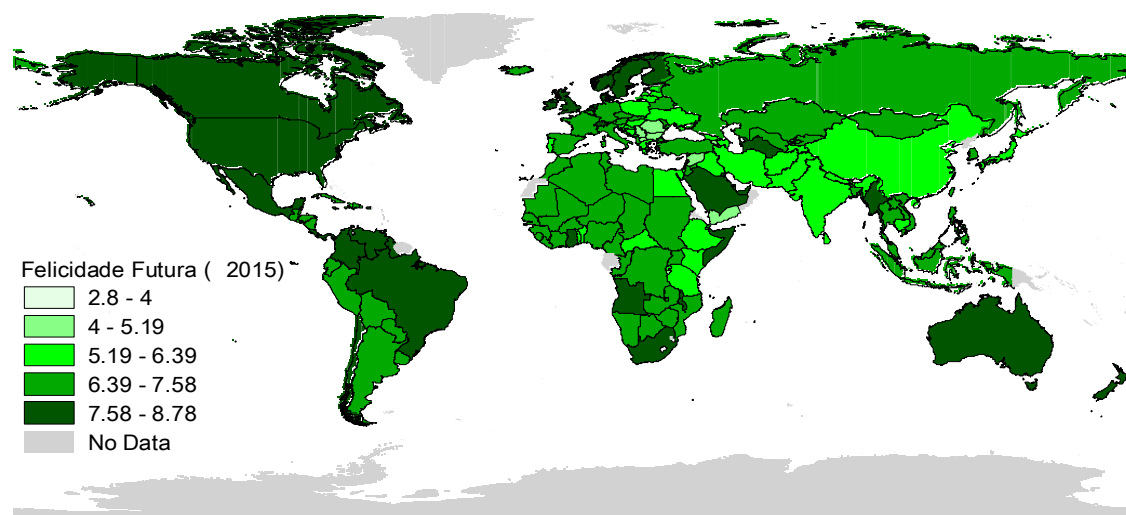
## Expectation of Life Satisfaction

### The Brazilian Dream

PNAD data allows us to see the performance of various aspects of Brazilian society over the years, and to analyze its distribution between different groups defined by income, socio-demographic or spatial characteristics. However, the PNAD does not give the idea of the Brazilian differences compared to other countries. Furthermore, the PNAD is a survey that provides measures of objective variables, such as informed by people. If we really want to know the particular Brazilian traits compared to other nations, we have to look at international data. Subjective measures of living conditions, such as those explored in the emerging literature on happiness, do not yet belong to the IBGE (Brazilian Institute of Geography and Statistics) tradition.

Brazil is four-time world champion of future happiness. On a scale from 0 to 10, the Brazilian gives an average rating of 8.60 for his expectation of life satisfaction in 2015, overcoming all other 155 countries in the sample. The world average is 6.7.

### Future Happiness (Life Satisfaction in Five Years) - 2015



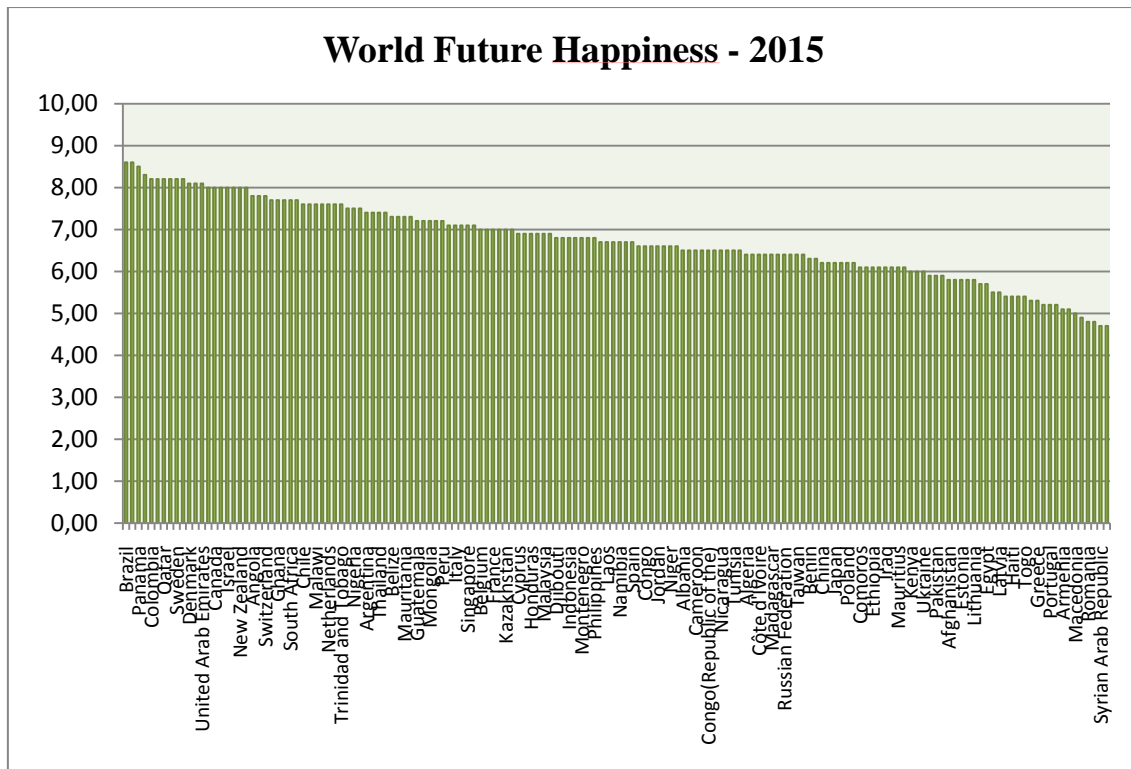
*Source: Social Policies Center – CPS/FGV from the Gallup World Poll*

Other BRICS countries in the ranking of future happiness in 2015 are South Africa with 7.7 (27<sup>th</sup> placed); Russia with 6.4 (105<sup>th</sup> place); China with 6.2 (111<sup>th</sup> place) and India with 6.1 (119<sup>th</sup> place). The table below shows the world's happiness ranking, with countries organized in groups of five, in addition to the emerging BRICS and so-called problematic PIIGS countries (Portugal, Ireland, Italy, Greece and Spain). Symbolically, Syria now has the lowest future happiness in the world.

#### **Future Felicity Index (FFI) World Rank – 2015 (BRICS, PIIGS & BIGs)**

	<b>FFI</b>	<b>Rank</b>		<b>FFI</b>	<b>Rank</b>
Brazil	8.6	1	Mali	6.6	86
Costa Rica	8.2	6	Congo	6.5	91
Denmark	8.1	11	Turkey	6.5	96
Ireland	8.0	16	Morocco	6.4	101
Switzerland	7.8	21	Russian Federation	6.4	105
United Kingdom	7.7	26	Senegal	6.4	106
South Africa	7.7	27	China	6.2	111
Netherlands	7.6	31	Slovenia	6.2	116
Austria	7.5	36	India	6.1	119
Argentina	7.4	41	Iraq	6.1	121
Uruguay	7.3	46	Sri Lanka	6.0	126
Peru	7.2	51	Estonia	5.8	131
Italy	7.1	56	Egypt	5.7	136
France	7.0	61	Haiti	5.4	141
Germany	7.0	62	Greece	5.3	145
Honduras	6.9	66	Portugal	5.2	146
Indonesia	6.8	71	Macedonia	5.0	151
Bangladesh	6.7	76	Syrian Arab Republic	4.7	156
Spain	6.7	81			

*Source: Center for Social Policies – CPS/FGV from Gallup World Poll*



Source: Center for Social Policies – CPS/FGV from Gallup World Poll

## **The Collective of Brazilian**

The same Gallup data suggest that each Brazilian's life is better than that of the Brazilian collective (i.e., Brazil). This is the impression taken from reading Gallup World Poll data. In the subjective question on each person's expectation of life satisfaction in five years' time, we are four-times world champions. On the other hand, in the question on the country's ranking for the same period and same scale, the rating drops two points. We are the ninth country in the world with the biggest difference of individual and collective ratings. The nation's general happiness is less than the sum of each person's happiness.

How can each Brazilian give such a high rating for his or her life and give such a low rating for the lives of all? That's the question. We believe that the optimism and the difficulty of living in a group make Brazilians in terms of La Fontaine fable more grasshopper than ants. The good news is that as we work on our collective problems subject to externalities and coordination problems, Brazilian society will be able to leap ahead. By collective problems we refer concretely to the lack of democracy, inflation, inequality, informality, lack of basic sanitation and violence. As long as Brazil addresses these earlier legacies, Brazil will no longer be the country of the past that considers itself country of the future, and it will be able to become the country of the present.

### **Women's Future Happiness**

**Who is happier – males or females?** The world's women report greater happiness in the future than men (6.77 for females against 6.69 for males), present (5.35 against 5.31) and past (4.94 against 4.92).

**Are single women happier than married ones?** The data show that single women present an average future happiness of 7.28 compared to the 6.68 of married women. On the other hand, separated women show lower levels of happiness (separated 6.57 and divorced 6.46). In the case of widows the averages are even lower, at 5.6. Women with children under 15 years old report an expected life satisfaction of 7.02, higher than those who are without (6.73). Before risking some causal relation it is necessary to take into account the differences in age between marital status and on those who have younger children.

**What is the age of happiness?** The greatest future happiness is reported amongst 21-years old women (7.51), present happiness amongst 65-years old and the highest past happiness

amongst 81-years old (6.27). These data corroborate the idea that future happiness drops with age. The youngest are most positive considering their respective future.

**What is the geography of women's future happiness?** From a geographic perspective, greater future happiness is found amongst women living in larger (6.74) than smaller towns (6.31) or rural areas (5.88). With regard to countries, the map below shows future happiness by gender and the differential between them, and in the sequence we present the same countries listed in the previous section that consider the extremes of the happiness ranking and a sample of every five countries, in addition to countries in groups of the emerging BRICS and those in dire straits (PIIGS).

		Females		Males		Difference	
		IFF	Rank	IFF	Rank	IFF	Rank
I F F  2 0 1 1  W o m e n  X  M e n	Mexico	6.74	-	6.40	-	0.34	-
	Antarctica	7.03	-	7.1	-	-0.07	-
	Israel	6.68	1	6.84	1	-0.16	0
	Algeria	6.61	2	6.83	2	-0.22	1
	Iran	6.62	3	6.88	3	-0.26	-1
	Switzerland	7.04	18	7.47	16	-0.43	-4
	United Kingdom	7.20	22	7.48	28	-0.28	-1
	Argentina	7.23	28	7.8	20	-0.57	-4
	Senegal	7.78	36	7.84	17	-0.06	7
	Sweden	7.74	38	7.48	28	0.26	0
	Japan	7.78	34	7.73	21	0.05	8
	Netherlands	7.47	20	7.46	26	0.02	-8
	Qatar	7.83	48	6.73	40	0.42	-24
	Spain	7.28	48	7.48	28	-0.28	0
	Italy	7.28	46	6.96	36	0.32	-10
	Marshall	7.27	44	6.98	38	0.29	-7
	Samoa	7.23	47	7.03	40	0.2	-8
	Indonesia	7.27	82	7.28	48	-0.02	1
	Mal	7.28	82	7.46	21	-0.18	21
	Uruguay	7.23	88	7.08	48	0.06	8
	South Africa	6.87	42	6.8	48	0.07	-2
	Ghana	6.82	42	6.2	92	0.62	-80
	India	6.74	46	6.87	37	-0.13	7
	Germany	6.67	72	6.93	34	-0.26	18
	Peru	6.62	78	6.68	72	-0.06	1
	China	6.62	74	6.46	88	0.17	-9
	Indonesia	6.87	70	6.28	92	0.59	-12
	Uruguay	6.82	80	6.82	37	0.02	1
	Norway	6.24	92	6.46	122	-0.22	-80
	Switzerland	6.24	96	6.28	100	-0.04	-18
	Sweden	6.87	88	6.47	88	-0.2	8
	Sweden	6.2	102	6.8	88	-0.2	18
	Algeria	6.20	104	6.47	86	-0.27	20
	Peru	6.48	118	6.03	102	-0.55	21
	Madagascar	6.48	128	6.8	122	-0.02	1
	Italy	6.46	124	6.4	126	0.06	0
	Israel	6.01	180	6.28	127	-0.27	8
	Indonesia	6.06	182	6.08	182	0.02	0

Source: Center for Social Policies – CPS/FGV from Gallup World Poll microdata

Source: Center of Social Policies – CPS/FGV based on Gallup World Poll

**Who are happier in Brazil: males or females?** In Brazil women are happier than men in the aspects of future happiness (8.98 against the 8.56 of men) and present happiness (6.73 against 6.54), but not past happiness (5.43 against 5.86). This suggests an inversion of



relative positions as we move forward in time. Brazilian men and women show the highest ratings of future happiness in their categories compared to all other countries in the survey.

**Simulator** – We estimate a multinomial logistic model organized to capture the differences between countries, and another one to capture how the difference between men and women changes from country to country. This model will be translated in the form of a simulator<sup>3</sup> that allows friendly interactions with the model.

The controlled results suggest that:

- i) Women show higher levels of future and present happiness than men in the world, but the differences in favor of men in relation to past happiness are not statistically significant.
- ii) No country shows, with or without controls, higher levels of future happiness than Brazil.
- iii) No country in the world shows differences of future happiness between females and males more favorable to the former than those observed in Brazil. The coefficients of the only countries showing higher values than Brazil – Greece, Puerto Rico and Turkey – are not statistically different from zero.
- iv) The high differentials by gender to a certain extent are surprising since inequality of future happiness is relatively low in Brazil. It is the sixth lowest in the world, only behind Denmark, Laos, Ireland, Canada and Belgium, and third with less inequality amongst women.

In short, Brazil was not only world champion of future happiness in the women's and men's leagues but also in the gender differences with women on top.

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<sup>3</sup> Simulator <http://www.fgv.br/cps/bd/ncm2014/IndiceFelicidade/index.htm>

## Research Website

The website <http://www.fgv.br/cps/ncm2014/eng/> provides the study in full, including interactive databases, such as a world happiness simulator. It analyzes the Brazilian's happiness index (from past to future), pointing out differences and similarities with groups of emerging countries and elsewhere in the world in 2011. It also presents a set of information on Brazilians' income today and in the future, with scenarios projected to 2014, slides, videos, media repercussions, etc.



## Other Happiness Aspects

Brazilians have the highest expectation of future happiness, ahead even of Denmark, world leader of present happiness, but 11<sup>th</sup> ranking in future happiness. Denmark ranked third regarding 2011. Bringing up the rear are Syria – which is undergoing a turbulent political situation- and Burundi, the poorest country on the African continent. Zimbabwe in Africa was in last place regarding 2011.

In Brazil, the expectation for the future was already particularly high – on the 0-10 scale, our average rating is 8.78, higher than any of the other 132 countries so far surveyed. Another FGV study addressed a subjective middle class measure. Middle class, like youth, would be a state of mind that life will be better in the future. So that's it, among other forward-looking measures.

The Future Felicity Index with its abbreviation FFI recalls the fast-forward keys advancing beyond the video and sound systems, which are a universal language. In practice, the paradox of the high FFI of the Brazilian youth would be a large IF.

We ask ourselves why our population in general and our young people in particular would be optimistic. Most answers to these questions are addressed in the national parts of the book under reference.

The following data compare the prospects for the future before and after the international crisis, emphasizing the main emerging countries (BRICS and Turkey) and the European countries in dire straits (PIIGS). The above points of the bisector suggest that the post-crisis perspective (2010 in relation to 2015) is greater than before (2010 in relation to 2015) and vice-versa. If the bisector and the straight line of regression were overlapped, it would show that there was no great change in personal positivity regarding the future. The PIIGS countries are, in general, slightly higher, showing improved expectations, particularly Portugal and Italy, which were very much affected by the 2008 financial crisis. In the case of the BRICS countries, South Africa took a formidable leap and China and India had a slight increase in their low expectations, with Brazil's deterioration, but still with the highest future expectations.

**Present Happiness** - In 2006, Brazil was number 22 in the world ranking of present happiness, above its position in the income ranking, number 52 of the 132 countries. In other words, we had more present happiness than money in our pockets would suggest. From 2006 to 2009 the country's relative position climbed from 22<sup>nd</sup> amongst 132 countries to 17<sup>th</sup> place amongst 146 countries and now we return to 22<sup>nd</sup> place but amongst 152 countries. In 2011 we were one of the 16.7% happiest countries, 11.8% in 2009 at the peak of the crisis, and in 2010 returned to the 14.5% range.

### **Comparisons of Life Satisfaction in Five Years' Time (2011 and 2015)**

**Young Country** – Youth is a state of mind, not determined by age itself but by the attitude of the person facing the future. The young believe that the best of life is still to come. Our initial survey conceived and calculated this subjective measure of youth in a project for IDB based on a 0-10 rating reported directly by each of the 150,000 or so interviewees in the Gallup World Poll, in an initial sample of 132 countries. We show the prospective life satisfaction of a citizen of the world; the prospect of future happiness in relation to 2011, where we now are, decreases from the 7.41 for a 15-year old individual to 5.45 for the over

80s, when present and future happiness are the same. In the debutante age, the future average is 3.3 points higher than the average of present happiness.

In Brazil, expectation for the future was particularly high – on the scale of 0 to 10 our average rating was 8.78, more than any other of the 132 countries in the sample. In other words, we are world champions of future happiness, or young attitude. This interpretation helps reconcile two qualifications repeatedly attributed to Brazil: "the country of the future" for some and "a young country" for others. Brazil is a country inhabited by the young in spirit rather than a country of young people in its demographic composition. Average future happiness of the Brazilians in the 15-29 age group is 9.29, also higher than any other country in the research.

## **Brazil X BRICS**

The so-called new middle class has been in the focus of attention of private enterprises, policy-makers, politicians and everyone both in Brazil and elsewhere. In a time of global stagnation, observed after the 2008 international crisis, the social and economic upward mobility of dozens of millions of people has contributed to maintain the global economy spinning. BRICS countries, in particular, which are home to over half the poor in the world today, will multiply their relationship with income generated in G7 countries by a factor of 7 before 2050. In the center of this massive transformation of current poverty into future wealth is the BRICS new middle class, maybe the most palpable human face of this revolution. This research discusses global aspects of economic rise in Brazil.

It provides a **global** overview, reviewing the differences and similarities between emerging groups in emerging countries. Close attention is paid to the BRICS, contrasting several elements, such as: How far is macroeconomic growth reflected in the income earned by the common citizen? Who has advanced the most: those in the base, in the middle or in the top of the income distribution pyramid? How sustainable are these transformations? Beyond objective improvements, what are expectations and attitudes that concern the future? According to some, the new middle class would be formed by the protagonists of concrete social climbing plans, those who want to make their dreams come true. After the global crisis, what does the population in each country expect, regarding their own satisfaction with life in the future? In short, what is the perceived quality in the growth of nations?

We review the differences and similarities between emerging groups in emerging countries. Our work highlights the BRICS, contrasting several elements, such as:

***How far is macroeconomic growth reflected in mean incomes earned by the common citizen?*** Household surveys show that Brazil has grown 11.3 percentage points above GDP accumulated between 2003 and 2009, while in the other BRICS the opposite occurs. The current news is that this difference is increasing. Even in the case of the high GDP in 2010, which grew at the per capita rate of 6.5% against 9.6% of PME-measured income, the GDP slowdown in early 2011 is not yet reflected on the metropolitan labor market in 2011, where labor household per capita income grows 6.1%, once again above GDP trends.

***Who has advanced the most in each country: those at the base or at top of the income distribution pyramid?*** Beyond means, these surveys enable us to see that inequality is falling in Brazil and increasing elsewhere. In Brazil, the fall in inequality is entering its 11<sup>th</sup> consecutive year. The growth in the top 20% income bracket in Brazil in the last decade was lower than in all the remaining BRICS. The opposite is noticed in the bottom 20% bracket.

***Beyond objective improvements, what are the attitudes and perceptions concerning the present and future?*** According to the Gallup World Poll, the average degree of satisfaction with life in Brazil, in 2009, was 7 on a 0—10 scale. We outperformed the others: South Africa (5.2), Russia (5.2), China (4.5) and India (4.5). Even more, Brazil is the only member of the BRICS that has improved in the world happiness ranking, from 22<sup>nd</sup> in 2006 to 17<sup>th</sup> in 2009, among 146 countries.

Brazil holds the world record for future happiness. In a scale from 0 to 10, Brazilians grade their expectation of satisfaction with life at 8.60 in 2015, which surpasses all the remaining countries in the survey, whose median is 5.6. This interpretation allows a better understanding of the expression “Brazil: the country of the future”, created 70 years ago by Stefan Zweig. This dream represents the spirit of the new Brazilian middle class.

## **Conclusions:**

The aim of the present study is to project the performance of economic classes (A, B, C, D and E) until 2014, outline the expected life satisfaction in Brazil versus other countries until 2015 and capture the performance of the Brazilian income distribution after the European crisis to January 2012. The main conclusions are listed below:

### **Chronicle of the Crisis (to January 2012)**

- The European crisis has not reached Brazilian pockets. Average family income per capita increased 2.7%, coinciding with the growth between 2002 and 2008 and higher than the 0% in 2009 resulting from the crisis of 2008 and the -4.57% of the Asian crisis.
- In 12 months ending in January 2012, poverty dropped 7.9%, a three times faster rate than the UN millennium goal.
- In the 12 months to January 2012 the Gini fell 2.1%, a rate almost twice as fast as the early years of the past decade, which became known as that of the drop in inequality.
- Brazil's Gini fell from 0.596 in 2001 to 0.519 in January 2012, around 3.3% below its 1960 historic bottom line.

### **Class Scenarios (2014)**

- We used the 2003-09 period as basis for outlining the 2010-2014 scenario.
- With the predicted eight million increase in the population since 2009, around 12 million people would leave poverty (class E).
- The union of the ABC classes would be increased by 32.2 million Brazilians joining the consumer markets.
- The new middle class will reach the 60.19% mark, an increase of 19.3%.
- Poverty will drop 40% and the AB class will rise 40% by 2014.
- We will be discussing the new A class as we are doing today in relation to the new C class.

### **Future Happiness (2015)**

- We are four-times world champions of future happiness. In the last rating for 2015, the Brazilian average was 8.6 against the 6.7 world average.
- Other BRICS countries in the future happiness ranking are: South Africa with 7.7 (27<sup>th</sup> placed); Russia with 6.4 (in 105<sup>th</sup> place); China with 6.2 (in 111<sup>th</sup> place) and India 6.1 (119<sup>th</sup> placed).
- This helps reconcile two qualifications attributed to Brazil: country of the future and young country.
- The “Brasileiro, Profissão Esperança” (Brazilian, Profession Hope) is the state of mind of our new middle class.

### **Brazil X BRICS: Well Being Comparisons**

Following recent Stiglitz-Sen Report **Recomendations**

- Household Flows (not only GDP) ; Household Income Grows less than GDP in all BRICS except Brazil, where there is a 1.8 percentage points difference favoring the former;
- Stocks of Wealth: in particular the Environment China and India Models are less Sustainable but the low rates of savings inhibits capital accumulation and growth in Brazil;
- Distribution of Resources; Inequality is Falling in Brazil and Rising in All Other BRICS (from a lower Level except for South Africa);
- Subjective Measures of Well-being (Current Happiness is also Higher in Brazil)
- Brazil performs better in Well Being Growth Rates than in purely macroeconomic aspects (GDP growth).

# Main Text

## Introduction

### Back to the New Middle Class

*“More than the gold, forest and wood that gave color and name to our nation,  
the greatest wealth is their reflection in Brazilian eyes”*

Twenty-five years ago, my group and I started to study Brazilian income distribution. At some point we extended the analysis of absolute poverty to other segments of the population, particularly following the performance of different economic classes (A1 to E2). I have just published a book through Editora Saraiva summarizing studies on this topic. The book's contents extend from now to 2012, including the effects of the worsening European crisis.

Sociologists can relax, since we are not talking about social classes (bourgeois, working class, rentier, capitalist, and so on) but about economic strata. That is, money in the wallet which, according to economists, is the most sensitive part of the human anatomy.

New middle class was the nickname we gave to the C class years ago. Calling someone a C class person sounds derogatory, worse than A or B class, for example. A new middle class is different in spirit from the “nouveau riche”, which discriminates people's origin. It gives a positive and prospective meaning to someone whose dream of going up in life came true and will continue to come true. More important than where you come from or where you are is where you will go to. A new middle class is not defined by people's material possession but by the dialectics between their state of being and act of being (*ser e estar*).

The option followed was to nest our methodology in the classic literature on social welfare based on family income per capita. Between 2003 and 2011 around 40 million people, the size of Argentina, joined the middle class in Brazil. Rio Grande do Sul State contains 30 of the 50 counties with its highest relative participation. Niterói (in Rio de Janeiro State) is the most A class city. We predict another 32 million will join the ABC classes in six years' time. The new AB class, namely people who ascended to the elite, will attract attention in the next few years similar to that given to the new middle class in the past few years.

In addition to income, we included other dimensions such as sustainability and people's perceptions. The first case addresses concrete relations between income flows and asset stocks opened on two major fronts: those of the producer and consumer.



The producer's side is based on labor economics, namely employment, but also entrepreneurship. The other side is based on the consumer versus savings literature, which is just as low in Brazil as our savings rates.

We created synthetic indicators of these two dimensions, and to my surprise and perhaps yours, the producer's side progressed 38% faster than that of the consumer. The new middle class builds its future on solid foundations that withstand the newly acquired living standards. This is what we call the bright side of the poor.

The new Brazilian middle class is driven by production considerations rather than by visiting consumer temples. The workbook ("carteira de trabalho") is their key symbol. Families with fewer children, investing more in their education. The new middle class originates from recovery of Brazilian historical social delays (catching up). It is born from the return to growth with decreasing inequality that, as we have shown here, continues its downward trend, quite unlike the other BRICS countries.

In this study we worked with two sustainability-related dimensions. The first refers to the forecasts of economic class structures for 2014. The second is a current analysis of the impacts of the European crisis since August 2011 on Brazilians' wallets. In this exercise we validate some of the period where scenarios were built.

Lastly, money may or may not bring happiness. We combine people's expectations of future life satisfaction as developed in literature on happiness, which just recently attracted attention and perhaps some respect from the economists. We saw on four different occasions that amongst more than 130 countries, the Brazilian people are the most optimistic in relation to their life five years from now.

The "Brasileiro, Profissão Esperança" (Brazilian, profession hope) that life will get better helped me to understand what the large databases and my field visits showed regarding the new emerging classes. More than gold, forest and wood that gave color and name to our nation, the greatest wealth is the sparkle reflected in Brazilian eyes<sup>4</sup>.

**Marcelo Neri**  
**FGV Foundation Center of Social Policies**

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<sup>4</sup> In relation to the colors of the Brazilian flag this is the interpretation of playful meanings. Historically, the colors refer to the combination of green of Don Pedro I's Royal House of Braganza with the golden color of Princess Leopoldina's Royal House of Habsburg.

## After Another Crisis (The W of the Question)

*“In the 12 months period until January 2012 the Gini dropped 2.1% - almost twice as fast as in the first few years of the last decade that became known by*

*the drop in inequality.”*

*“Brazil, like Ayrton Senna, the former F1 driver, performs well under rain and thunder conditions of a crisis”*

Only after January 1<sup>st</sup>, 2012, we get to know about the social perspectives of 2012. The point was that the impact of the European crisis here would only be felt on the day after the end of the Gregorian calendar. The 1997 Asian and the 2008 Lehman Brothers crises, both in September, only had repercussion on the series in January on the following year (the 1998-2003 unemployment crisis and the undertow effect of the 2008 crisis).

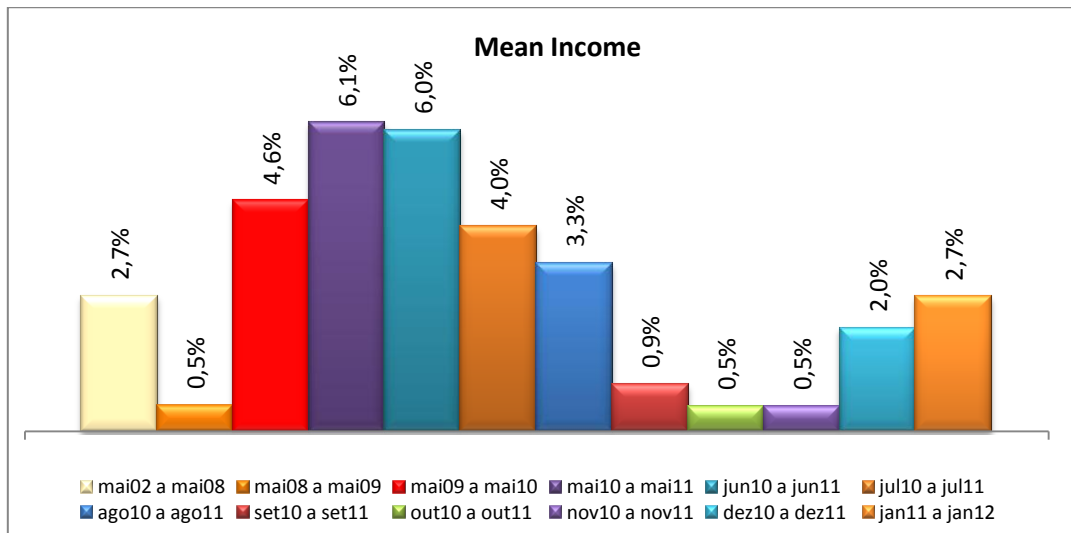
According to the POF microdata - the most complete in terms of coverage of income and spending concepts – the 2008 crisis reached Brazilian wallets in the first week of 2009. Poverty rose 11% by the POF. Just like the weekly SME data, they already suggested the 2008 crisis as not so much a tsunami or little wave but an undertow as strong as fleeting.

Back in the begin of 2009, we released a research with data until December 2008 without observing any significant impact in the first three and a half months after the crisis. Inequality and poverty maintained a downward bias until the first week of 2009. The turnover was such that soon after we were compelled to release the sequel chapter of what became a series: “Chronicle of a Crisis Foretold”. In this series, we traced the chronology of the social series movements after crisis (A.C.).

Despite PME limitations, all major inflections in income distribution over the past 20 years were anticipated by it ([www.fgv.br/cps/debatesocial](http://www.fgv.br/cps/debatesocial)), like those caused by the stabilization of the Real plan, the break in inertial inequality in the 2000s and the ascension of the new middle class. Or would you like instead to be stuck in September 2009, date of the last PNAD (National Household Sample Survey), when the effects of the financial earthquake of September 2008 were still being felt?

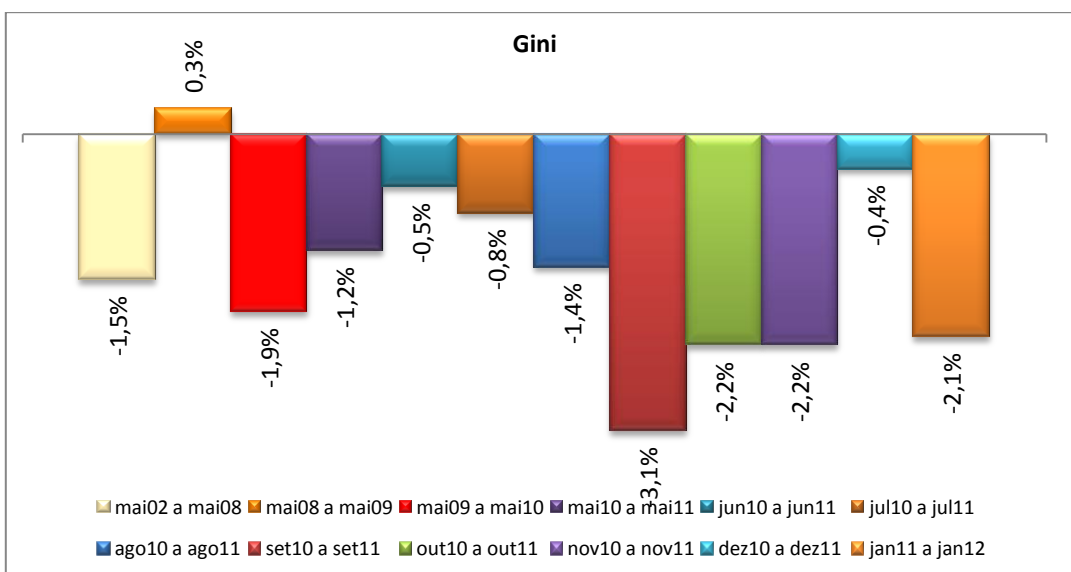
In order not to drown in the fluctuation of the numbers, we hope to turn the tide in January to assess the effect of instability in Europe intensified in August 2011. January 2012 coincides with the benchmark of Year I After Dilma (A.D.). The 12 months variations of income based social indicators show:

i) a rise of 2.7% in mean family income per capita, coinciding with the growth observed between 2002 and 2008, referred to by many as the global golden age. This growth rate is higher than the 0% in year I after the 2008 crisis. The 2.7% growth also coincides with the total 2011 GDP growth recently announced by the Central Bank of Brazil. The difference is the population growth of a little under 1%, continuing the trend observed since the end of the 2003 recession in the income of the household surveys that rose more than the GDP.



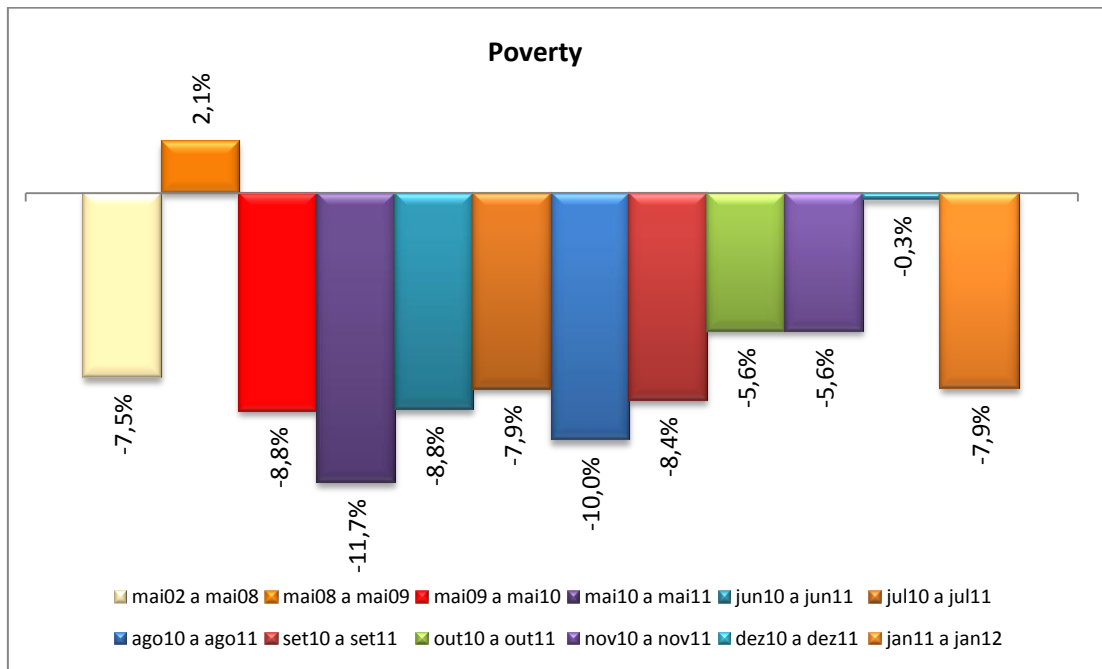
Source: CPS/FGV based on PME/IBGE microdata

ii) income inequality that only household surveys manage to capture continues dropping now at a rate 2.13% per year, against the 1.11% in the period 2001-2009, known as that of a fall in Brazilian inequality. Between 1970 and 2000 the Brazilian Gini was almost constant and it is now falling for 11 consecutive years. See the next section.



Source: CPS/FGV based on PME/IBGE microdata

iii) as a consequence of the shifts in the average and inequality, poverty continues its downward trend at a rate of 7.9% a year, more than the 7.5% p.a. of the aforementioned golden age. Poverty dropped in 2011 at a three times faster rate than required to meet the UN millennium development goal to halve poverty in 25 years.



Source: CPS/FGV based on PME/IBGE microdata

When looking at 2011 we must not forget that the *Pibão* (big GDP growth) and the unprecedented 16.3% drop in poverty in 2010 were because of the resumed crisis and election policy cycle that inflate the basis of comparison with the year before.

The Brazilian economy was overheated in early 2011 as in 2008. The crisis, as an unexpected summer rain, cooled the foretold inflationary spiral of demand. The difference is that, this time, the Central Bank realized immediately that it had to lower interest rates. In times of demand crisis, we are, or should be, all or almost all, Keynesians. Brazil is far from the liquidity trap, all instruments are in place to fine tune the management of the economy.

The ex-post results suggest that Brazil, like Ayrton Senna, the former F1 driver, performs well under rain and thunder conditions of a crisis.

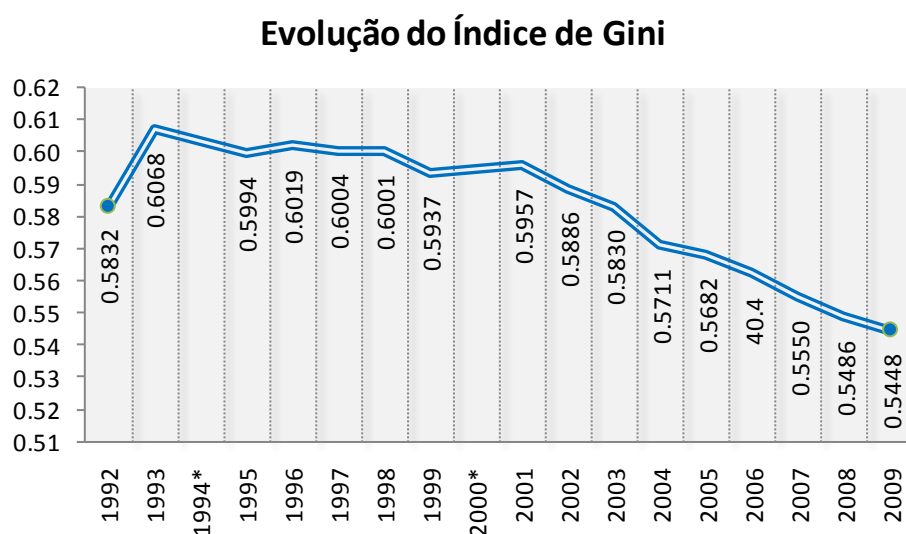
## The Minimum of Brazilian Inequality

*“The Brazilian Gini falls from 0.596 in 2001 to 0.519 in January 2012, around 3.3% below its lowest historic level in 1960.”*

We describe here the evolution of social indicators based on income such as inequality and well-being, analyzing their close determinants and some of their consequences. In other words, we described various aspects of the Brazilian income that would be a very sensitive aspect, according to economists.

### Inequality

Generally, the 2000s decade so far seen as a whole, stands out less for the overall income growth for all segments of the population than for the reduction in inequality, as the graph below illustrates:

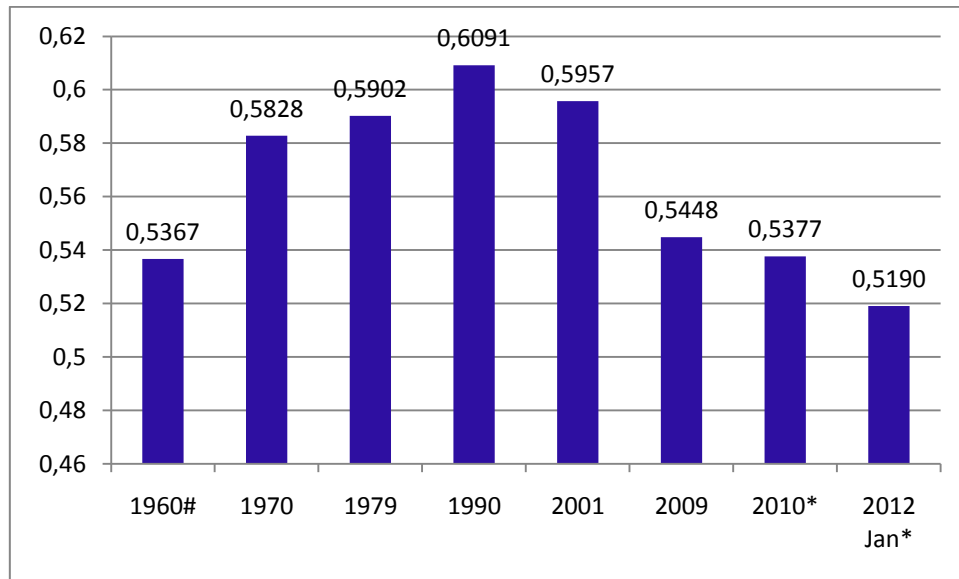


Source: CPS/FGV based on PNAD/IBGE microdata

Inequality measured by the Gini index drops -0,70% in 2009, falling below presented between 2007 and 2008, with 1.15% (an amount above four of the five years in the decade of inequality reduction). The annual overview of the reduction of inequality since the beginning of the decade was: -1.2% in 2002; -1% in 2003; -1.9% in 2004; -0.6% in 2005; -1.06% in 2006; - in 2007 and -1.15% in 2008. The decrease is substantial – never in the Brazilian registered statistical history has inequality fallen as much.

Extending the series using the variations adjusted by the PME, the inequality continues to fall. In 2010, it matches the 1960 level and goes to its 12<sup>th</sup> year of straight fall. In January 2012 the Gini reaches 0.519, falling in the last year at a rate almost two times faster than the first years of the last decade. The Brazilian Gini goes from 0.596 in 2001 to 0.519 in January 2012, almost 3,3% lower than its lowest historical level.

**Inequality Long Term View (Gini)**



Source: CPS/FGV based on PNAD (September) microdata, PME and Census / IBGE e Langoni (1973)

obs: PNAD adjusted by # Census e \*PME.

The early years of the new millennium will be known in future Brazilian History books as of reduction in inequality, in contrast to the reasons for the occupation of icons of American and European wealth, like Wall Street in New York and the City, in London.

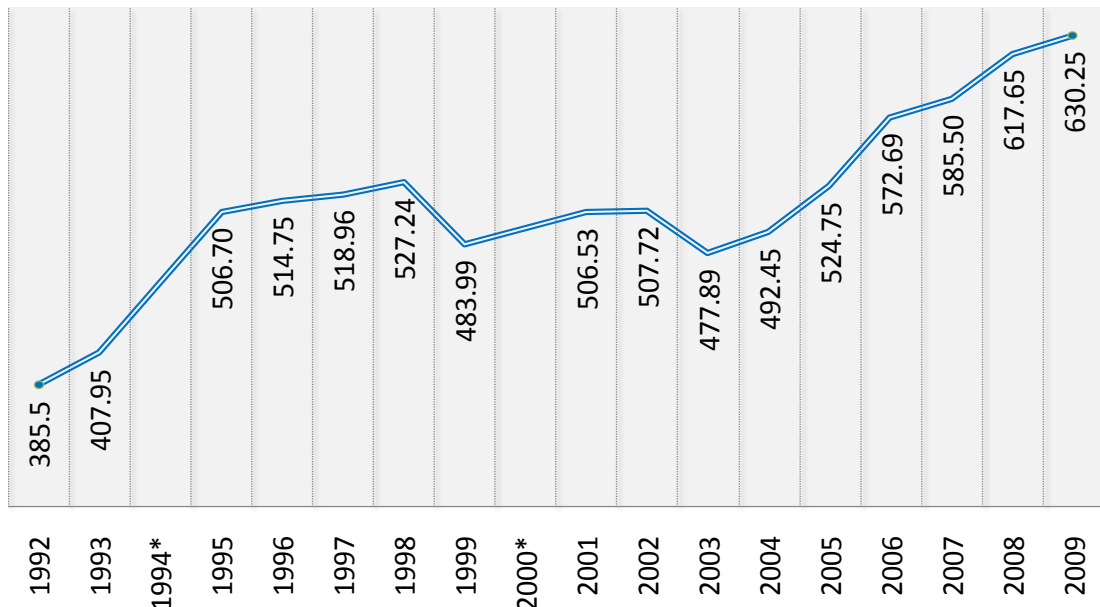
### **Sen's Social Welfare Measure**

In order to provide a final synthesis, we added the effects of the average and inequality to a social welfare function proposed by Amartya Sen, Nobel Prize laureate. This function multiplies the average income by the equity measure, given as one less the Gini index ( $\text{Mean} \times (1 - \text{Gini})$ ). Inequality thus works as a reducing factor of welfare in relation to the mean income. For instance, the average income of R\$630 monthly (60 Reais) per Brazilian would be the value of social welfare according to Sen's simple measure, if equality were total. But in truth it corresponds to 45.52% of this value, R\$287, given the extreme current level of inequality in Brazil. This was even higher when the index was only

41.7% of the average income in 2003. We present in the graph below the year-on-year evolution of the average income, inequality and their combination, given by this welfare measure.

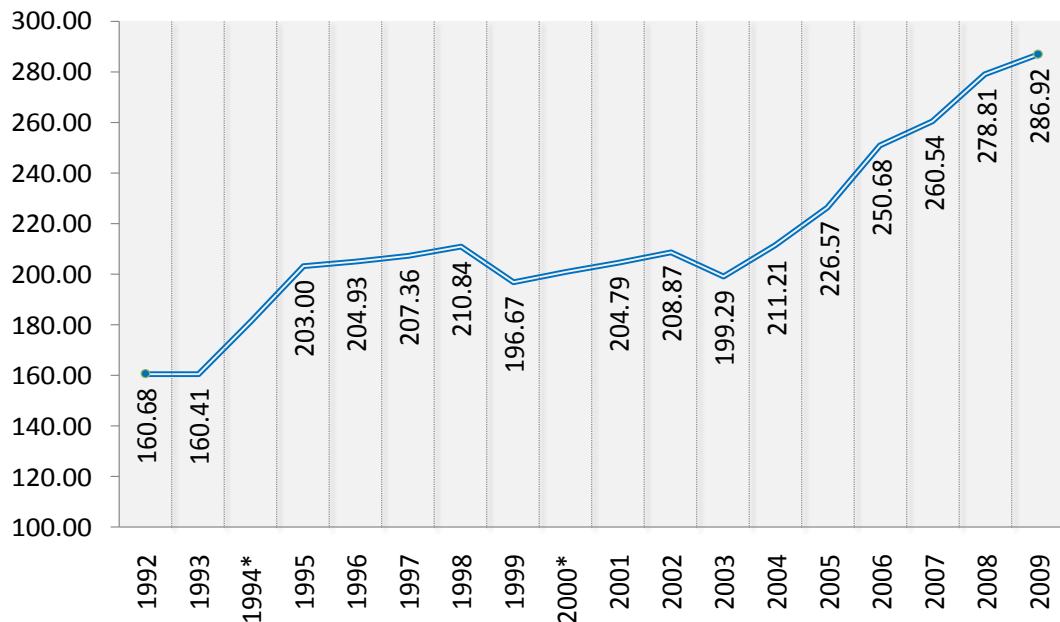
### Indicators Based on Household Income Per Capita

Average per capita income evolution – R\$ at 2009



Welfare evolution – R\$

Sen's 1976 Measure  
= Average \* (1 – Gini)

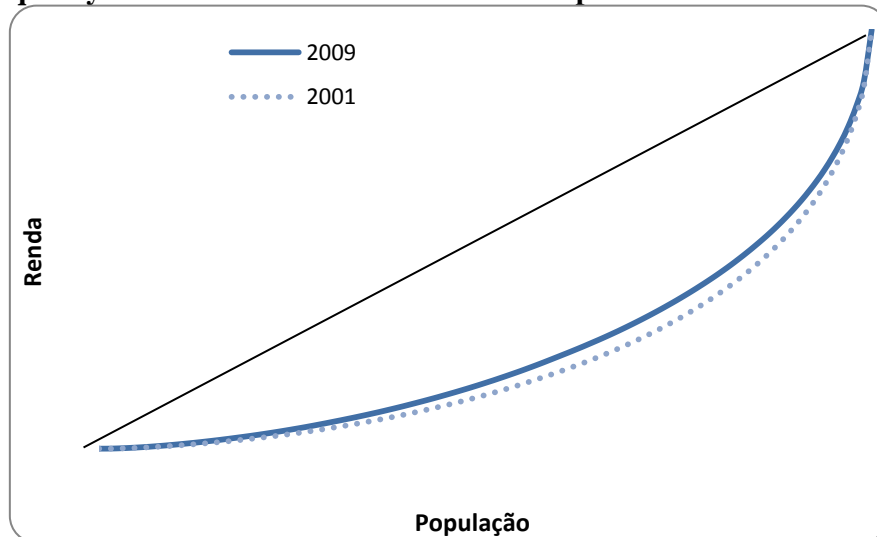


Source: CPS/FGV based on PNAD microdata/IBGE

Mean per capita income grew 24.44% against 40.1% from social welfare using this function that gives higher weights to the poor.

**Lorenz** - Generally, 2009 just like the decade so far seen as a whole, stands out less for the overall income growth for all segments of the population than for the reduction in inequality, as the graph below illustrates comparing 2001 and 2009:

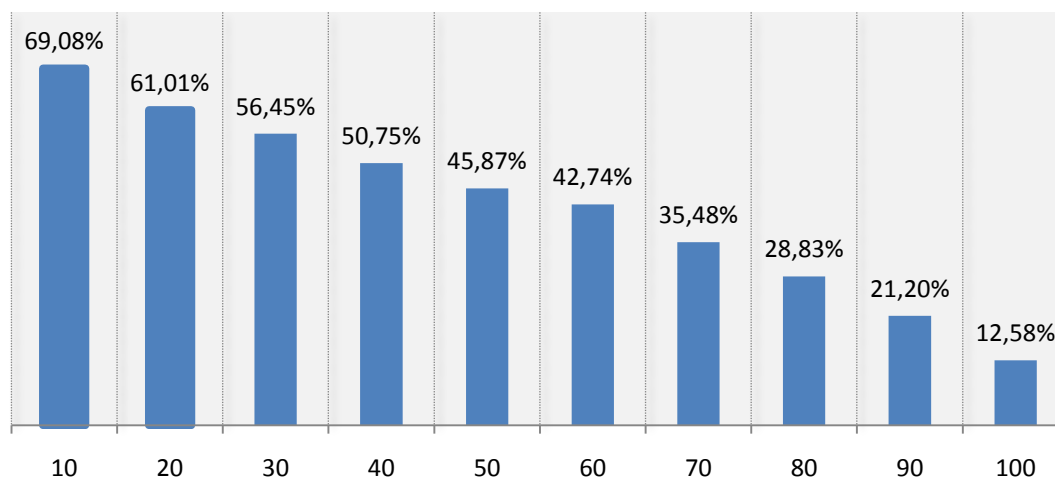
**Inequality based on Household Income Per Capita – Brazil 2001 and 2009**



*Source: CPS/FGV based on PNAD/IBGE microdata*

The accumulated income gain between 2001 and 2009 for different parts of the population ordered by income was quite diverse. The rate of growth decreases as we move from the first (69.08%) to the last decile (12.58%) – this progressive character is not so well translated by the apparently small changes in the series of the Gini index or the Lorenz Curves from which the index derives.

**Cumulative Variation of Average Income by Income Tenths - (2009/2001)**



*Source: CPS/FGV based on PNAD microdata/IBGE*





## Polarization Measures and Middle Class Conceptualization

*“At the historic peak of Brazilian inequality in 1989, the 50% poorest had 10.56% of the income while the 10% richest had 50.97%.”*

This part can be regarded as a technical appendix (in non-technical language), on one hand, in order to help understand the concept of polarization of income and its relations of concepts of welfare and inequality. On the other, to use measurements of polarization in defining middle class with measurements of income-based economic classes here proposed. Those not affected can use this chapter only as a reference for measurement issues.

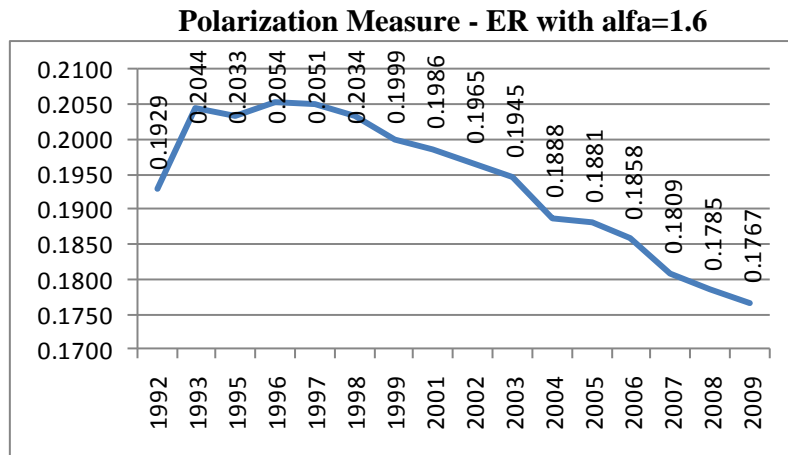
**Polarization** – leaving behind the sphere of income inequality, the concept that interests us in considering a middle class is that of polarization. In order to differentiate we adapted a useful example given by Gasparini et al (2008). Let it be a simplified society with six people called A, B, C, D, E and F with incomes of R\$ 6, 5, 4, 3, 2 and 1, respectively. Suppose that one Real is transferred from D to F and from A to C. The measurements of inequality respecting the principle of the transfers<sup>5</sup> will necessarily decrease.

Let us see, however, that after the changes we will have a quite polarized distribution at two points, as follows: R\$ 2 income for the people D, E and F and an income of R\$ 5 for people A, B and C. Society is now divided in two polarized groups that are internally homogeneous. Although less unequal, after these progressive transfers the society has become more polarized at the ends that tend to antagonize each other, and may lead to the aggravation of problems relating to disputes, violence, political instability and so on.

Here we used the measure of polarization proposed by Esteban and Ray (1994), labeled ER, with the alpha parameter equal to 1.6. The graph illustrates Brazilian society as less polarized from 1998 on.

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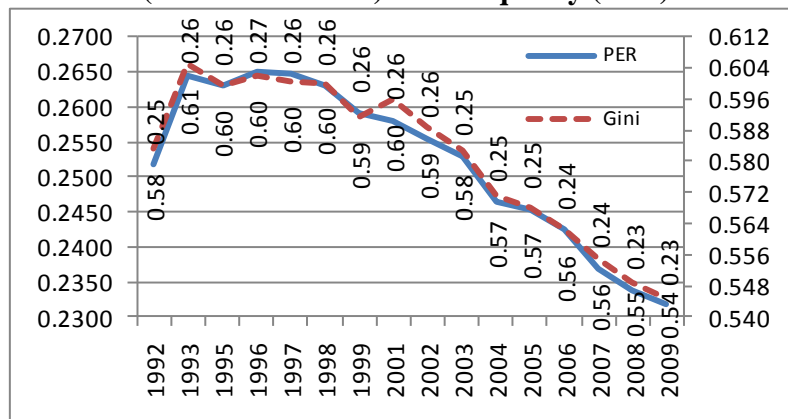
<sup>5</sup> This principle informs us that if we transfer income from the richest to the poorest without inverting the ranking between people the inequality measurement should fall.



*Source: CPS/FGV based on PNAD/IBGE microdata*

The artificial example of Gasparini et al (2008) reproduced earlier was purposefully formulated to differentiate the concepts of inequality and of polarization. In general, both go in the same direction. As the graph shows, the series begin and end at similar adjusted levels. Polarization (left scale) has a sharper fall than the inequality by 2001, but the reverse occurs later.

#### <--Polarization (ER with alfa=1.3) and Inequality (Gini)-->



*Source: CPS/FGV based on PNAD/IBGE microdata*

**Mean Group** – Apart from traditional measurements of inequality in our studies we used the portion of three population groups. During the 1970s, 1980s and 1990s, Brazilian inequality remained surprisingly steady - the 50% poorest received around 10% of the income coinciding with the 10% richest that received close to 50% of the aggregate income. In the middle of these extreme groups we had 40% intermediaries that received the same 40% of income.

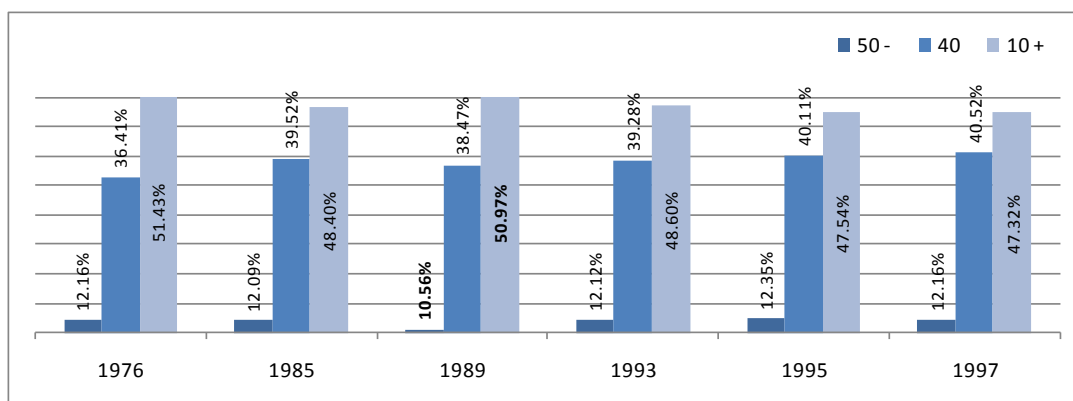
At the historic peak of Brazilian inequality in 1989, the 50% poorest had 10.56% of the income while the 10% richest had 50.97%. This middle group earning the average

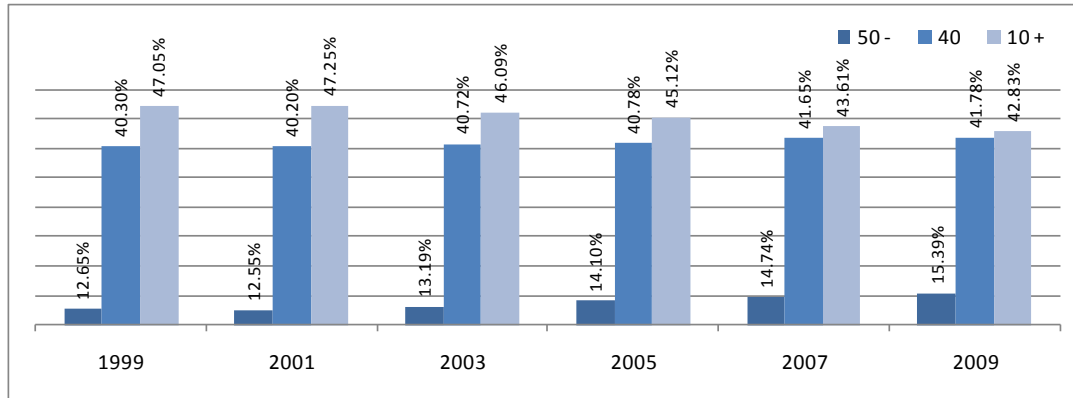
income was our starting point for analyzing this relative middle class. Our new middle class lies between those above the poorest half and close to the 10% richest soon after the turn of the century, according to a combination of databases. Graph below shows the performance of these portions in the income that begins to systematically drop only after 2001.

Inverting participations in the population and income of the polar groups also inspired our studies about absolute classes. The main source of inspiration for this initial choice of the richest group was in the exact spirit of EGR measures from the studies that we participated in the second half of the 1990s, coordinated by Sam Morley, in which we noted the explanatory power of the participation among the 10% richest and particularly their share in relation to the rest of the Brazilian and Latin American income distribution. Another observation on similar lines of the relative status of income of the highest tenth vis-à-vis the rest of the distribution was according to the studies of David Lam, who differentiates the concentration of income in Brazil compared to the USA, which is not a particularly egalitarian country.

In short, the limits of the new middle class (class C) would be roughly the boundaries on the Indian side (classes D and E) and on the Belgian side (classes A and B) of the Brazilian Belindia. We investigated the migrations between these different Brazils. Class C earns the average income of society; that is the middle class in statistical terms.

**Evolution of Income Groups Participation (50%-, 40% and 10%+)**





Source: CPS/FGV based on PNAD/IBGE microdata

**EGR** – In our definition of income brackets, albeit based on the above intuition, it is quite consistent and empirically close to that determined by the polarization concept proposed by Esteban, Gradin and Ray (2007), labeled EGR. The EGR strategy interests us because it endogenously generates cuts in income of the income distribution found in practice. The chosen cuts are those that best distinguish the groups in terms of making the internal differences of these income groups as small as possible and, on the other hand, maximize the differences between these groups. We calculated the income groups in the case of three segments in which we are most interested. Moreover, according to the authors, that for the countries in their study maximizes the criterion of used extended polarization. Our strategy here is to create relative measurements and then keep the arbitrated values constant to generate absolute changes of the classes<sup>6</sup>.

We will first analyze the three income groups applying to PNAD 2002 with the aforementioned methodology in order to compare it to our methodology. Then we will borrow the EGR results from inside and between these groups, in addition to other institutional parameters, such as poverty line and extreme poverty, to divide further our economic classes. Let us begin with the three large groups.

In first place, the combination of our economic classes D and E results almost perfectly in the bottom EGR stratum, corresponding to the 52.3% poorest against 52.6% in our criterion, so that the difference is negligible. As a corollary our whole analysis on

<sup>6</sup> Cruces, Calva and Battistón (2009).apply many alternative methodologies to the Brazilian context and of another five Latin American countries, including the EGR. On this context, the difference to our approach is that we use the relative EGR measure to calculate the brackets between classes, and then keep the lines constant in real terms over time in order to generate absolute measurements of economic class.

participation of classes DE in the population, or its more frequent complement ABC, is consistent with our methodology and the EGR adaptation.

The combination of our central economic class in 2002 is four percentage points lower than the intermediary stratum produced by the EGR methodology. That is, instead of the 34.95% of the population being in our class C we have 38.95%. These exact four percentage points are our measure of dissonance between our new middle class earning the average income and the EGR middle stratum. As a corollary of the certainty that the sum of the participations exhausts the unit, our class AB is different from the top EGR stratum by adding the differences presented in the first two strata vis-à-vis our groups of classes. In other words, the population of our class AB is 4.3 percentage points lower than the top stratum of the EGR methodology for 2002. This interval is equivalent to the dissonance between our new middle class and the EGR application to its own top income bracket and leads us to create this residual 4.3% for our class C to become the middle bracket of EGR. We will call this class B2 to illustrate the move from class C to B.

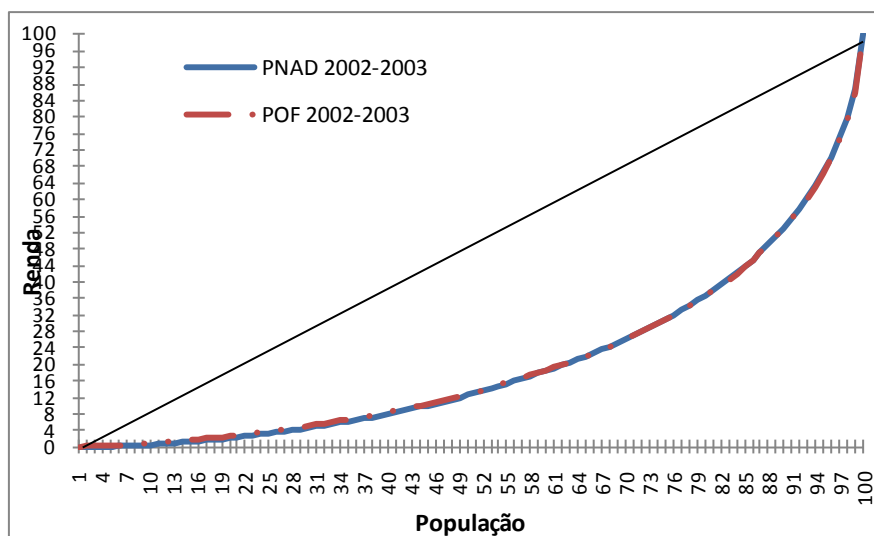
Similarly, we applied the EGR methodology of three in our class AB, resulting in classes B1 with 4.31%, A2 with 2.84% and A1 with 1.28%. In the sphere of the bottom EGR stratum, taking advantage of the convergence of values, we subdivided class E from D using our traditional poverty line that in 2009 was close to the input value in the Family Allowance. We used a similar rationalization by adopting the R\$ 70 today that corresponds to the lowest reference value of the Family Allowance adopted as a national poverty line in the sphere of Brazil Without Poverty [*Brasil Sem Miséria*] applied at the time to define the division between Class E2 and E1.

**Methodology** – This empirical exercise used the 2002 Brazilian National Household Survey (PNAD) with correction for internal differences of cost of living according to the CPS methodology and imputation of unreported income (missing), using a separate Mincer equation estimated for each year. The great benefit of this income calculation system, rather than keeping the income for those non-respondents at reasonable levels, is to keep the proportionality of the sample intact and comparable with the universe that gives it origin. In this way, all population measurement of the changes in the different segments of the population per class is consistent with what occurs in practice.

All calculations are based on household income per capita, excluding the non-effective members of the households, such as domestic servants or their kin living in the household.

**POF Adjustment** - PNAD is the key reference in this book and in most studies on Brazilian income distribution. A first bridge to be built is between PNAD and the Household Budget Study (POF), both undertaken by IBGE. POF is a rarer survey, more complete than the PNAD, in terms of an income questionnaire, since it includes non-monetary income, fundamental for the poor. The income from real and financial assets that affect to a greater proportion the wealthier segments is also better captured by POF. By fortunate coincidence these misreporting problems cancel each other out in terms of income inequality, so that POF shows levels of inequality very close to that found in PNAD, as shown below by the overlapping of the Lorenz curves of the PNADs accumulated from 2002 and 2003 and from POF 2002-03.

#### Household Income Per Capita Inequality – POF X PNAD - Brasil 2002-2003



*Source: CPS/FGV based on PNAD/IBGE and POF/IBGE microdata*

Complementarily, the Gini indices of the two surveys are equivalent, with 0.591 for POF and 0.594 for PNAD. Similar to the Theil-T indices: 0.7149 for POF and 0.7145 for PNAD. On the other hand, the actual averages of household income per capita (deflated for the same date) are very different - R\$ 697 for POF and R\$ 484.71 for PNAD – a 43% difference.

The good news is that since the difference is summarized the averages and our economic classes were defined by relative distribution, it is necessary only to multiply the PNAD values by the POF factor, since this basis proves to be a more correct function of minor errors and omissions of income.

Later, it is only necessary to adjust the income average. After such adjustments, the middle bracket C is between the R\$ 1610 and R\$ 6950, an average income of R\$ 4250 at today's prices in the national average, adjusted by the local cost of living. The same type of adjustment can be applied to other brackets.

### Definition of Economic Classes

	Limits	
	Inferior	Superior
Class E	0	1085
Class D	1085	1734
Class C	1734	7475
Class B	7475	9745
Class A	9745	

\*Adjusted by POF

\*\*Updated to July 2011 Prices

*Source: CPS/FGV based on PNAD/IBGE microdata*





## **The Great Decade (2004 to 2014)**

*“We use the 2003-09 period as a basis to drawing the scenario for 2010 until 2014.”*

*“From 2010 to 2014, other 12 millions would leave poverty and more 32 million would enter ABC classes.”*

Beginning of the decade, time to look back and forth, making statements and projections. For 2010, this year gained an air of early decade and epilogue of the Lula government and is the years after the crisis I (DC). Twelve months after September 15, 2008, virtually all series indicators of labor and economic classes available in Brazil returned to the same pre-crisis point, that is, if not regressed, did not advance. If the comparison is in relation to other countries, the stagnation in Brazil 2009 is the envy of foreign eyes, except for China, India and Korea. But not to feel an ounce of pride, in comparison with the period 2003 to 2008, here called little big decade.

Following example of the little XX century, situated between WW I and WW II given by the famous historian Eric Hobsbawm in the ‘The Extremes Era’, Roberto Campos, one of the main Brazilian Economists of all time wrote in his biography “Lanterna na Popa” that the short XX century was between the Russian Revolution in 1917 and the fall of the Berlin Wall in 1989. The Brazilian writer Luís Fernando Veríssimo applies the reverse argument of what he calls “the eternal Brazilian XVIII century” by the maintenance of an arcaic, patrimonialist and inequal characteristics of Brazilian society.

We draw forecasts for the next five years by extrapolating what happened in those six years from 2003 to 2009 when major changes in measures of welfare based on income occurred, the result of a rare combination in Brazilian lands of sustained growth with reduced inequality movements.

Before going further into future uncertainty, we must face the uncertainties of previous times. The magnitude of the resumption of growth in the period 2003-2009 depends crucially on database used in the optics of the national accounts and its most popular product, GDP. Even after the successive upward revision, we see cumulative growth rates more modest expansion than that observed in the National Household Sample Survey (PNAD), taking into account population growth and inflation. The cumulative

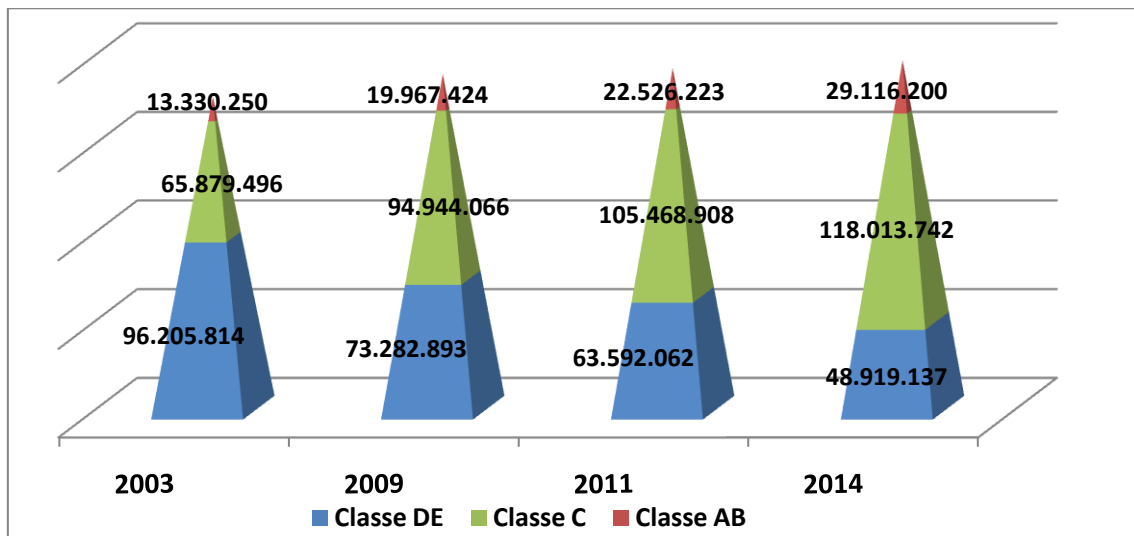
difference in five years between PNAD income and GDP was 11,3% or 1,8% per year on average. It is true that the discrepancy between these rates tend to fade over time. For example, in the period 1995 to 2008 the cumulative difference is 2,13% in favor of the GDP. Now the question is: there being adjustments in the coming years what pulls what: the GDP pulls PNAD down or or PNAD pulls GDP upwards?

We forecast the growth and inequality reduction from the 2003-2009 period until 2014. This scenario can be quantified. The premise is the per capita income growth for each state between 2003 and 2009. Inside each state, we apply the corresponding per capita growth factor until 2014 in all PNAD individual observations. This allows us to estimate how many people are in each economic class.

The last step was to adjust each growth factor applied to include inequalities in recent income expansion inside states. For each state, people were arranged by income then divided by 50 brackets. The initial year of reference was 2003. It was observed how each bracket evolved until 2009. The relative (not absolute) changing pace observed between 2003 and 2009 was maintained (extrapolated) for the forecast period.

**Forecasts** – The class pyramids, where the height refers to the size of the population, illustrate past and prospective aspects. If we continue the trend of upward growth and downward inequality observed in each Brazilian state since 2003, we will have around 118 million people in class C by 2014 and 29.1 million in classes AB against the 65.8 million and 13.3 million, respectively, of 2003. This means that in the period 2003-2014, 52.1 million people will join class C and another 15.7 million the AB classes. This totals 67.8 million, more than the UK population, new members to the upper classes. This fact is remarkable, considering the shrinking consumer markets in the developed countries as a result of the current international crisis.

## The Population Pyramid and Economic Classes 2003, 2009, 2011 and 2014



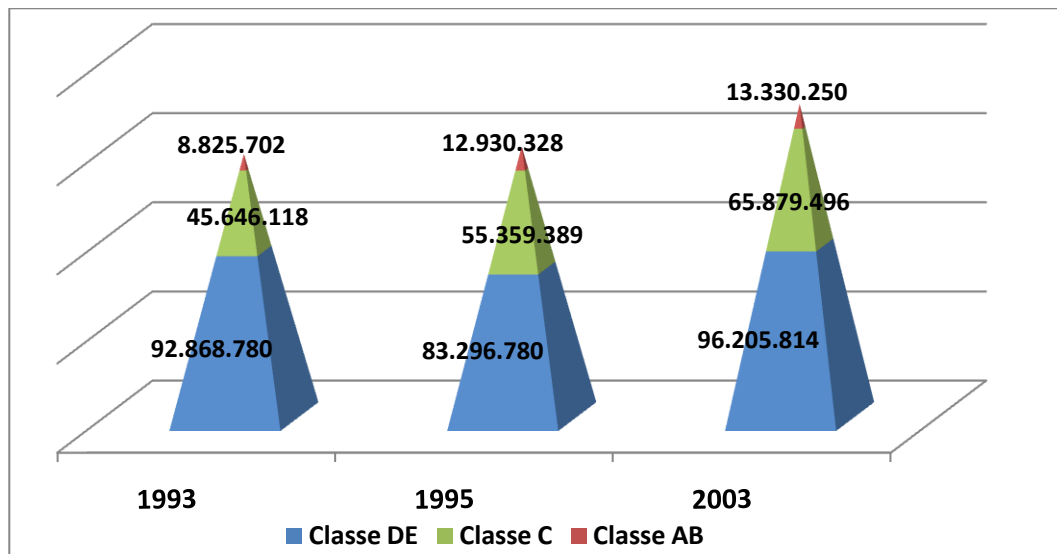
Source: Center of Social Policies – CPS/FGV based on PNAD/IBGE microdata

If we open up these changes to the economic strata in time with regard to class C we see an addition of 40 million people between 2003 and 2011 and another 13 million between 2011 and 2014. In relation to classes AB we have an extra 9.2 million in population between 2003 and 2011 and 7.7 million between 2011 and the forecast for 2014. The AB class population will grow proportionately more than class C: 29.3% and 11.9%, respectively.

Note that between 2003 and 2014, despite the population growth, the absolute population of classes DE will decrease by 47.3 million, dropping to almost half of the initial contingents. Incidentally, Brazil in 2003 had around 50 million poor people (class E) and 96.2 million in the DE classes, which in 2014 would be 48.9 million.

If we open the absolute variations in the 1993-2003 period, we'll see that much of the ascension process was located in the 1993-1995 period under the impact economic stabilization and boom associated to the Real Plan.

## The Population Pyramid and Economic Classes 1993, 1995 e 2003

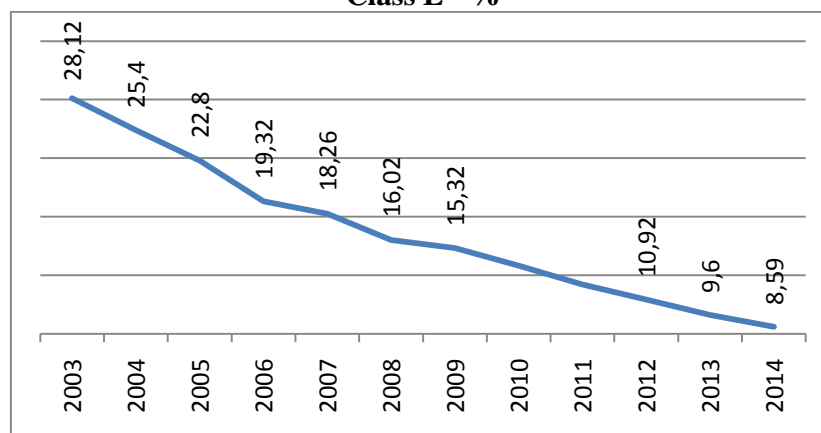


Source: CPS/FGV based on PNAD/IBGE microdata

Our projections take into consideration the advances in inequality; namely, we forecast on a differentiated basis the growth found for each sub-group of income, and regional particularities (different advances for each federal state).

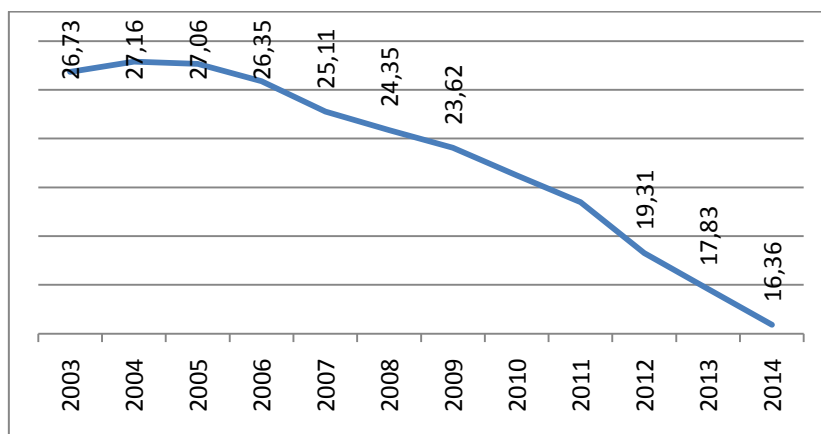
If we are to continue the upward track and reduce inequality found between and within each Brazilian state since 2003, the proportion of individuals in class C would grow from 37.56% in 2003 to 54.39% in 2011. At first, in a neutral scenario in distribution terms within the states, if the income per capita increases 4.7% a year in the next five years, the middle class will increase to 56.22%, an accumulated rate of change of 11%. This increase would be even greater if the growth in income were to go hand in hand with the recent drop in inequality. In this case, the new middle class would be 60.19%, a 19.3% rise.

### Forecast until 2014 – Economic Classes Class E - %



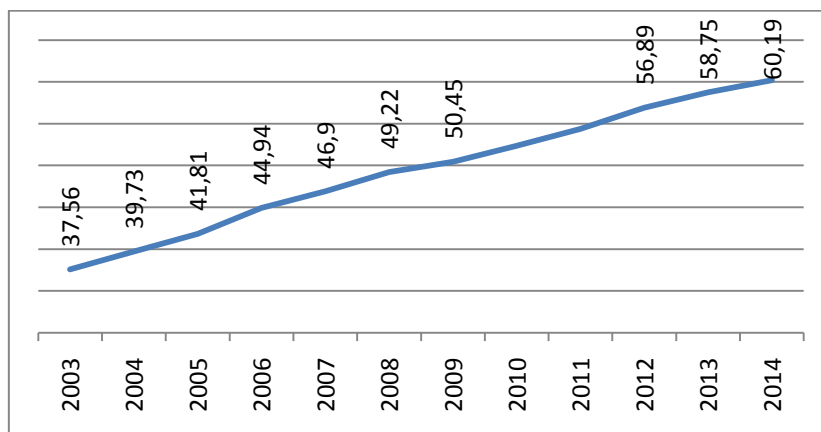
Source: CPS/FGV based on PNAD/IBGE microdata

**Class D - %**



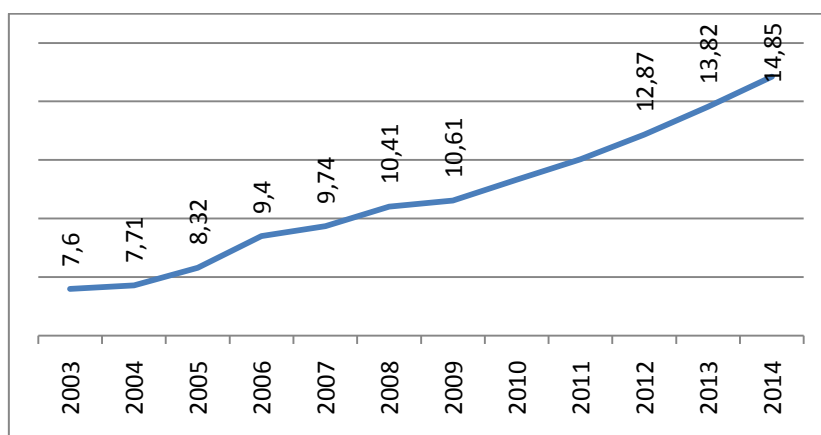
Source: CPS/FGV based on PNAD/IBGE microdata

**Class C - %**



Source: CPS/FGV based on PNAD/IBGE microdata

**Class AB - %**

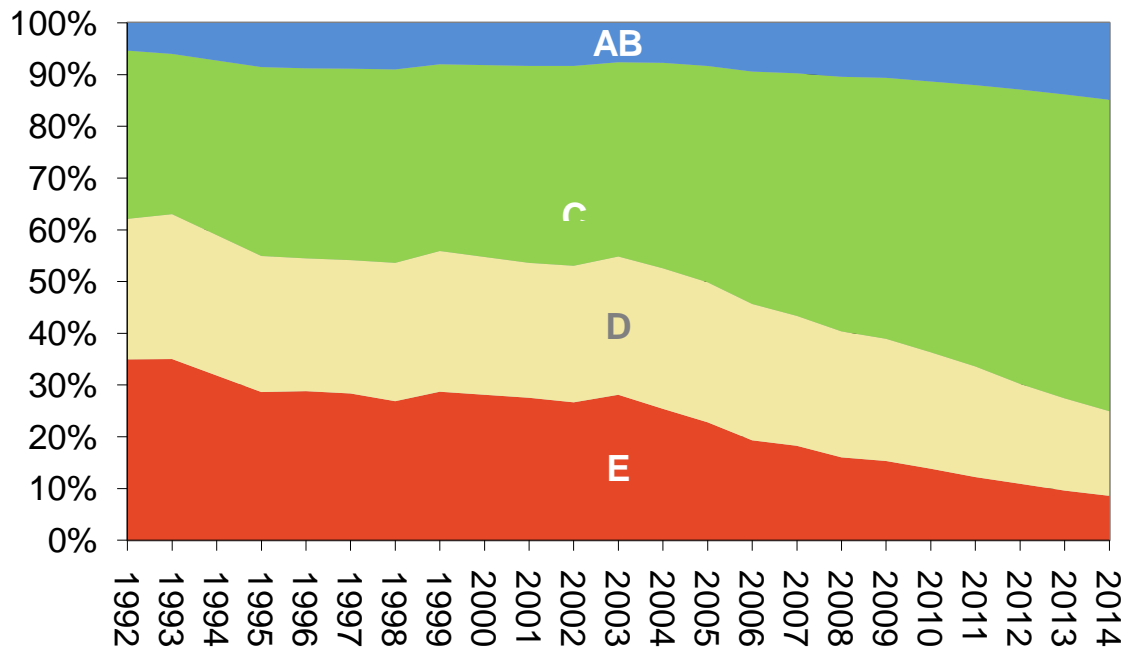


Source: CPS/FGV based on PNAD/IBGE microdata

In relative terms to the total population, the proportion of individuals in class C increases from 50.5% in 2009 to 60.19% in 2014. Initially, in a neutral scenario in

distribution terms between the states, if the income per capita increases 4.7% a year in the next five years, the middle class will rise to 56.22%, an accumulated increase of 11%. This increase would be even higher if the income growth came hand in hand with the recent drop in inequality. In this case, the new middle class will reach 60.19%, a rise of 19.3%. The percentage evolution of classes is presented below.

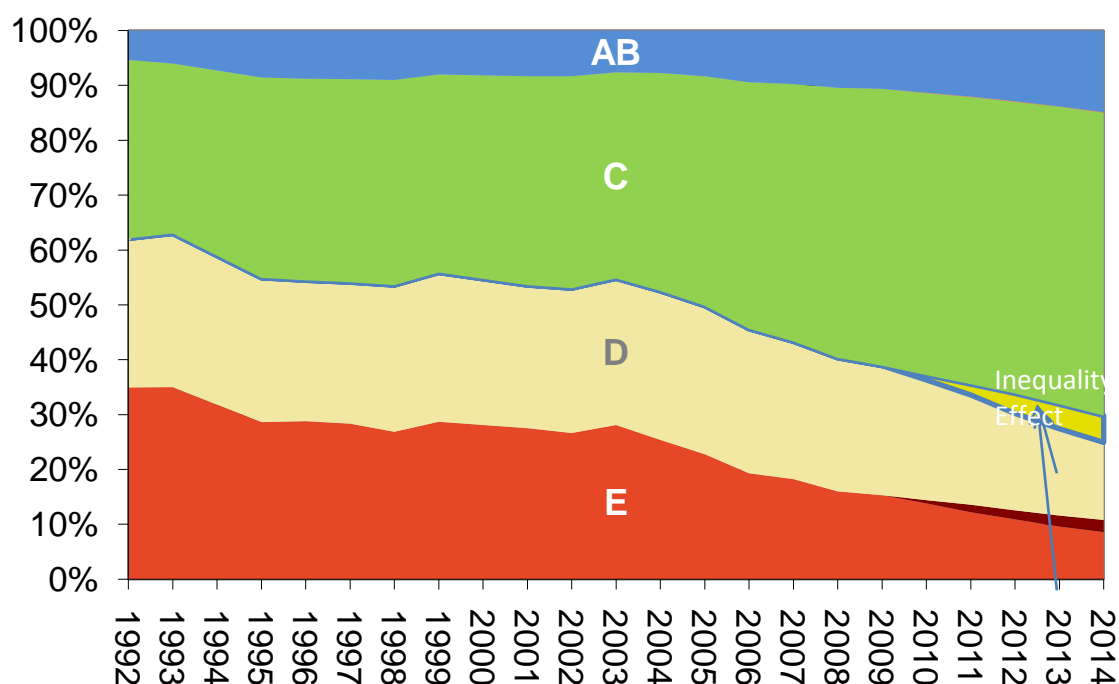
**Class Composition 1992 to 2014\***



\*class growth forecasted onwards 2010 to 2014 – with inequality reduction

Source: CPS/FGV from the PNAD/IBGE microdata

**Class Composition 1992 to 2014\*- Assessing Inequality Impact**



\*\* class growth forecasted onwards 2010 to 2014 – with and without inequality reduction

Source: CPS/FGV from the PNAD/IBGE microdata

In the first figure above we show the composition of the economic classes with forecast up to 2014, adjusted by the change in relative inequality for each Brazilian State. In the next figure we show these same forecasts accompanied by a darker area, indicating the specific effect of maintaining the level of inequality. In other words, it is a scenario of pure balanced growth. That is, income variation is uniform amongst all Brazilians, and in this way eliminates growth differences between and within states. The inequality effect is the result of the difference between the two scenarios and is relevant when determining classes C, D and E, but not AB. For example, the class E forecast for 2014 is 8.6% (the first graph above), being 10.8% if we do not consider the advances of inequality. This 2.2% difference can be seen in the red (darker) area in the second graph above.



## Decades

*The past decade was the period of reduction of inequality, as well as the former was stabilization. Is the new decade the one of quality of education?*

Before turning into the future, let's unravel the past in the light of the analysis of successive decades. The 1960 and 1970 were those of the Economic Miracle, growth but of dictatorship. In the seventies there was brutal in terms of poverty that fell from 67% to 39%, but brought in its wake, a demand for democracy, which characterizes the next decade. The eighties, the time of democratization, the main achievement of the time, even for us the economists. The decade ending in 1989, paradigmatically our records for inflation and inequality, that somehow punctuate the next decade two decades. The eighties was also the instability of the institutional inflation and income teaching that relearn to democracy generates lost decade in the economy.

The 1990 was stabilization. In 1994, Fernando Henrique Cardoso aided by his faithful squire stuck the spear in the heart of the dragon of inflation. From there we started – the first person plural – to plan the future. Away from uncertainty and monetary illusions we have a real calendar. The revolution of the president with the name of the prince is not royalty, but the sense of reality brought about by the currency stable. From this reality shock, we begin to device and educational agenda, to put more intensely children in school, we began to measure the performance of children, SAEB in 1995 and, somehow, these two revolutions, inflation and school, integrated people that went through school started to enter the labor market and as we redistribute a stable currency through a program of income transfer, inequality began to fall. After recession of 2003, formal employment has blossomed again. Is the new decade the one of quality of education? Since 2007, that compasses both the Ministry of Education and civil society through the Index of Development of Basic Education (IDEB) and Education for All movement point to the north of the quality of education. Goals are forward-looking force by early next decade in 2021, so that two centuries of independence for Brazil be celebrated. Objective goals are drawn from school proficiency tests that capture the quality of education perceived by children, without voice or vote, in addition to short-termism of the mandate of the mandates of politicians. What is the goal? Brazil has an initial note of 3,8, -from 0 to 10- the goal is to become 6 by 2021. 6 is the average of the OECD today. We want to turn in 2021, what the OECD is today. Note 6 is also the average of private school in Brazil, that is the real “Belindia” for private school where who has money places the son, the average is 6, whilst

in public school the average is 3,6. The goals are central to the agenda of the generation of economists to which I belong, to revolutionize quality education in the next decade.

Using the usual metaphor of the decades transformations, perhaps we should put aside the Gregorian calendar, since the substantive points of inflection of key innovations in each decade were not at the beginning of each year, but coincidentally in years ending in 4: 1964 (start of the military government), 1974 (start of the economic deceleration and political openness after the first oil shock), 1984 (movement for direct presidential elections (Diretas Já)), 1994 (Real stabilization plan (that curbed a more than 40% monthly inflation rate) and 2004 (start of faster resumed growth in employment, the year of the greatest drop in inequality of the decade of falling inequality). Not forgetting the split resulting from the suicide of Getulio Vargas, particularly dear to us at FGV. Following this tradition, what would 2014 reserve for us besides the World Soccer Cup and the new presidential elections? Would it crown two five-year periods of growth, starting in 2004 after the end of the 2003 recession and even with the global crisis felt in 2009? If the period 2010-2014 is in fact a new little big decade, then the 11 years from 2003 to 2014 will be a great decade.



## The Country of the Future

*“Brazil is the world future happiness record, with 8.6 grade to its life satisfaction’ expectations in 2015”*

*“Youth is not determined by age, but by people attitude up to the future, so that the best is yet to come in life.”*

*“This interpretation allows to reconcile two qualifications attributed to Brazil: “the country of the future” and “young country” ”.*

Brazil is four-times world champion of future happiness. On a scale from 0 to 10, the Brazilian gives an average rating of 8.60 for his expectation of life satisfaction in 2015 overcoming, together with Turkmenistan, all other 154 countries in the sample, whose average was 6.7 and the mean 6.7. This interpretation helps us understand the expression “Brazil: the country of the future” created 70 years ago by Stefan Zweig. Before, in the expectations in relation to 2011, 2012 and 2014, Brazil already stood at the highest place on the podium.

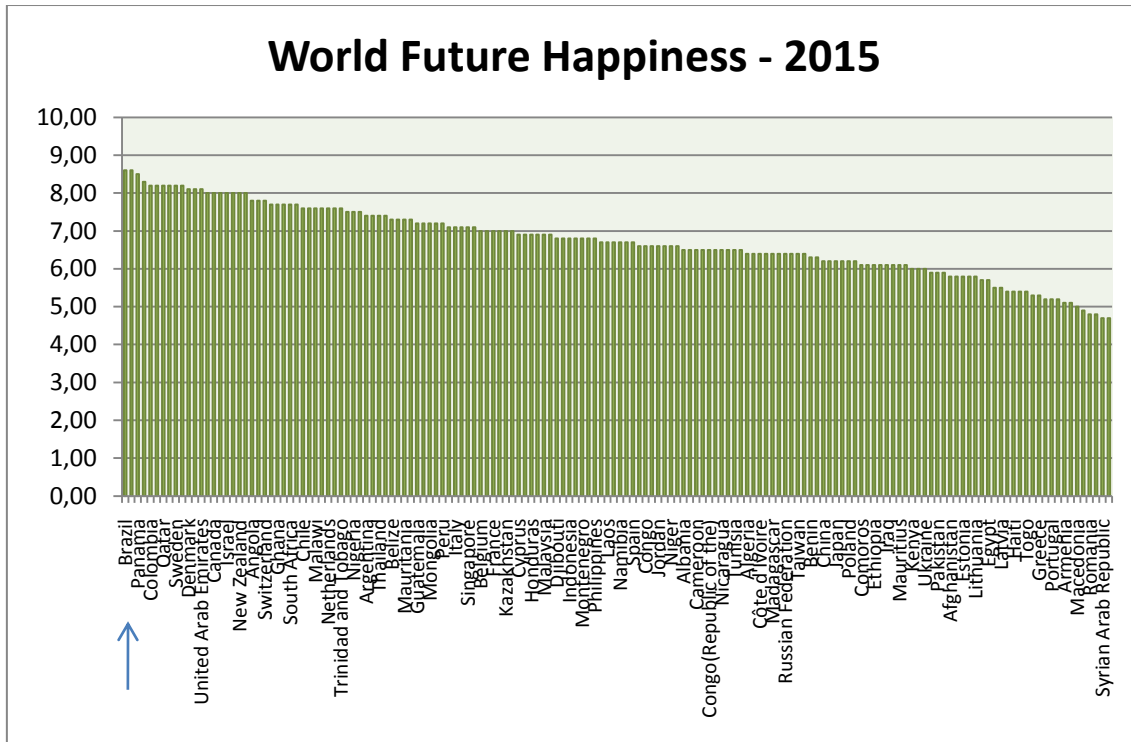
In order, other BRICS countries in the ranking of future happiness in 2015 are as follows: South Africa with 7.7 on the 0-10 scale, 27<sup>th</sup> placed in 153 countries; Russia with 6.4 in 105<sup>th</sup> place; China with 6.2 and placed 111<sup>th</sup>, and India with 6.1 in 119<sup>th</sup> place. The table below shows the world’s happiness ranking, with countries organized in groups of five, in addition to the emerging BRICS and so-called problematic PIIGS countries (Portugal, Ireland, Italy, Greece and Spain).

**Ranking of Future Happiness in the World – 2015**

	<b>IFF</b>	<b>Rank</b>		<b>IFF</b>	<b>Rank</b>
Brazil	8.6	1	Mali	6.6	86
Costa Rica	8.2	6	Congo	6.5	91
Denmark	8.1	11	Turkey	6.5	96
Ireland	8.0	16	Morocco	6.4	101
Switzerland	7.8	21	Russian Federation	6.4	105
United Kingdom	7.7	26	Senegal	6.4	106
South Africa	7.7	27	China	6.2	111
Netherlands	7.6	31	Slovenia	6.2	116
Austria	7.5	36	India	6.1	119
Argentina	7.4	41	Iraq	6.1	121
Uruguay	7.3	46	Sri Lanka	6.0	126
Peru	7.2	51	Estonia	5.8	131
Italy	7.1	56	Egypt	5.7	136
France	7.0	61	Haiti	5.4	141
Germany	7.0	62	Greece	5.3	145
Honduras	6.9	66	Portugal	5.2	146
Indonesia	6.8	71	Macedonia	5.0	151
Bangladesh	6.7	76	Syrian Arab Republic	4.7	156
Spain	6.7	81			

Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata

Brazilians have the highest expectation of future happiness, ahead even of Denmark, world leader of present happiness, but 11<sup>th</sup> ranking in future happiness. Denmark ranked third regarding 2011. Bringing up the rear are Syria – which is undergoing a turbulent political situation- and Burundi, the poorest country on the African continent. Zimbabwe in Africa was in last place regarding 2011.



Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata

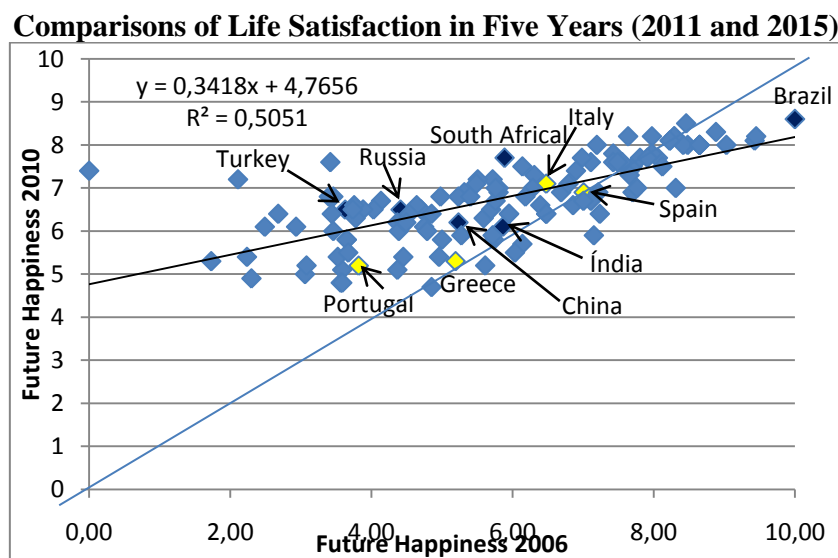
In Brazil, the expectation for the future was already particularly high – on the 0-10 scale, our average rating is 8.78, higher than any of the other 132 countries so far surveyed. Another FGV study addressed a subjective middle class measure. Middle class, like youth, would be a state of mind that life will be better in the future. So that's it, among other forward-looking measures.

The Future Felicity Index with its abbreviation FFI recalls the fast-forward keys advancing beyond the video and sound systems, which are a universal language. In practice, the paradox of the high FFI of the Brazilian youth would be a large IF.

We ask ourselves why our population in general and our young people in particular would be optimistic. Most answers to these questions are addressed in the national parts of the book under reference.

The following data compare the prospects for the future before and after the international crisis, emphasizing the main emerging countries (BRICS and Turkey) and the European countries in dire straits (PIIGS). The above points of the bisector suggest that the post-crisis perspective (2010 in relation to 2015) is greater than before (2010 in relation to 2015) and vice-versa. If the bisector and the straight line of regression were overlapped, it would show that there was no great change in personal positivity regarding the future. The PIIGS countries are, in general, slightly higher, showing improved expectations, particularly Portugal and Italy, which were very much affected by the 2008 financial crisis. In the case of the BRICS countries, South Africa took a formidable leap and China and India had a slight increase in their low expectations, with Brazil's deterioration, but still with the highest future expectations.

**Present Happiness** - In 2006, Brazil was number 22 in the world ranking of present happiness, above its position in the income ranking, number 52 of the 132 countries. In other words, we had more present happiness than money in our pockets would suggest. From 2006 to 2009 the country's relative position climbed from 22<sup>nd</sup> amongst 132 countries to 17<sup>th</sup> place amongst 146 countries and now we return to 22<sup>nd</sup> place but amongst 152 countries. In 2011 we were one of the 16.7% happiest countries, 11.8% in 2009 at the peak of the crisis, and in 2010 returned to the 14.5% range.



*Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata*

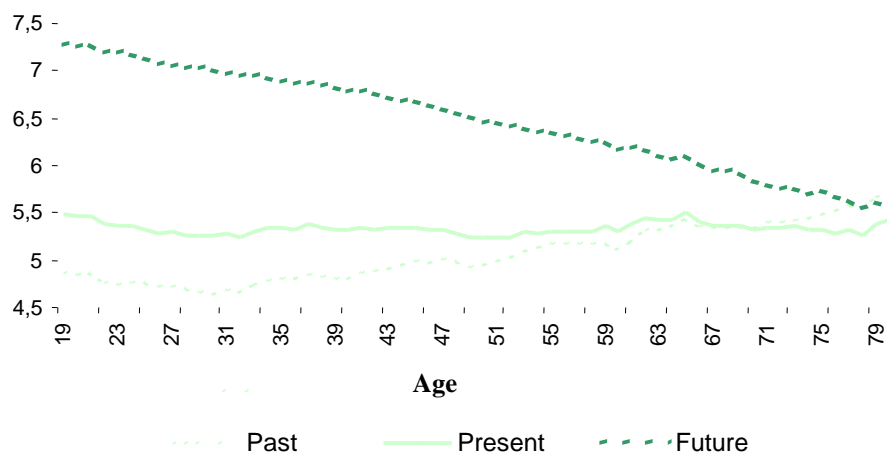
**Young Country** – Youth is a state of mind, not determined by age itself but by the attitude of the person facing the future. The young believe that the best of life is still to come. Our initial survey conceived and calculated this subjective measure of youth in a project for IDB based on a 0-10 rating reported directly by each of the 150,000 or so interviewees in the

Gallup World Poll, in an initial sample of 132 countries. We show the prospective life satisfaction of a citizen of the world; the prospect of future happiness in relation to 2011, where we now are, decreases from the 7.41 for a 15-year old individual to 5.45 for the over 80s, when present and future happiness is the same. In the debutante age, the future average is 3.3 points higher than the average of present happiness.

### Life Satisfaction at different times and Life Cycle (Age)

Average Life Satisfaction at Different Time Horizons and the Life-Cycle in the World - Current, Past and Future Life Satisfaction and Years of Age

*Centered Moving Average of 5 Years*



Source: CPS/FGV from microdata from the 2006 World Gallup Poll

[www.fgv.br/cps](http://www.fgv.br/cps)

In Brazil, expectation for the future was particularly high – on the scale of 0 to 10 our average rating was 8.78, more than any other of the 132 countries in the sample. In other words, we are world champions of future happiness, or young attitude. This interpretation helps reconcile two qualifications repeatedly attributed to Brazil: "the country of the future" for some and "a young country" for others. Brazil is a country inhabited by the young in spirit rather than a country of young people in its demographic composition. Average future happiness of the Brazilians in the 15-29 age group is 9.29, also higher than any other country in the research.

### Future Felicity Distribution

Through PNAD, we may capture the evolution of the various aspects of the Brazilian society through time, as well as analyze its distribution among different groups defined by income, spatial or social-demographic features. Nevertheless, PNAD does not

allow a vision of the difference between Brazil and other countries. Additionally, PNAD is above all a survey that provides objective variable measures as informed by the people. If we want to really know particular Brazilian aspects vis a vis other nations we must turn to international data. Subjective living condition measures, such as those explored in the emerging literature on happiness is not yet part of the IBGE tradition. Based on international microdata for 132 countries, we contrasted Brazilians' take on their present and future and their countries'. Brazilians are not the happiest world citizens; Brazil average current life satisfaction grade was number 22 of a 132-country ranking, while for per capita GDP PPP, Brazil is number 52 on the same 132 countries comparison. But Brazilians are the happiest people 5 years from now. Brazilians believe themselves to be the happiest people in the world five years from now. The question asked in 132 countries in the world was: "from 0 to 10, where do you expect to be five years from now?" No other country beats Brazil, as our average is 8.78, followed by Denmark, Ireland and Jamaica. The last one in the ranking is Zimbabwe with 2.79 of future happiness. This survey was carried out again in 2007 with respect to 2012 and Brazilian average grade went up a bit<sup>i</sup>.

This same survey, when asking Brazilians to give a grade to the country five years from now, the average mark is 6.84, well below Ireland (8.14) but above Zimbabwe (2.79). We are number 43 among 128 countries in the world ranking. The result is that we are ninth in 128 countries – revealing a dissonance. How can a country be so good to each one, and not be a good country to all?

This dissonance may also be explained in the terms of La Fontaine's fable: Brazilians are more grasshoppers than ants, hoping for a better future. But contrary to ants, Brazilians are not the best suited to live collectively. The high rates of inflation, inequality and crimes in Brazil reflect this aspect; but the good news is that we are improving. Just as in the fable, as a result of optimism and individualism, however we may not prepare ourselves for the future as a nation.



## Dissonance between future expectations in 5 years

Dissonance between Future expectations in 5 years (Individuals and country)

Country	Country	Country	Individual	Country	Individual - Country
37 new zealand	6,98	1 <i>zzzbrazil</i>	8,78	1 puerto rico	3,45
38 canada	6,97	2 venezuela	8,52	2 trinidad & tobago	2,82
39 kuwait	6,96	3 denmark	8,51	3 jamaica	2,58
40 benin	6,9	4 ireland	8,32	4 honduras	2,46
41 colombia	6,86	5 jamaica	8,25	5 france	2,36
42 burundi	6,86	6 united states	8,14	6 netherlands	2,13
43 <i>zzzbrazil</i>	6,84	7 canada	8,14	7 united kingdom	2,06
44 thailand	6,84	8 new zealand	8,14	8 united states	2,01
45 bolivia	6,83	9 australia	8,06	9 <i>zzzbrazil</i>	1,94
46 kosovo	6,74	10 panama	8,05	10 italy	1,79
47 switzerland	6,72	11 israel	8,03	11 costa rica	1,77
48 uruguay	6,71	12 belgium	7,98	12 germany	1,75
49 zambia	6,62	13 sweden	7,97	13 sweden	1,69
50 nepal	6,62	14 colombia	7,97	14 belgium	1,58
51 estonia	6,61	15 norway	7,94	15 australia	1,57
52 tanzania	6,56	16 united arab emirates	7,94	16 israel	1,56
53 niger	6,54	17 nigeria	7,89	17 poland	1,49
54 sri lanka	6,52	18 finland	7,86	18 el salvador	1,49
55 afghanistan	6,51	19 costa rica	7,82	19 guatemala	1,44
56 togo	6,5	20 switzerland	7,82	20 ethiopia	1,33

Source: CPS/FGV processing GALLUP 2006 microdata

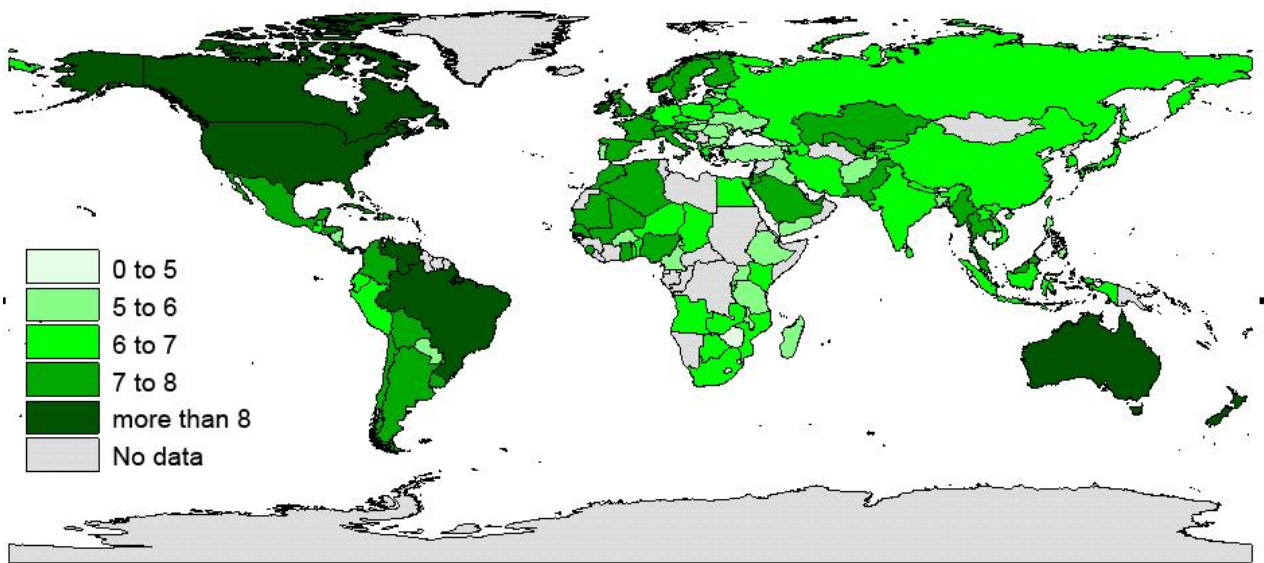
What is the difficulty in Brazil then? Brazilians are optimists and making reforms for optimistic people is hard, if you already succeed in life by anticipation. Another Brazilian characteristic is individualism. A feature which was avoided during the 1980s with redemocratization, improved again in the past decade with the fight against inflation; and during this decade of inequality reduction, it is difficult for Brazilian to have high collectively expectations. Dictatorship, high inflation and high inequality reflect difficulties in collective experiences. This same research when asking Brazilians the mark they would give five years from now to Brazil, the answers would be much worse. In other words, when asked “what mark would you give to your life?” Brazilians say 8.78, from 0 to 10. Now when giving a mark for the country five years from now, it is 6.7, two points below. There is a certain dissonance, how can a country be so good to each one of its citizens and not be so good for everyone? There is a certain dissonance, and this is the challenge, how do we create a country where we have a bright future, the social and economic literature agrees, is that it passes fundamentally through education<sup>ii</sup>.

### Equality of Future Life Satisfaction

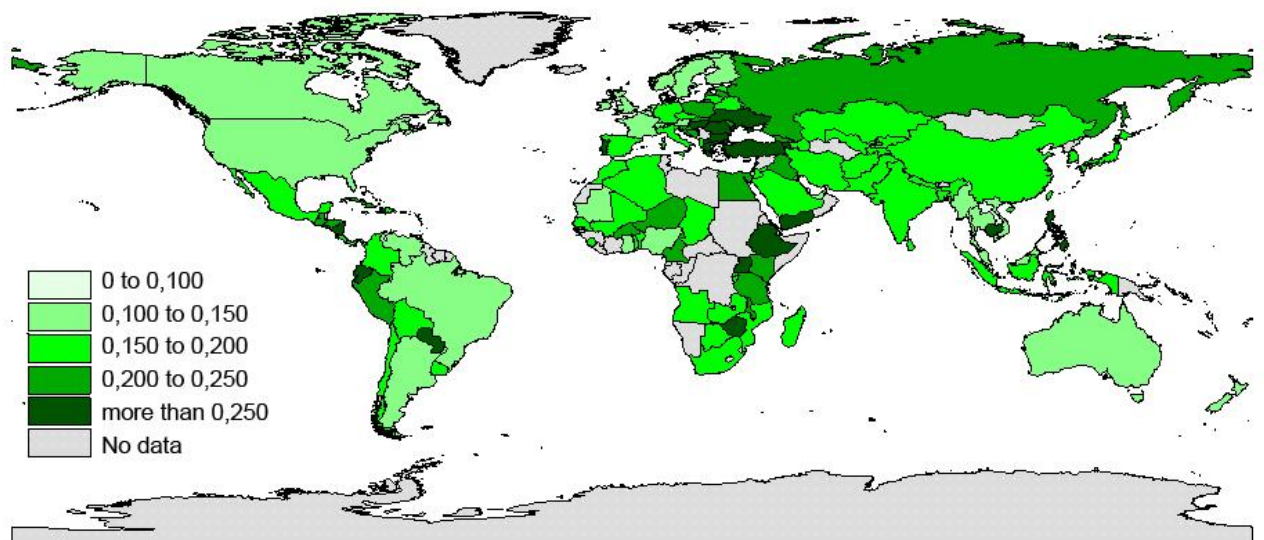
When we look at the level and distribution of future happiness we find Brazil as the top one with respect to the level and the second lowest level of inequality, after Belgium, of future

happiness measured by the Gini. That is, despite of the high level of income inequality found, Brazil is rather egalitarian in terms of subjective measures. The world maps below illustrate the average country levels of future happiness and their within countries dispersion. The last map applies a simple equivalent income welfare measure proposed by Sen (1976) that combines average level and dispersion of future happiness and Brazil turns out to the highest on the world ranking.

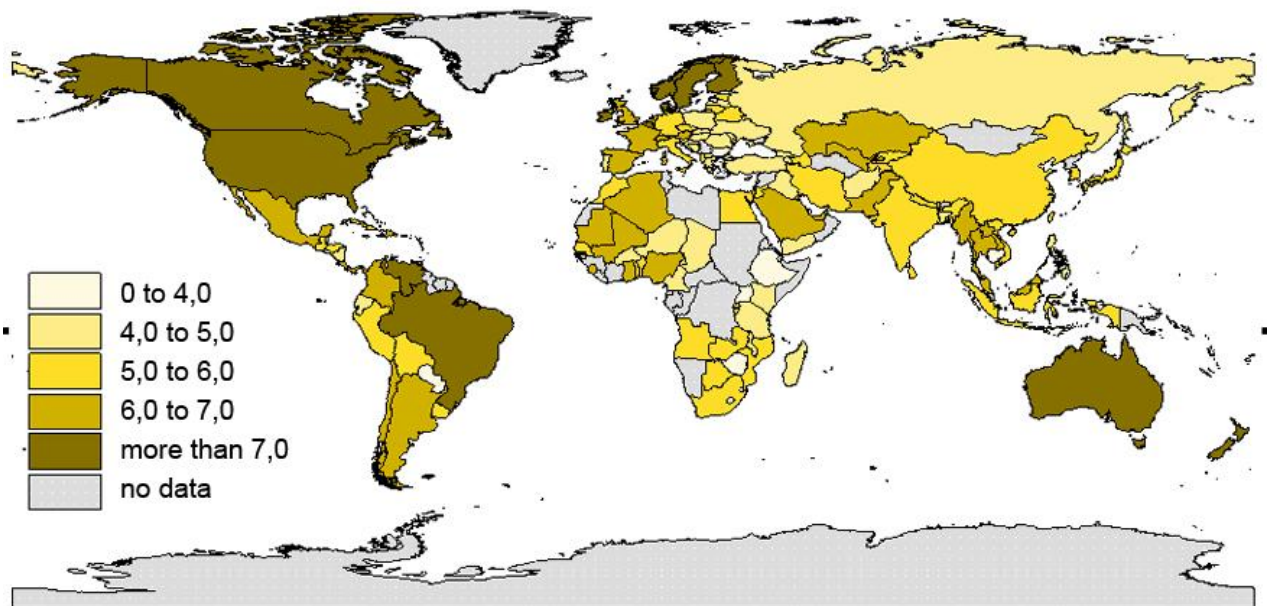
#### Mean Individual happiness in the Future



#### Gini Index – Individual Future Happiness



### Social Welfare Function based on Future Happiness



Source: CPS/FGV processing microdata from the Gallup World Poll 2006 – IADB project

## **The Future of Females (The Females of the Future)**

**Who is happier – man or woman?** The world's women report greater happiness than men in the future (6.77 against 6.69 for men), present (5.35 against 5.31) and past aspects (4.94 against 4.92).

**Are single women happier than married women?** The data show that single women present an average future happiness of 7.28 compared to the 6.68 of married women. On the other hand, separated women show lower levels of happiness (separated 6.57 and divorced 6.46). In the case of widows the averages are even lower at 5.6. Women with children under 15 years old report an expected life satisfaction of 7.02 higher than average than those who are without (6.73). Before risking some causal relation it is necessary to take into account the differences in age between marital status and those who have children under age.

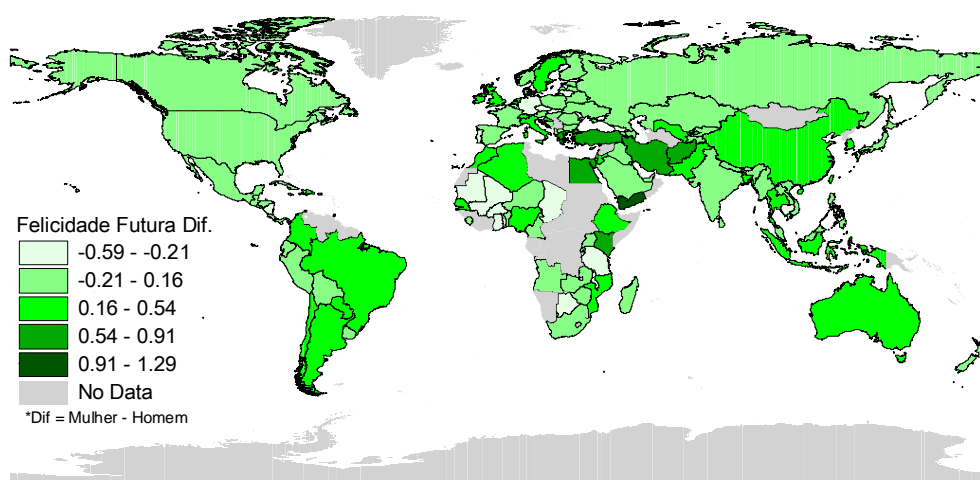
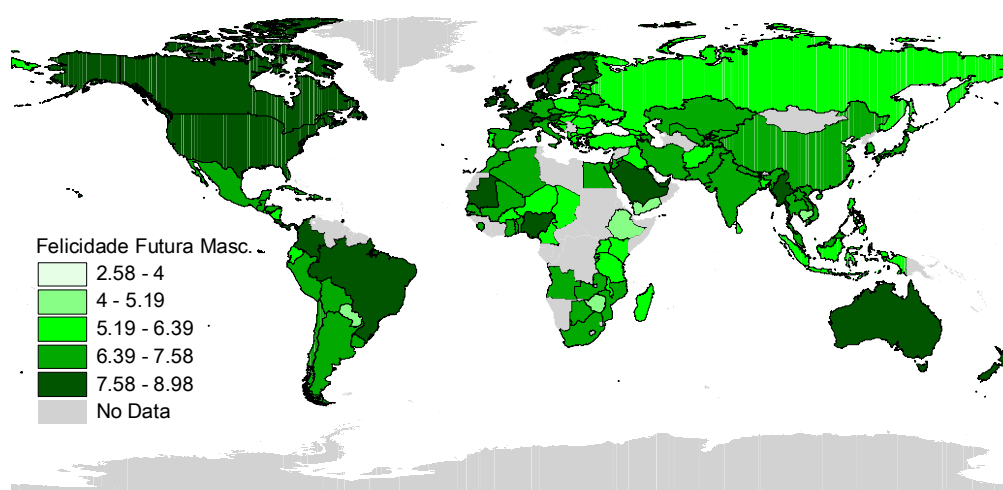
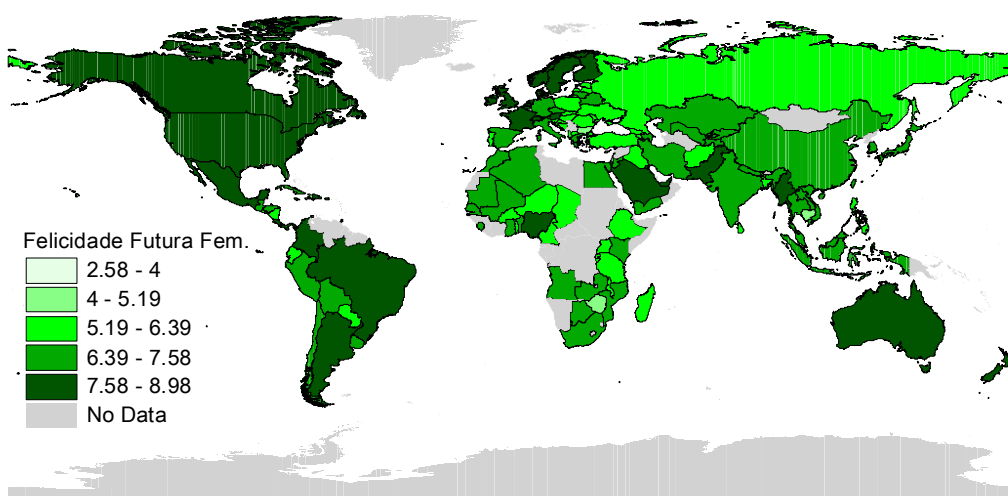
**What is the age of happiness?** The greatest future happiness is reported amongst 21-year old women (7.51), present happiness amongst 65 year old women but the highest past happiness amongst 81-year olds (6.27). These data corroborate the idea that future happiness drops with age. The youngest are most positive considering their future.

**What is the geography of women's future happiness?** From the geographic aspect, greatest future happiness is found amongst women living in larger (6.74) than smaller towns (6.31) or rural areas (5.88). With regard to countries, the map below shows future happiness by gender and the differential between them, and in the sequence we present the same countries listed in the previous section that consider the extremes of the happiness ranking and sample of every five countries, in addition to countries in groups of the emerging BRICS and those in dire straits (PIIGS).

	Female		Male		Difference	
	IFF	Rank	IFF	Rank	IFF	Rank
<i>Mundo</i>	6.74	-	6.69	-	0.05	-
<i>Americas</i>	7.22	-	7.1	-	0.12	-
<i>brazil</i>	8.98	1	8.56	1	0.42	0
<i>denmark</i>	8.51	3	8.52	2	-0.01	1
<i>ireland</i>	8.42	4	8.23	5	0.19	-1
<i>switzerland</i>	7.96	18	7.67	24	0.29	-6
<i>united kingdom</i>	7.89	22	7.68	23	0.21	-1
<i>argentina</i>	7.82	23	7.5	29	0.32	-6
<i>costa rica</i>	7.78	24	7.86	17	-0.08	7
<i>austria</i>	7.76	25	7.63	25	0.13	0
<i>france</i>	7.73	26	7.72	21	0.01	5
<i>netherlands</i>	7.67	29	7.44	34	0.23	-5
<i>egypt</i>	7.32	43	6.71	69	0.61	-26
<i>spain</i>	7.28	45	7.43	36	-0.15	9
<i>italy</i>	7.28	44	6.94	54	0.34	-10
<i>morocco</i>	7.27	46	6.95	53	0.32	-7
<i>senegal</i>	7.21	47	7.01	50	0.2	-3
<i>honduras</i>	7.17	51	7.25	43	-0.08	8
<i>mali</i>	7.13	52	7.46	31	-0.33	21
<i>uruguay</i>	7.12	53	7.08	48	0.04	5
<i>south africa</i>	6.87	61	6.8	63	0.07	-2
<i>greece</i>	6.81	62	6.2	92	0.61	-30
<i>india</i>	6.76	64	6.87	57	-0.11	7
<i>germany</i>	6.67	71	6.91	56	-0.24	15
<i>peru</i>	6.62	75	6.68	71	-0.06	4
<i>china</i>	6.61	76	6.44	85	0.17	-9
<i>indonesia</i>	6.57	79	6.23	91	0.34	-12
<i>sri lanka</i>	6.32	89	6.31	87	0.01	2
<i>turkey</i>	6.26	92	5.44	122	0.82	-30
<i>bangladesh</i>	6.16	94	5.85	109	0.31	-15
<i>estonia</i>	6.37	88	6.47	83	-0.1	5
<i>russia</i>	6.1	101	6.3	88	-0.2	13
<i>slovenia</i>	5.89	104	6.47	84	-0.58	20
<i>portugal</i>	5.68	113	6.02	102	-0.34	11
<i>macedonia</i>	5.48	123	5.5	121	-0.02	2
<i>iraq</i>	5.46	124	5.4	124	0.06	0
<i>haiti</i>	5.01	130	5.18	127	-0.17	3
<i>zimbabwe</i>	4.04	132	4.03	132	0.01	0

Source: Center of Social Policies – CPS/FGV based on Gallup World Poll

### Future Happiness (2011), by gender and the difference between them



Source: Center of Social Policies – CPS/FGV based on Gallup World Poll

**Who are happier – Brazilian men or women?** In Brazil women are happier than men in the aspects of future happiness (8.98 against the 8.56 of men), present (6.73 against 6.54) but not past happiness (5.43 against 5.86). This suggests an inversion of relative positions as we move forward in time. Brazilian men and women show the highest ratings of future happiness in their categories compared to the other 132 countries in the survey. However, it's important to be cautious in order to see if the differences are statistically relevant.

**Gender, Geography and Life Satisfaction** – As we have seen age and so the demographic structure affects life satisfaction in particular with respect to future expectations. In order to address this issue together with city size we estimated a ordered multinomial logit modeling order to isolate the possible effects of the gender and countries variables on life satisfaction outcomes . See technical appendixes

The results suggest that:

- i) In fact, women show higher levels of future and present happiness than men in the world, but the differences in favor of men in relation to past happiness are not statistically significant.
- ii) No country shows, with or without controls, higher levels of future happiness than Brazil.
- iii) No country in the world shows differences of future happiness between women and men more favorable to the former than those observed in Brazil. The coefficients of the only countries showing higher values than Brazil – Greece, Puerto Rico and Turkey – are not statistically different from zero.

In short, Brazil was not only world champion of future happiness in the women's and men's leagues but also in the gender differences with women on top.

## Future Happiness Simulator:

*This tool allows to simulate using the estimated model life satisfaction according to gender, country plus other controls.*

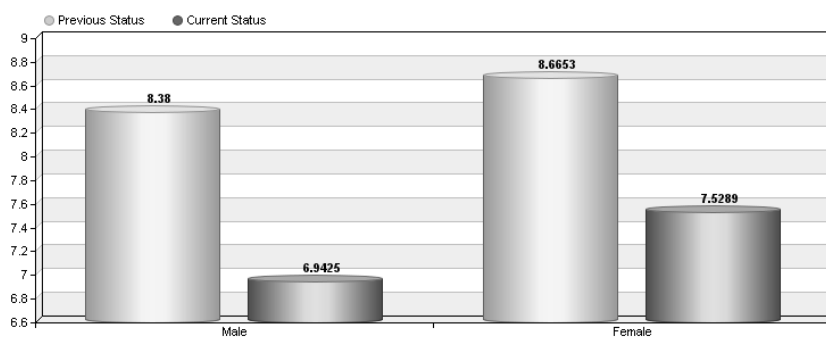
### Happiness Simulator

[Estimated Models - click here](#)

Gender:	Male	Area:	In a Large City
Age:	40	Country:	Brazil
<button>Simulate</button>		<button>Restart</button>	

Source: CPS/FGV processing microdata from the World Survey GALLUP/2006

### Future:



Previous status	Current status
Age: 40	Age: 40
Area: In a Large City	Area: In a Large City
Country: Brazil	Country: India





## Brasil X BRICS

### Growth, Inequality and Happiness

*We lose in GDP changes in comparison with the other members of the BRICS, but regarding income, inequality and happiness, the comparison is favorable to us.*

*We lead the G3 of world soccer with 12 out of the 20 World Cups: the BIGs — Brazil (5), Italy (4) and Germany (3), in that order.*

Emerging countries are winning more and more world attention, especially after the recent debacle of wealthy countries. The acronym BRICS, created by Jim O'Neil from Goldman Sachs, includes Brazil, Russia, India, China and, now, South Africa, possibly the main building bricks of world wealth by 2030. Over half of the world's poor now live in these countries. BRICS are important both for future wealth and current poverty purposes.

The upward mobility of BRICS is reflected in the choice of the two main sports events in the planet from 2008 to 2018: China (2008 Olympic Games), South Africa (2010 World Cup), Brazil (2014 World Cup and 2016 Olympic Games) and Russia (2018 World Cup).

That is, only one event, the 2012 Olympic Games in London, not fell on the BRICS and only one member of BRICS will not host one of these events during this period - India - but Brazil will host two events. In short, from six events of these top world class, five occurred in the BRICS countries.

BRICS have just become an official group of countries. Traditional regional grouping like Mercosul tend to bring similar nations together. BRICS is more interesting for the differences between its members than by their similarities. In particular, Brazil has been apart from the other BRICS in some aspects, namely data:

**Growth** – the beginning of the so-called lost decades for the Brazilian growth, starting in 1980, was almost concurrent with the beginning of China's economic miracle. Brazil has grown less than the other BRICS. China and India have grown more than Brazil every year since 1992.

It should be considered that in the other BRICS, just like in most developed countries, the main progress measure used, GDP, has increased more than income reported by national household surveys (similar to the Brazilian PNAD). For instance, GDP in China

increases two percentage points per year above the income in Chinese households. The opposite occurs in Brazil. Since 2003, the income reported by PNAD has increased 1.8 percentage point per year above GDP. That means if we exchange GDP's growth by PNAD's from 2003 to 2010, China's thrashing decreases from  $10\% \times 4\%$  to  $8\% \times 6\%$ .

**Inequality** — Starting from much higher levels, inequality decreases in Brazil and increases in the other BRICS. In post-communist Russia, Gini's Index, which ranges from 0 to 1, has a record high from 0.28 in 1992 to 0.44 in 2008. In post-Apartheid South Africa, Gini reaches the incredible mark of almost 0.7.

In the 2000's, growth rates of per capita household annual income in the lower 20% bracket and the top 20% bracket in each country were: China (8.5% and 15.1%); India (1.0% and 2.8%); South Africa (5.8% and 7.6%), while in Brazil the poorest bracket grows more than the top one (6.3% and 1.7%). That means the Brazilian's purchasing power, especially the poorest Brazilians', grows more than the GDP. The opposite occurs in the other members of the BRICS.

**Happiness** — According to Gallup World Poll, the average grade of satisfaction with life in Brazil, in 2009, was 7 out of 10. We outperformed the other countries: South Africa (5.2), Russia (5.2), China (4.5) and India (4.5). Even more, Brazil is the only member of the BRICS that improves in the world rank of happiness, from 22<sup>nd</sup> in 2006 to 17<sup>th</sup> in 2009, out of 144 countries.

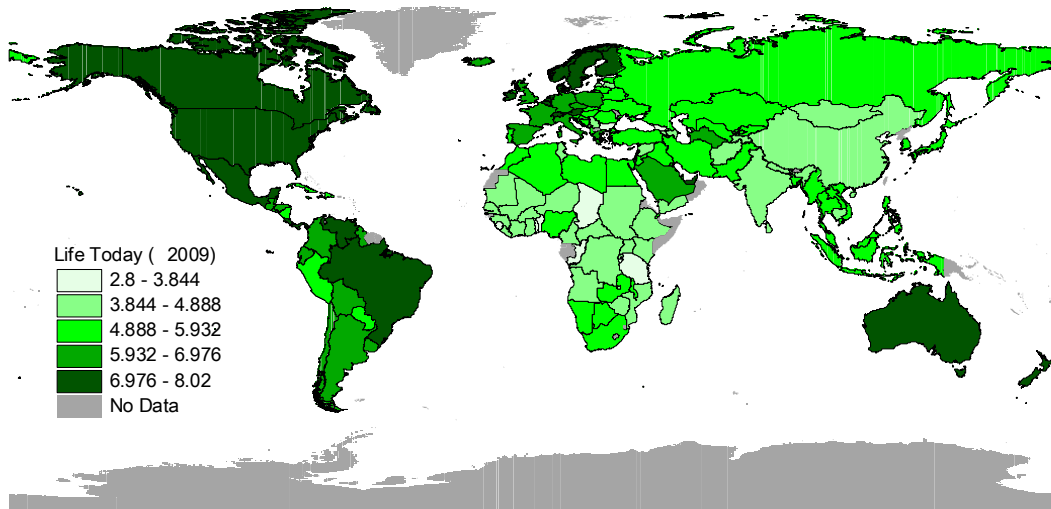
In the game of GDP growth, closely watched by economists, BRICS have been thrashing developed countries. Brazil, in its turn, would be on the verge of being relegated from the top league of emerging countries.

In the everyday competition, more important for normal people about income, inequality and happiness, comparison with the other members of the BRICS is favorable to us.

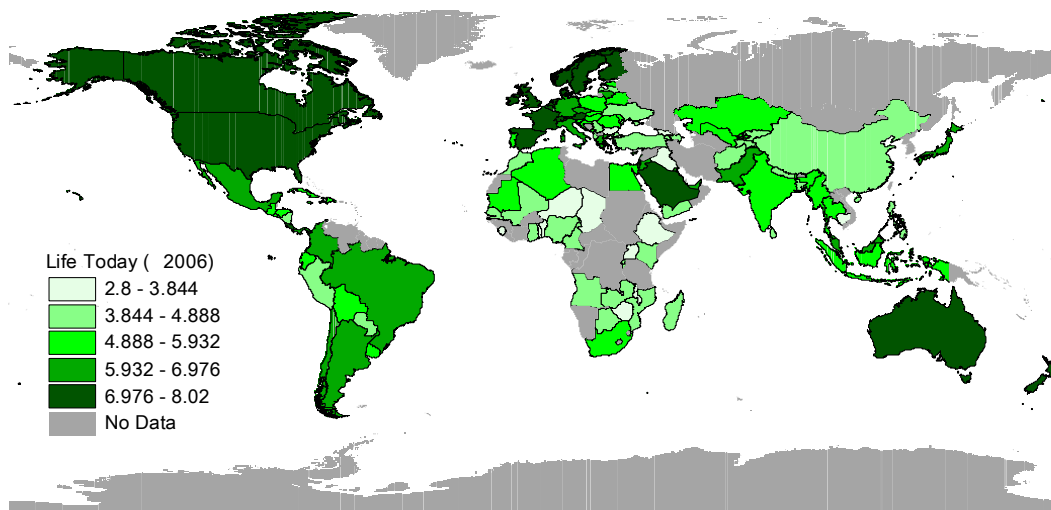
Regarding the most important aspect, however, the one that determines overall happiness in the long term, and, whatever the soccer metaphor: forget the BRICS, but not the PIIGS (Portugal, Ireland, Italy, Greece and Spain), with no reserves to replace worn-out players.

With an apology to our Spanish and Argentinean friends, the true G3 of world soccer, with 12 out of the 20 World Cups to date are what I call here “BIGs”: Brazil, Italy and Germany, in that order.

**World Map of Present Happiness in 2009**



**World Map of Present Happiness in 2006**



Source: CPS/FGV based on microdata from Gallup World Poll (Bid Project)

### *Can money buy (present) happiness?*

Common sense tells us that happiness can be considered the ultimate goal in everyone's life. The study about satisfaction with life has an intrinsic interest, as well as other motivations, like analyzing alternative public policies and solving empirical puzzles found in economics. Regarding the latter aspect, the most intriguing paradox is probably the extremely weak correlation that several studies present between income, the most worshiped variable in economics, and happiness. Countless countries that tried a drastic increase in actual income since the World War II did not see the increase wellbeing self-evaluated by the population; on the contrary, it decreased. On a certain moment, higher income is associated with people's happiness; however, along their lives and with time, such relation weakens, as in the Easterlin Paradox. People adapt their aspirations to the higher income and become more demanding as their income increase. As we will see ahead, this point of view was recently challenged by empirical results presented by Angus Deaton (2007). It is too early to pick sides in the discussion, but the publication of new data from the Gallup World Poll, which covers over 132 countries, has broadened the geographical horizon in the discussion, and the pioneer work of Deaton on them reshuffled the happiness cards with the money bills. With no bets on money as the main reason for happiness, we discussed the relations between income and happiness, based on microdata from this set of information, to which we had access thanks to the IADB's project on Life Quality.

We started with the same Deaton data, available for 132 countries, exploring simple bivariate exercises about satisfaction with life in levels and differences through different horizons compared to the per capita GDP adjusted by purchasing power parity, in order to compare oranges with oranges between countries. The initial dive of the impact of income on the world level of satisfaction with life tells us that Togo held the last place, with 3.2 in a scale from 0 to 10, and Denmark was in the top, with 8.02. Brazil was closer to the European than to the African countries, with 6.64, and above the international happiness rule, given its per capita PPP GDP level. Our research also informs that money buys current happiness not only in Brazil, but in the whole world. For every 100% increase in income, overall happiness in the countries increases 15%. Brazil, however, contradicts this international rule a bit: it was the 22<sup>nd</sup> in the world current happiness rank, above the 52<sup>nd</sup> position in the income ranking, out of 132 countries. That means we are currently happier than our income would suggest. From 2006 to 2009, Brazil's relative position went from 22<sup>nd</sup> out of 132 to 17<sup>th</sup> out of 146 countries.

## ***The convergence of inequality***

*In the 2000's, the income of the 50% Brazilians in the lowest income bracket increased by 67.9%, in comparison with 10.03% in the top 10% bracket.*

Despite being one of the greatest in the world, as our Latin neighbors say, Brazilian inequality is not outside the international curve anymore. That is what I learnt in meetings with researchers from developed (Germany, USA and Korea) and emerging countries (China, India, South Africa and Mexico).

Initially, it should be noted that our inequality is still absurdly large. Gini's index — the most used measure of income concentration — ranges from 0 to 1. Zero means everyone's incomes are equal, and one means all the income is in the hands of only one person. In other words, our current Gini, 0.53, is closer to maximum than to the minimum of inequality. On the other hand, it is decreasing here, and increasing in the other countries mentioned. Let's analyze the issue:

In all European countries members of OECD, inequality increases since 1985 — except for France and Belgium. Nordic countries, such as Sweden and Finland, among the most egalitarian in the world thanks to a generous Welfare State, is where inequality increased the most. American inequality follows the same upward trajectory in the post-Reagan period, regardless of the measure used, but even more according to those that focus on the top of income distribution.

The same increase is affecting the other members of the BRICS. In particular, when we make adjustments from measures based in consumption to income and we update the data, Ginis from China and India (0.48 and 0.52, respectively) get closer to the Brazilian Gini. Russian Gini went from 0.28 in the ruins of communism to 0.42. In South Africa, Gini is 0.67 — the highest I've ever seen — increasing after the end of Apartheid.

Brazilian Gini has just got to the lowest level historical series, begun in 1960, but is still higher than all countries mentioned above. The exception is South Africa and Mexico, the last one still affected by the marriage with the American economy, now facing a crisis. This Mexican setback matters because of its size with respect to Latin America. Recent books by Leonardo Gasparini, Nora Lustig and Luis Felipe Calva indicate a decrease in inequality in 13 out of 17 countries in the continent between 2000 and 2007. Exceptions are

Costa Rica and Uruguay, precisely the most equal countries in Latin America. The continent, the most unequal in the world, is exactly where inequality decreases.

Textbook growth models like Solow's promote the convergence of average income between countries, which has been in fact happening recently throughout the globe, with China's and India's strong growth detaching them from the other countries. Both countries are strategic, because half of the poor in the world are there.

Is there a world convergence of inequality inside the countries, meaning that those with huge initial inequality have now less, and those with less internal inequality now have more?

Total inequality among the members of the Global Village would not be necessarily increasing, just changing its form, based on the convergence of average incomes among countries and convergence of inequality inside them. This is my conjecture here.

What is really different about Brazil — and Perhaps Latin America — in the past decade, at least from the countries mentioned above, is the movement of their respective internal differences. Decrease here and increase elsewhere. In Brazil, we came from a Gini of almost 0.6 in 2001 to 0.53 in 2010, decreasing every year in the last decade. The accumulated growth rate of actual income per capita in the last ten years for the top 10% bracket was 10.03%, in comparison with 67.93 in the 50% lower bracket. That is, discounting inflation and population growth in our Belindia (a combination of Belgium and India, one of Brazil's nicknames), the growth in the half lower bracket was 577% higher than the elite's, which had almost half of the national income before (see [www.fgv.br/cps/dd](http://www.fgv.br/cps/dd)).

### **Sustainable inclusive growth?**

Two Nobel Economics prize winners, Amartya Sen and Joseph Stiglitz, presented the results of a report prepared by a commission formed at the request of the French President, Nicolas Sarkozy. The International Commission on Measurement of Economic Performance and Social Progress also counted on the support of 21 other prominent researchers, including Angus Deaton and James Heckman. The report has just been published as a book called "Mismeasuring Our Lives."

It is not our goal here to discuss this report in depth, nor the criticism that may be voiced against it, but to apply its four main conclusions to the Brazilian case after the 2003 recession. Let's examine the situation:

**GDP X PNAD** – The report warns that it is necessary to improve the current economic performance measures, beyond the Gross Domestic Product (GDP) growth rates. In particular, it emphasizes the income and household consumption approach to gauge average material lifestyle standards. In this context, it is important to remember that, although in the long-term the evolution of aggregates such as GDP of national accounts and income from the Brazilian National Household Survey (abbreviated PNAD in Portuguese) present similar trends, there is a strong decoupling between 2003 and 2009, when PNAD's average income increased 11.3 percentage points more than GDP. According to the objective view of the people, their respective average lifestyle standards are improving more than GDP suggests. As the Sen-Stiglitz book points out, in most other countries the opposite has happened: their respective PNADs indicate a lower growth than their GDP's.

**Sustainability** – Consider asset inventories as, for example, incorporate environmental attributes to consider the sustainability of performance indicators along time, i.e., if the current welfare levels can be maintained for the future generations. I will not discuss environment variables, which do not lie within my field, but the asset inventories collected by PNAD. We calculate, based on a wage equation and indicators of income generation potential, based on assets produced as human capital (education of all the members in a household) and its use (position in the occupation), capital stock (associative movement) and physical capital (computers, social security contributions and private pension plans, etc.). We also calculate, using the same method and metrics, consumption potential indexes (durable goods, housing, etc.). The former increased 38% more than the latter in the 2003-2009 period, which indicates the sustainability of lifestyle standards undertaken. In the 1990's, we saw the opposite: the consumption indicator increased more than the production capacity. Despite the importance of consumer credit growth and public social transfers, such as social security benefits and the Family Grant ("Bolsa Família"), the growth in education and formal employment (although yet on very precarious levels) is comparably more relevant to explain the ongoing transformations, suggesting sustainability in the growth process.



**Inclusion** – Income, consumption and wealth measurements must be followed by indicators reflecting their distribution. In a country with Belindia (combination of Belgium and India) as a nickname, such considerations are essential, because averages hide more than they reveal. From 2003 to 2009, real per capita income growth, according to PNAD, was 69% for the 10% poorest people, and decreased monotonically as we approached the 10% wealthiest people, with 12.6%. That means the growth rate in the poorest bracket was 550% higher the growth of the wealthiest, which is what we call the spectacle of growth, but only for the poor, who have been experiencing Chinese growth rates. In developed countries like the USA or England, or emerging countries like China and India, we can see the opposite: inequality is on the increase.

**Perception** – Finally, combining objective and subjective welfare measures, in the questions asked during the evaluations people make of their own lives, to obtain a more reliable picture of life quality in the countries. That is, it is not enough to improve life objectively: people have to notice the improvement. Since PNAD does not have information about people's perceptions, we used Gallup's Global Life Satisfaction Index World Poll in 2009, when Brazil was the 17th out of 144 countries. In all other BRIC's, satisfaction was below the median. From 2006 to 2009, overall satisfaction in Brazil jumps from the 22nd place out of 132 countries to 17th out of 144. That means overall satisfaction in Brazil increased, compared to the other countries.

To sum up, we may say the Brazilian economic progress in the last six or seven years does not constitute a spectacle growth and the Brazilian GDP has increased like the average in Latin America, which has not been the most dynamic region in the world. PNAD suggests growth higher than the GDP's. Considering the Commission recommendations, such growth would be considered inclusive and sustainable, not only in terms of objectivity from the Brazilians interviewed in their homes, but also taking their subjectivity into account.

## **Conclusions:**

The aim of the present study is to project the performance of economic classes (A, B, C, D and E) until 2014, outline the expected life satisfaction in Brazil versus other countries until 2015 and capture the performance of the Brazilian income distribution after the European crisis to January 2012. The main conclusions are listed below:

### **Chronicle of the Crisis (up to January 2012)**

- The European crisis has not reached Brazilian pockets. Average family income per capita increased 2.7%, coinciding with the growth between 2002 and 2008 and higher than the 0% in 2009 resulting from the crisis of 2008 and the -4.57% of the Asian crisis.
- In 12 months ending in January 2012, poverty dropped 7.9%, a three times faster rate than the UN millennium goal.
- In the 12 months to January 2012 the Gini fell 2.1%, a rate almost twice as fast as the early years of the past decade, which became known as that of the drop in inequality.
- Brazil's Gini fell from 0.596 in 2001 to 0.519 in January 2012, around 3.3% below its 1960 historic bottom line.

### **Class Scenarios (2014)**

- We used the 2003-09 period as basis for outlining the 2010-2014 scenario.
- With the predicted eight million increase in the population since 2009, around 12 million people would leave poverty (class E).
- The union of the ABC classes would be increased by 32.2 million Brazilians joining the consumer markets.
- The new middle class will reach the 60.19% mark, an increase of 19.3%.
- Poverty will drop 40% and the AB class will rise 40% by 2014.
- We will be discussing the new A class as we are doing today in relation to the new C class.

### **Future Happiness (2015)**

- We are four-time world champions of future happiness. In the last rating for 2015, the Brazilian average was 8.6 against the 6.7 world average.
- Symbolically, the lowest world future happiness is at Syria (2011 data looking to 2016).
- Other BRICS countries in the future happiness ranking are South Africa with 7.7 (27<sup>th</sup> placed); Russia with 6.4 (in 105<sup>th</sup> place); China with 6.2 (in 111<sup>th</sup> place) and India 6.1 (119<sup>th</sup> placed).
- This helps reconcile two qualifications attributed to Brazil: country of the future and young country.
- The “Brasileiro, Profissão Esperança” (Brazilian, Profession Hope) is the state of mind of our new middle class.
- The overall evaluation of the country life satisfaction by Brazilians is two points on a 0 to 10 scale smaller than the average grades given to Brazilians to their lives. The problem is more with Brazil than to each Brazilian.
- How can each Brazilian expect so much of his or her life and expect such a small outcome for the country as a whole?
- The major Brazilian problems are collective problems meaning: inequality, inflation, informality, violence, lack of democratic institutions. corruption etc.. We can change fast and for the better as a society if we address these collective problems.

### **Brazil X BRICS: Well Being Comparisons**

- Household Flows (not only GDP) ; Household Income Grows less than GDP in all BRICS except Brazil, where there is a 1.8 percentage points difference favoring the former;
- Stocks of Wealth: in particular the Environment China and India Model are less Sustainable but the low rates of savings inhibits capital accumulation and growth in Brazil;
- Distribution of Resources; Inequality is Falling in Brazil and Rising in All Other BRICS (from a lower Level except for South Africa)
- Subjective Measures of Well-being (Current Happiness is also Higher in Brazil)
- Brazil performs better in Well Being Growth Rates than in purely macroeconomic aspects (GDP growth).

**Afterword** - One year after the international crisis in 2008, The Economist identified a flying object emerging from the mountains in Rio de Janeiro. Many people did not believe it, but the picture in the magazine cover did not allow doubts. It clearly showed the *Cristo Redentor* statue (“Christ Redeemer statue”) taking off vertically. If Christ was capable of reincarnating, the flight itself was no big deal — I thought.

In a certain moment, Christ appears (may the Argentineans forgive us) wearing the yellow jersey of the Brazilian national soccer team (without the usual ads, of course), confirming the saying “God is Brazilian” (see next page).

Other objects were seen in the skies of other places in the globe: China, India, Russia, and, now, South Africa. All of them were human works, made of bricks, that worth the nickname BRICS (the observer was not that good in English). Famous constructions, some of them chosen by worldwide voting as the new wonders of the world. If you want to see to believe, visit [http://cps.fgv.br/pt-br/teaser\\_brics](http://cps.fgv.br/pt-br/teaser_brics) .

In the last two years, I had the chance to visit each of the countries in the BRICS group. I started in India, the Mecca of poverty studies, and saw the Ganges waters from its spring, which inspired Siddhartha, today surrounded by meditation temples. Along its course, it gets transformed by the cities' sewage thrown where people bathe in religious cults. In the cold Russian winter, I strengthened my impression that the new middle class also means increasing traffic jams.

China was certainly the most impressive, because of the combination of its size and the power of its ongoing transformation. I could admire, from today's world's highest tower, the Chinese ability to build infrastructure and trace strategic plans, despite not being able to listen to its people yet.

I ended up in the now democratic South Africa, where I lived for almost two years in the late 1970's. Johannesburg scared me with all the security equipment necessary to live there. Cape Town, in its turn, impressed me with its quality of life and beauty that compares to Rio de Janeiro. I rediscovered South Africa as my second country, despite having lived longer in the U.S. South Africa is pretty much like an extension of Brazil, as if Africa and Latin America had not been split by the separation of continents. The identification refers to a country under construction — like Brazil —, full of risks and opportunities, with the hope that from now on everything will be different.

The purpose of my trips was to talk about Brazilian policies to fight poverty. I must confess I was delighted to talk about Brazil. The Brazilian scenario contrasts with the other BRICS.

I learned in these trips, as a Brazilian social economist, that Brazil is performing better for the Brazilians than for the economists, because household surveys — our primary raw materials — reveal an improvement superior to National Accounts and its main byproduct, GDP. The microsocial aspect is evolving better than the macroeconomic, a fact that contradicts our own history. The opposite occurs in the other members of the BRICS.

I am talking about Brazil as a whole, not about our select group of researchers or even newspapers readers because, as paradoxical as it may seem, income has increased most precisely for those who do not read newspapers. Between 2001 and 2009, the income of illiterates increased 47%, compared to 17% of those who at least got into college. In this circuit, I learned that Bolsa Família became an export product Made in Brazil. Invariably, people want to learn about the program, or about the upward mobility of the new Brazilian middle class — more to the private enterprise taste, in a time of stagnant demand. As our big Mac Margolis, Newsweek's correspondent in Brazil, once said, everyone wants to know how we put our Gini back in the bottle and what the consequences are.

The Chinese are particularly interested in listening to our story, given their intention of redistributing income. The struggle against inequality and the consequent better balance between investment expenses and exportations in one hand and family's consumption and possibly importing on the other are in the center of their 12-year planning. What can be noticed in the first-world Chinese infrastructure and the pace of growth rate that will take the country where it wants to be in record time? When they set their minds to doing something, they simply just do it. I must admit that the announcement of Chinese redistribution effort sounded like music to my ears, producing a rare convergence between my social economist side, worried about overall happiness of the Chinese people, and my Brazilian corporate interests.

Before the seminar about initiative opportunities for the majority of the IDB (Interamerican Development Bank) will be launched a survey of CPS / FGV on this topic. This is a continuation of research projects started during the last decades. In mid-1990, I participated in a research project of the IDB, that resulted in a book "Portraits of Poverty: An Asset Based Approach" which contributed with the article, "Assets, Markets and Poverty in Brazil", whose Spanish version was published in *El Trimestre Económico*.

Nearly ten years later, I participated in other rounds of this research project, linked to the Quality of Life project, theme selected for the celebration of 50 Years of the institution. In this project we worked with the Gallup World Poll microdata, that covers objective and subjective data from a population of more than 132 countries. From these data we propose the HDI perceived (PHDI - Perceived Human Development Index) and we show that equal weights for the three components of the HDI, although arbitrary, would not be very different from those found using the metric of satisfaction with present life. Initially we explored what we call the Future Felicity Index relative to 2011, current year. Brazil has already appeared before as world record. We explored here again the data relative to 2014, year that Brazil will host the World Cup.



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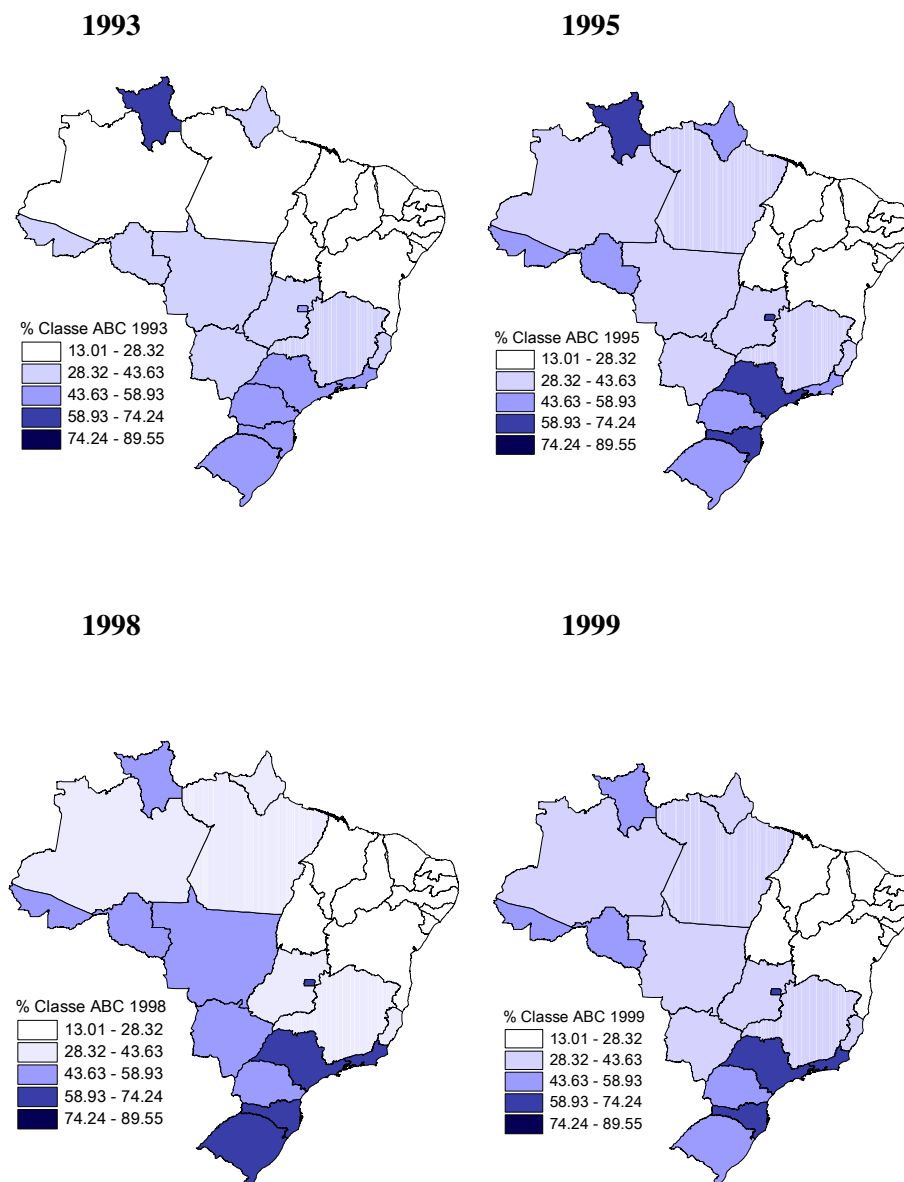
## **APPENDIX**

## 1 . NATIONAL INCOME:

### -- REGIONAL MAPS

#### Evolution of Class ABC Percentages, by Brazilian States

1993, 1995, 1998, 1999

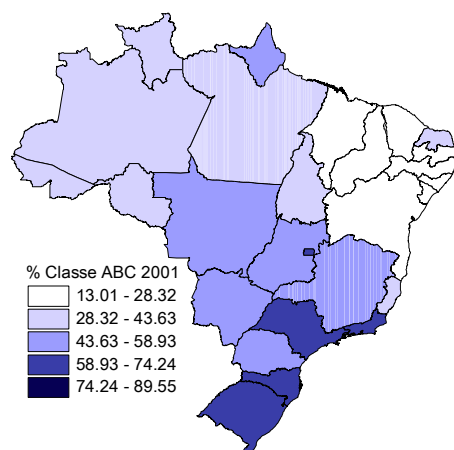


Source: CPS/FGV based on PNAD/IBGE microdata

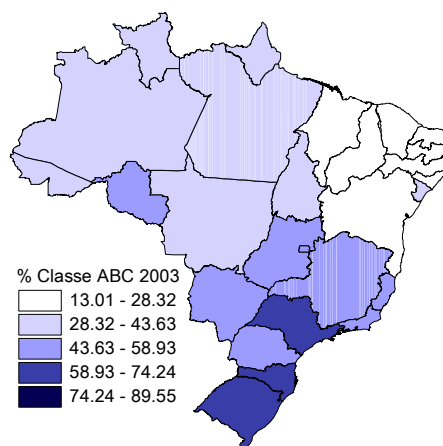
## Evolution of Class ABC Percentages, by Brazilian States (cont.)

2001, 2003, 2009, 2014

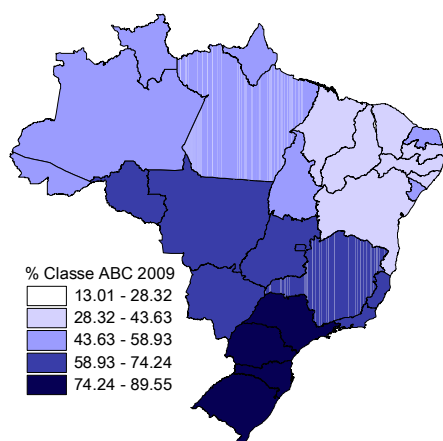
**2001**



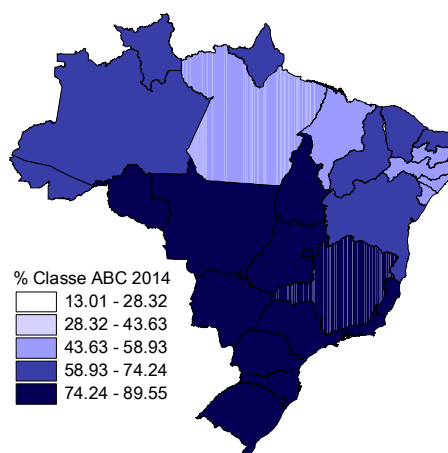
**2003**



**2009**



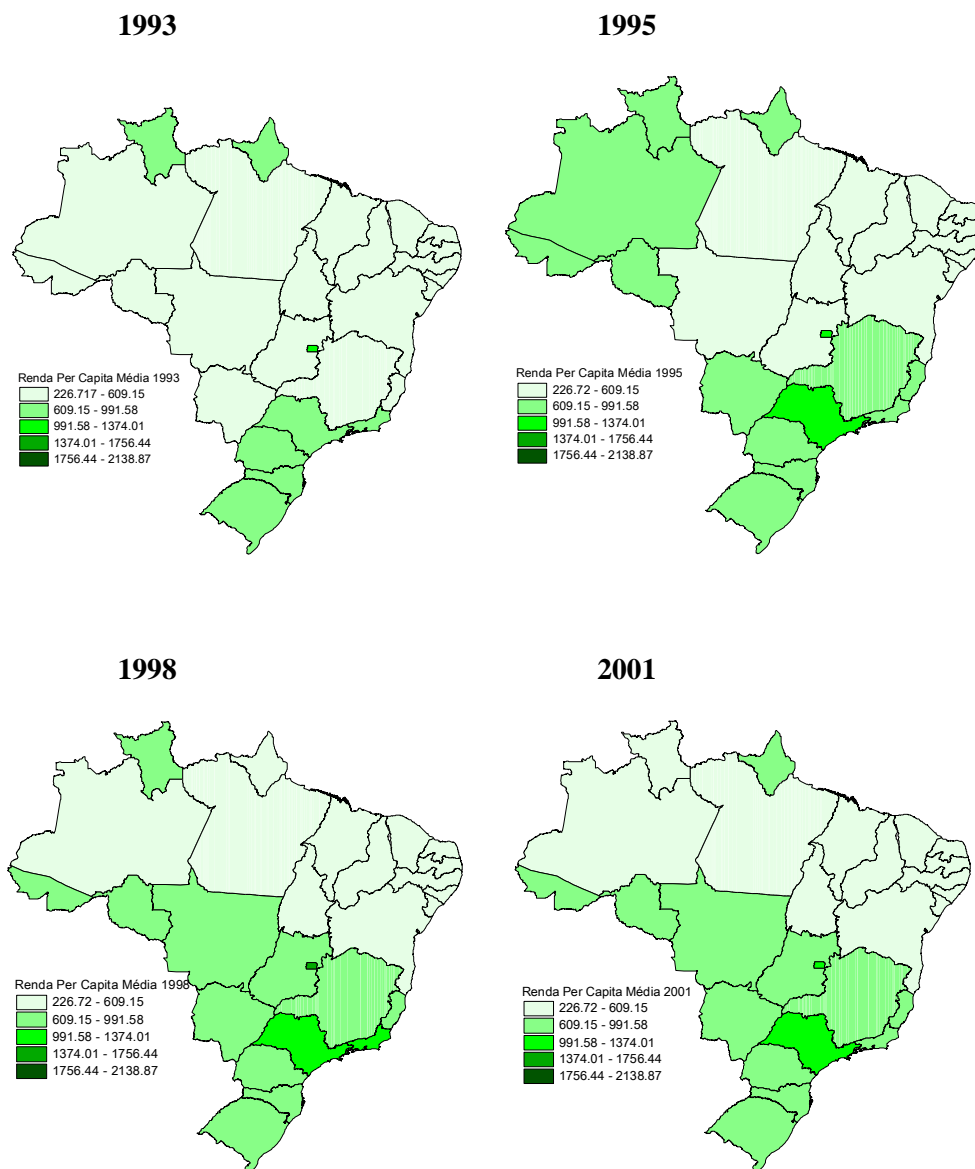
**2014 (forecasted)**



Source: CPS/FGV based on PNAD/IBGE microdata

## Evolution of Average Per Capita Household Income, by Brazilian States

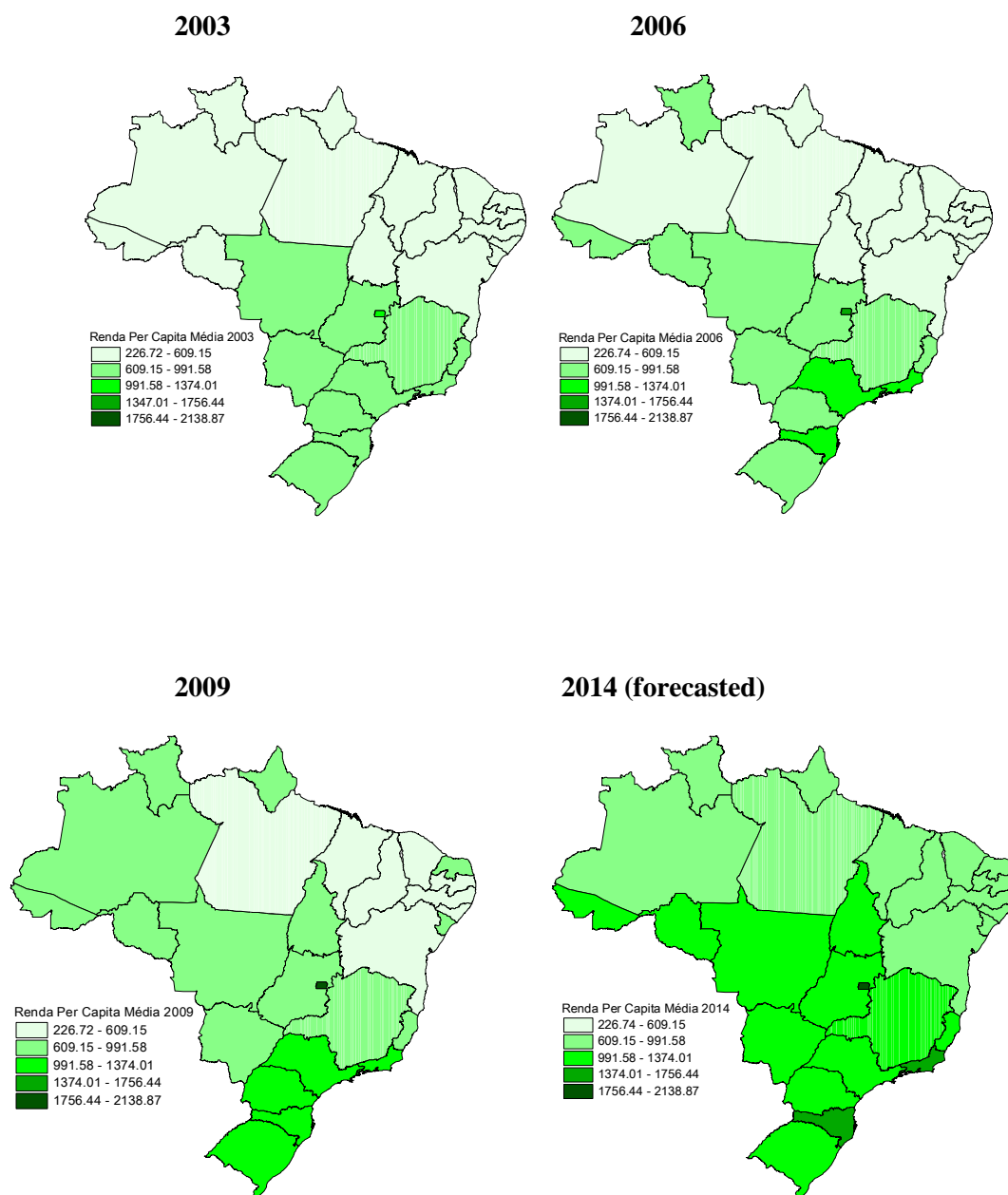
1993, 1995, 1998 e 2001



Source: CPS/FGV based on PNAD/IBGE microdata

## Evolution of Average Per Capita Household Income, by Brazilian States (cont.)

2003, 2006, 2009, 2014



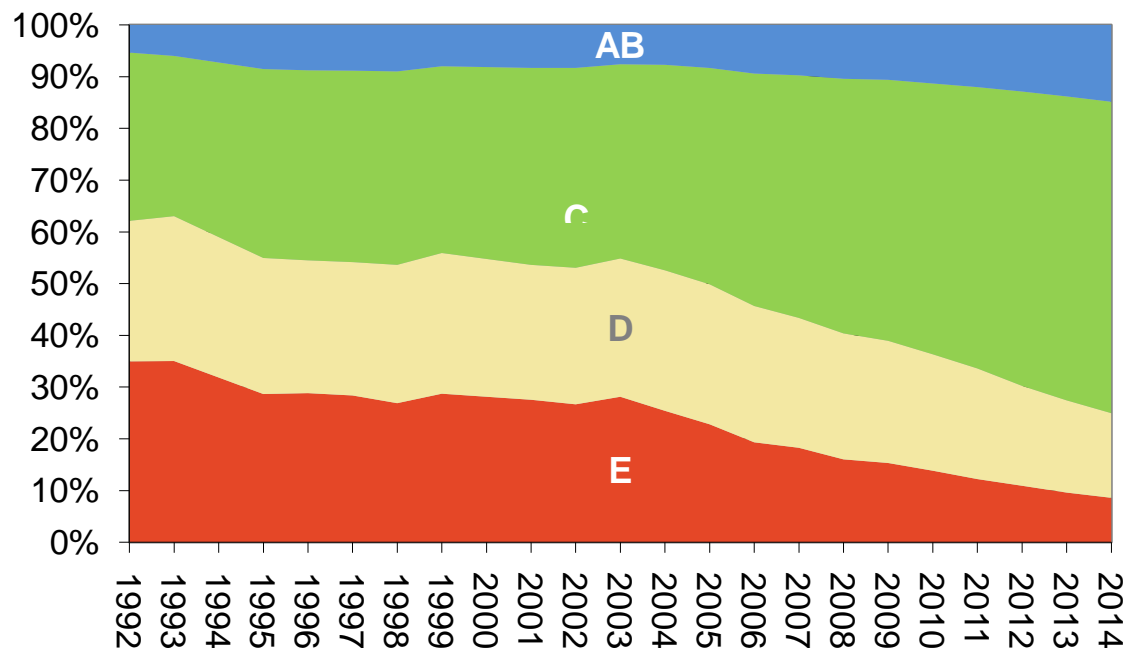
Source: CPS/FGV based on PNAD/IBGE microdata

Obs: adjusted by POF



-- CLASS COMPOSITION

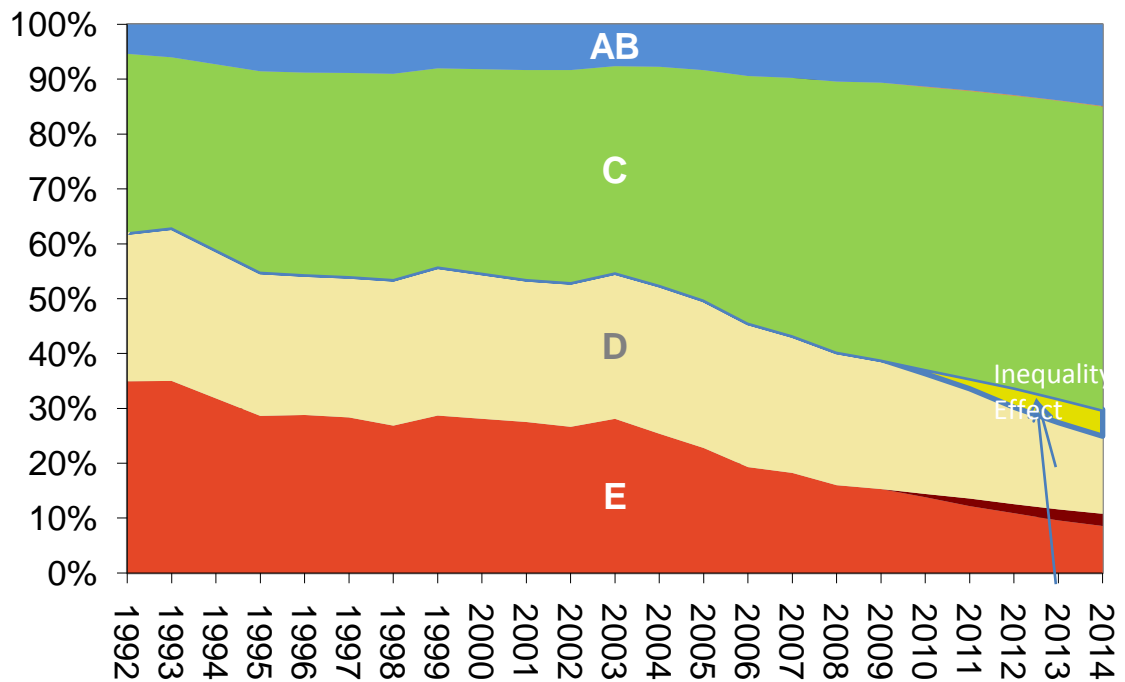
**Class Composition 1992 to 2014\***



\*class growth forecast from 2010 to 2014 – with inequality reduction

Source: CPS/FGV from the PNAD/IBGE microdata

**Class Composition 1992 to 2014\*- Assessing Inequality Impact**



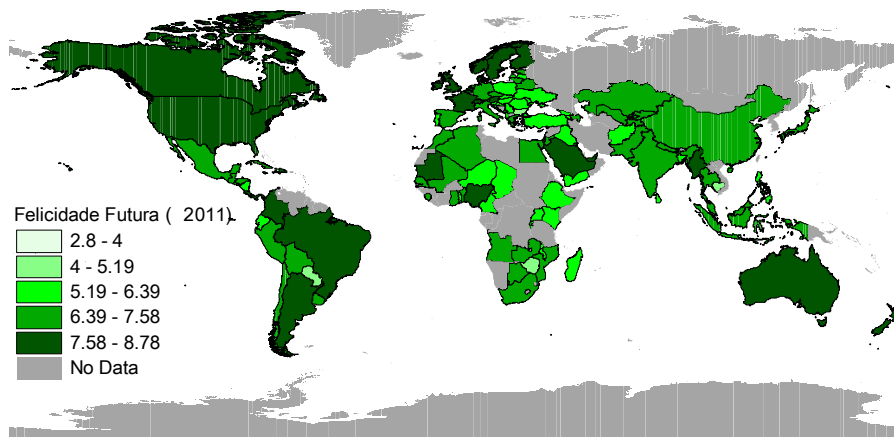
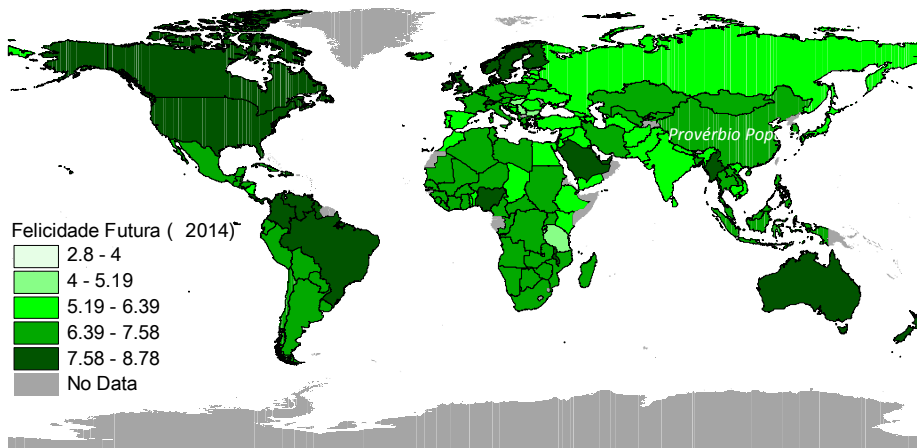
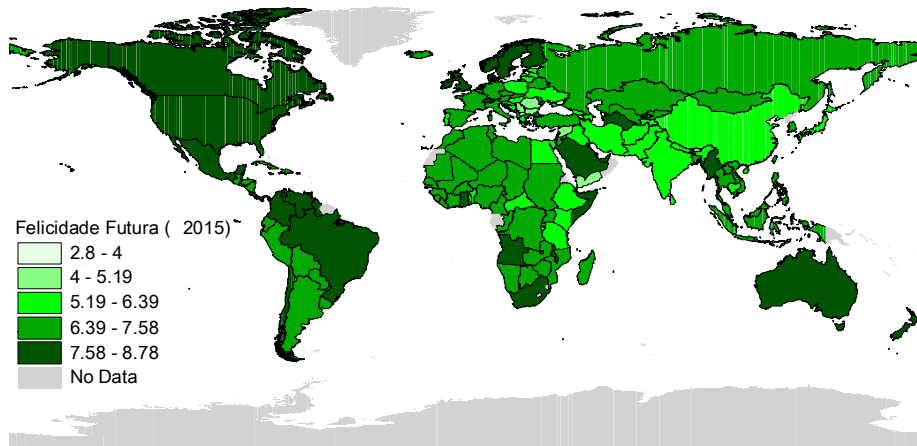
\*\* class growth forecast from 2010 to 2014 – with and without inequality reduction

Source: CPS/FGV from the PNAD/IBGE microdata

### 3. GLOBAL HAPPINESS

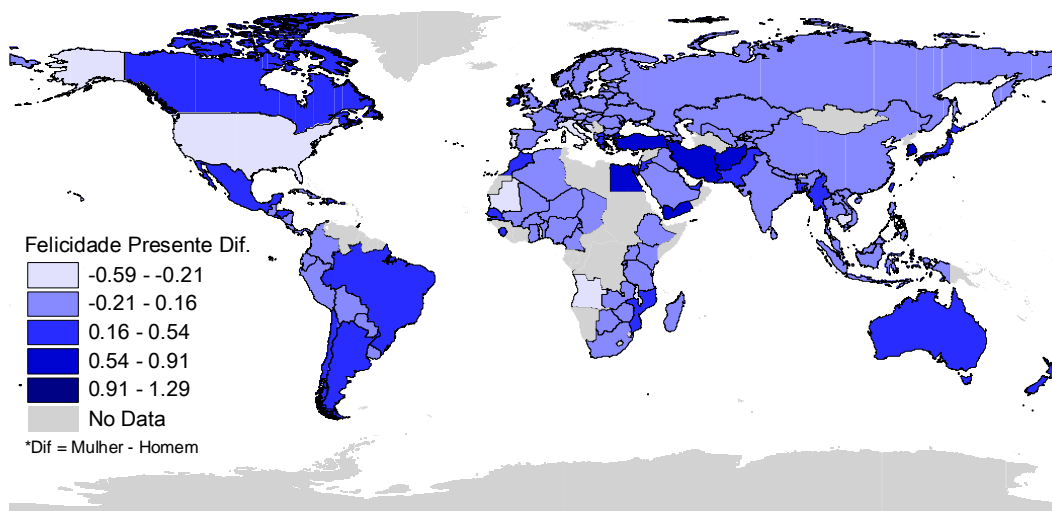
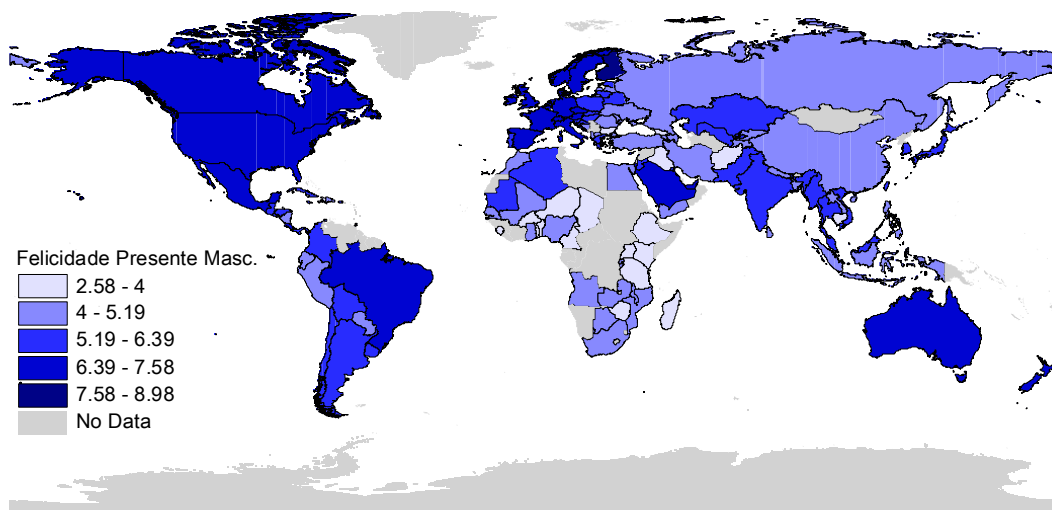
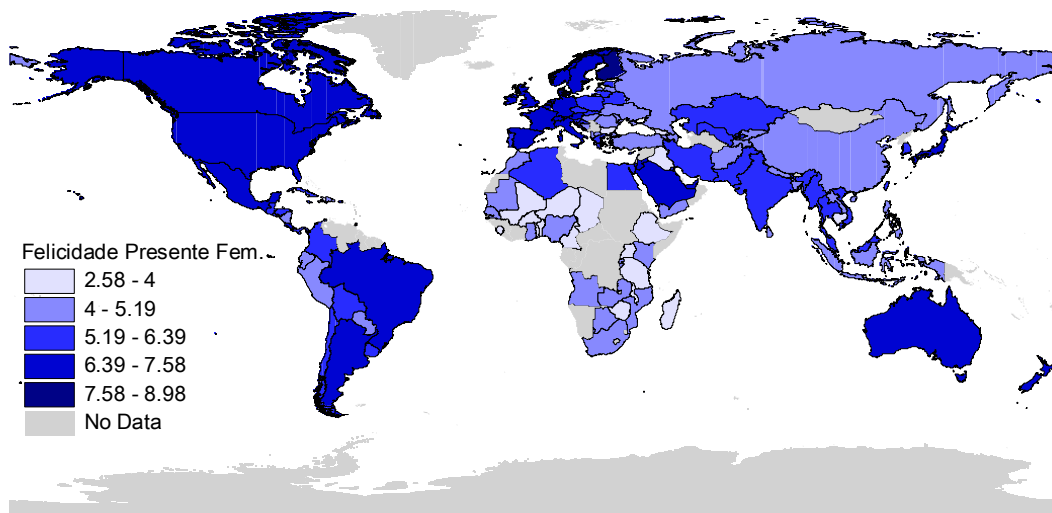
#### -- WORLD MAPS

Future Happiness (Life Satisfaction in Five Years) 2015, 2014, 2011



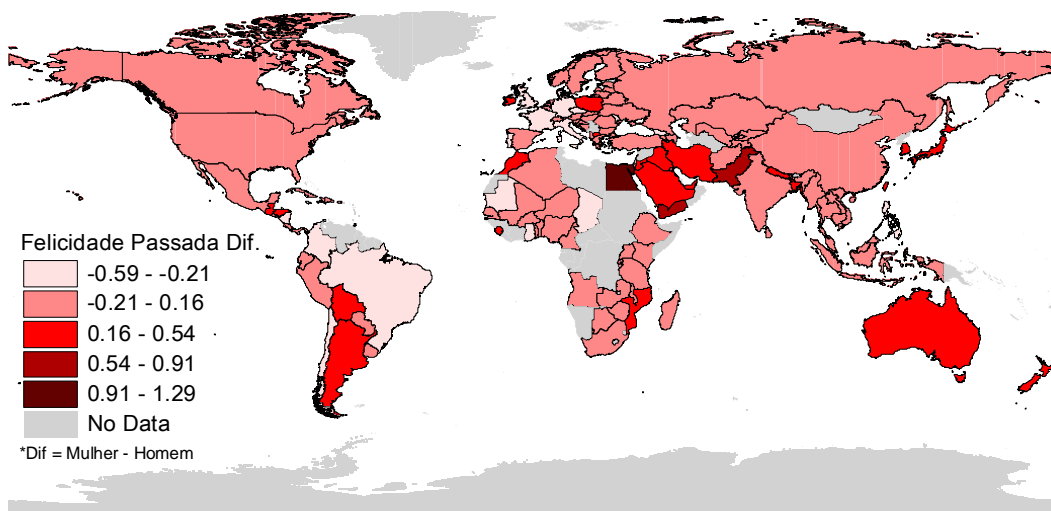
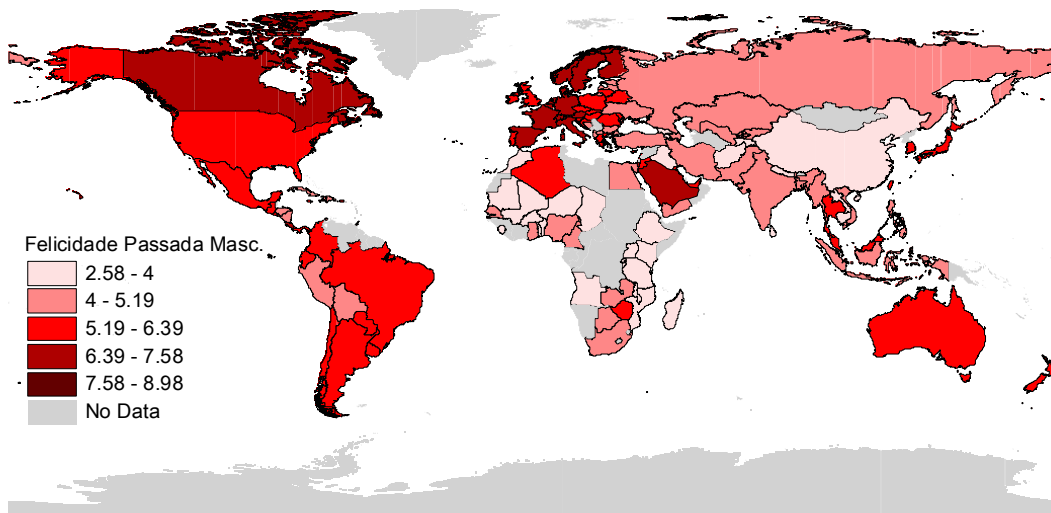
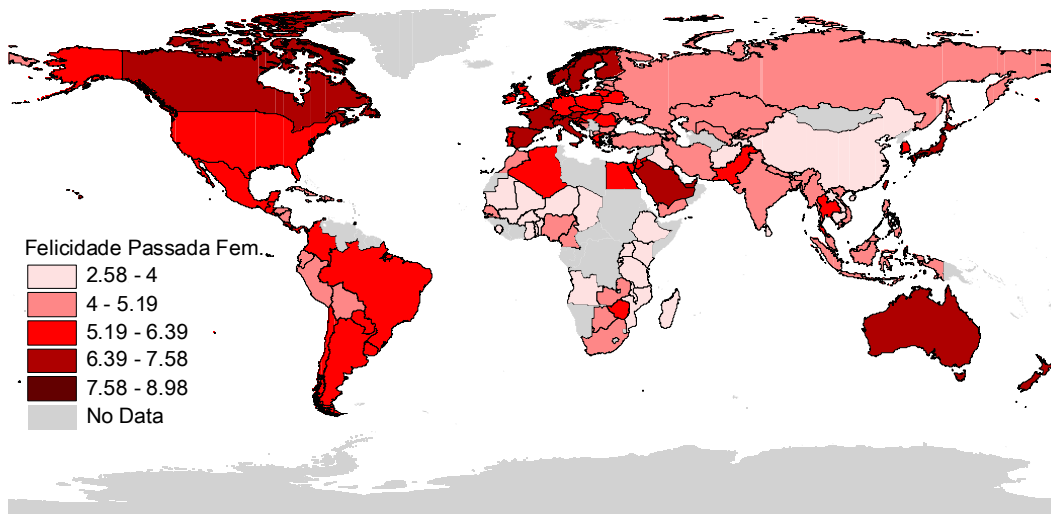
Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata

**Present Happiness 2006, 2010 and 2011, by gender and the difference between them**



Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata

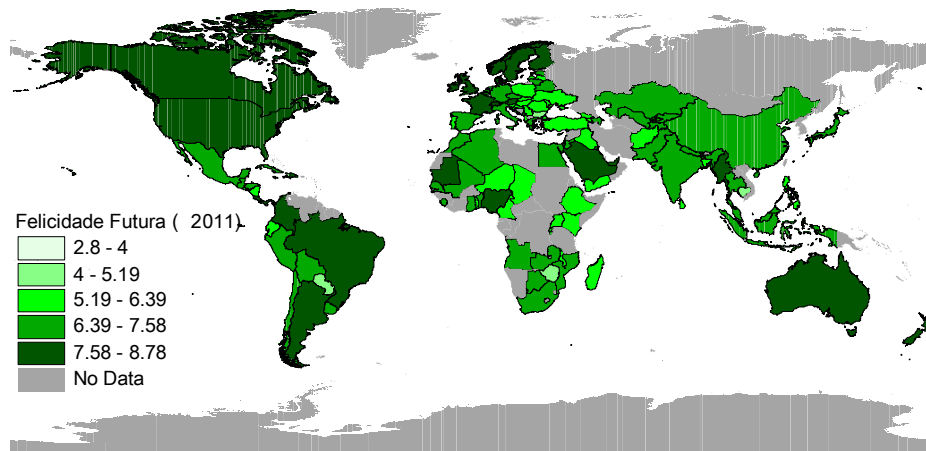
Past Happiness 2001, 2006 and 2007, by gender and the difference between them



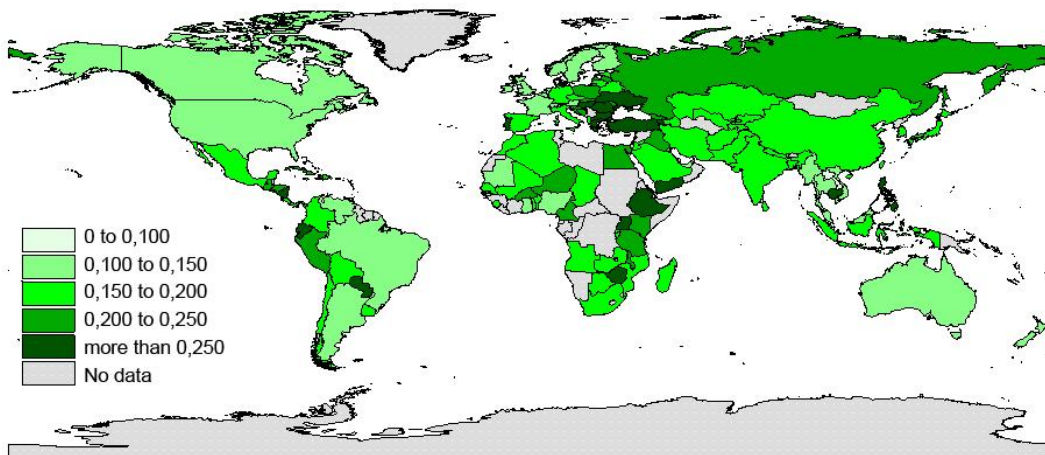
Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata

### Various Concepts Based on Future Life Satisfaction

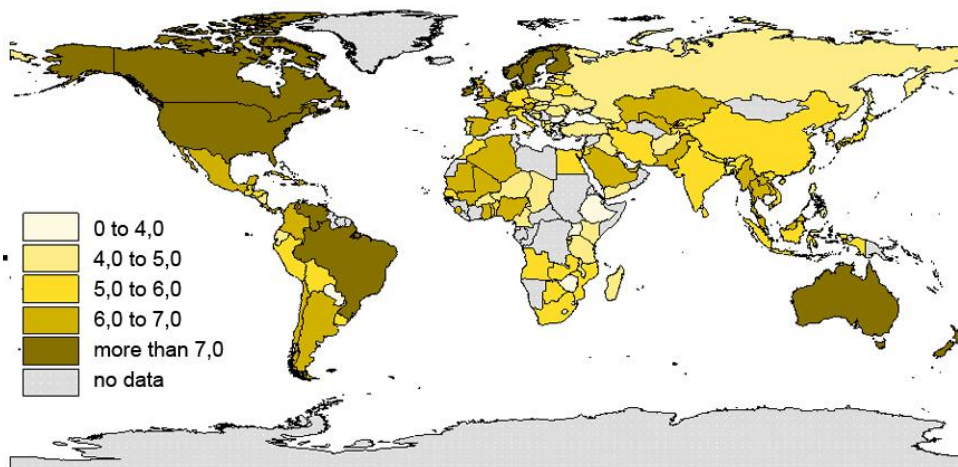
#### Mean Future Happiness (Satisfaction with Life in Five Years) 2011



#### Inequality of Individual Future Happiness - Gini Index - 2011



#### Social Welfare Function of Future Happiness - 2011



Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata

-- MULTIVARIATE EXERCISES

*Multinomial Ordered Logistic Model:*

*Average Future Life Satisfaction (Five Years Ahead)*

**Model 1 – sSimple Model with Countries fixe effects**

Parameter		DF	Analysis Of Parameter Estimates					Pr > ChiSq
			Estimate	Standard Error	Wald 95%		Chi-Square	
					Confidence Limits			
Intercept1		1	-7.4364	0.0719	-7.5774	-7.2955	10690.9	<.0001
Intercept2		1	-6.5986	0.0699	-6.7357	-6.4615	8899.29	<.0001
Intercept3		1	-5.9451	0.0692	-6.0807	-5.8096	7387.18	<.0001
Intercept4		1	-5.3395	0.0687	-5.4742	-5.2047	6033.67	<.0001
Intercept5		1	-4.8005	0.0685	-4.9347	-4.6662	4914.33	<.0001
Intercept6		1	-4.0577	0.0682	-4.1914	-3.9240	3538.76	<.0001
Intercept7		1	-3.4642	0.0680	-3.5975	-3.3308	2592.48	<.0001
Intercept8		1	-2.7652	0.0678	-2.8982	-2.6323	1661.00	<.0001
Intercept9		1	-1.7964	0.0676	-1.9289	-1.6639	705.94	<.0001
Intercept10		1	-0.9417	0.0675	-1.0739	-0.8095	194.90	<.0001
Gender	female	1	-0.0556	0.0101	-0.0754	-0.0358	30.42	<.0001
Gender	male	0	0.0000	0.0000	0.0000	0.0000	.	.
	idade	1	0.0249	0.0003	0.0243	0.0256	6063.05	<.0001
Region	(dk)	1	-0.1033	0.0891	-0.2778	0.0713	1.34	0.2462
Region	(refused)	1	-0.1425	0.0973	-0.3333	0.0482	2.15	0.1430
Region	Rural area	1	0.2329	0.0212	0.1913	0.2745	120.43	<.0001
Region	Grande cidade	1	-0.1837	0.0205	-0.2239	-0.1435	80.18	<.0001
Region	Pequena cidade	1	0.0468	0.0202	0.0072	0.0863	5.38	0.0204
Region	Subúrbio / Grande Cidade	0	0.0000	0.0000	0.0000	0.0000	.	.
COUNTRY	afghanistan	1	2.9800	0.0830	2.8174	3.1426	1290.20	<.0001
COUNTRY	albania	1	2.4958	0.0856	2.3279	2.6636	849.12	<.0001
COUNTRY	algeria	1	1.6871	0.0863	1.5180	1.8562	382.42	<.0001
COUNTRY	angola	1	2.3035	0.0924	2.1224	2.4845	621.62	<.0001
COUNTRY	argentina	1	1.3776	0.0872	1.2067	1.5485	249.72	<.0001
COUNTRY	armenia	1	2.8451	0.0860	2.6766	3.0137	1094.58	<.0001
COUNTRY	australia	1	0.9456	0.0851	0.7788	1.1124	123.49	<.0001
COUNTRY	austria	1	1.1967	0.0865	1.0270	1.3663	191.19	<.0001
COUNTRY	azerbaijan	1	2.2419	0.0900	2.0656	2.4182	621.16	<.0001
COUNTRY	bangladesh	1	2.8892	0.0837	2.7251	3.0532	1191.12	<.0001
COUNTRY	belarus	1	2.0820	0.0859	1.9137	2.2503	588.09	<.0001
COUNTRY	belgium	1	1.0502	0.0863	0.8810	1.2194	147.96	<.0001
COUNTRY	benin	1	2.3392	0.0850	2.1726	2.5059	757.17	<.0001
COUNTRY	bolivia	1	2.0591	0.0868	1.8889	2.2293	562.45	<.0001
COUNTRY	bosnia herzegov	1	2.3312	0.0768	2.1807	2.4817	921.75	<.0001
COUNTRY	botswana	1	2.1997	0.0869	2.0294	2.3700	640.96	<.0001
COUNTRY	brukina faso	1	3.0026	0.0850	2.8360	3.1692	1247.79	<.0001
COUNTRY	bulgaria	1	3.2097	0.0874	3.0384	3.3810	1348.88	<.0001
COUNTRY	burundi	1	2.5870	0.0842	2.4220	2.7520	944.29	<.0001
COUNTRY	cambodia	1	3.6250	0.0848	3.4588	3.7911	1828.31	<.0001
COUNTRY	cameroon	1	2.9859	0.0862	2.8170	3.1548	1200.82	<.0001
COUNTRY	canada	1	0.9863	0.0792	0.8311	1.1415	155.12	<.0001
COUNTRY	chad	1	2.7973	0.0846	2.6315	2.9632	1092.42	<.0001
COUNTRY	chile	1	1.5646	0.0883	1.3914	1.7377	313.73	<.0001
COUNTRY	china	1	2.0844	0.0708	1.9456	2.2232	866.31	<.0001
COUNTRY	colombia	1	0.8848	0.0904	0.7077	1.0619	95.89	<.0001
COUNTRY	costa rica	1	1.0694	0.0921	0.8889	1.2498	134.91	<.0001

COUNTRY	croatia	1	2.3110	0.0891	2.1364	2.4857	672.82	<.0001
COUNTRY	cuba	1	1.8343	0.0908	1.6563	2.0122	408.22	<.0001
COUNTRY	cyprus	1	1.9138	0.0915	1.7345	2.0932	437.61	<.0001
COUNTRY	czech republic	1	1.8755	0.0895	1.7001	2.0508	439.48	<.0001
COUNTRY	denmark	1	0.5580	0.0845	0.3924	0.7236	43.60	<.0001
COUNTRY	dominican repub	1	0.9714	0.0944	0.7865	1.1564	106.00	<.0001
COUNTRY	ecuador	1	2.5695	0.0885	2.3961	2.7430	842.80	<.0001
COUNTRY	egypt	1	1.8620	0.0924	1.6808	2.0431	405.86	<.0001
COUNTRY	el salvador	1	3.0073	0.0967	2.8178	3.1969	966.64	<.0001
COUNTRY	estonia	1	2.3450	0.0869	2.1747	2.5154	727.85	<.0001
COUNTRY	ethiopia	1	3.2323	0.0896	3.0568	3.4079	1302.04	<.0001
COUNTRY	finland	1	1.0957	0.0831	0.9328	1.2586	173.76	<.0001
COUNTRY	france	1	1.1876	0.0893	1.0126	1.3626	176.88	<.0001
COUNTRY	georgia	1	2.7199	0.0895	2.5445	2.8953	923.96	<.0001
COUNTRY	germany	1	1.8279	0.0857	1.6600	1.9958	455.27	<.0001
COUNTRY	ghana	1	1.7663	0.0859	1.5980	1.9346	423.17	<.0001
COUNTRY	greece	1	1.9839	0.0946	1.7984	2.1694	439.47	<.0001
COUNTRY	guatemala	1	2.1303	0.0904	1.9530	2.3075	554.97	<.0001
COUNTRY	haiti	1	3.4980	0.1043	3.2936	3.7024	1124.64	<.0001
COUNTRY	honduras	1	1.5298	0.0973	1.3392	1.7204	247.42	<.0001
COUNTRY	hungary	1	2.7532	0.0881	2.5805	2.9258	976.63	<.0001
COUNTRY	india	1	2.1111	0.0762	1.9616	2.2605	766.82	<.0001
COUNTRY	indonesia	1	2.4280	0.0854	2.2607	2.5954	808.60	<.0001
COUNTRY	iran	1	2.1673	0.0825	2.0056	2.3289	690.64	<.0001
COUNTRY	ireland	1	0.7318	0.0866	0.5621	0.9016	71.40	<.0001
COUNTRY	israel	1	1.0147	0.0859	0.8464	1.1830	139.61	<.0001
COUNTRY	italy	1	1.5748	0.0905	1.3973	1.7522	302.51	<.0001
COUNTRY	jamaica	1	0.7873	0.1058	0.5800	0.9945	55.41	<.0001
COUNTRY	japan	1	2.1022	0.0853	1.9351	2.2693	607.92	<.0001
COUNTRY	jordan	1	1.8410	0.0877	1.6692	2.0128	441.15	<.0001
COUNTRY	kazakhstan	1	1.5818	0.0860	1.4133	1.7504	338.31	<.0001
COUNTRY	kenya	1	2.5623	0.0890	2.3879	2.7367	829.56	<.0001
COUNTRY	kosovo	1	1.9094	0.0864	1.7400	2.0787	488.33	<.0001
COUNTRY	kuwait	1	1.8621	0.0897	1.6863	2.0379	430.94	<.0001
COUNTRY	kyrgyzstan	1	2.2605	0.0855	2.0930	2.4280	699.51	<.0001
COUNTRY	laos	1	2.5362	0.0815	2.3764	2.6960	967.29	<.0001
COUNTRY	latvia	1	2.8161	0.0840	2.6513	2.9808	1122.93	<.0001
COUNTRY	lebanon	1	2.3681	0.0890	2.1936	2.5427	707.30	<.0001
COUNTRY	lithuania	1	1.9994	0.0858	1.8312	2.1676	542.65	<.0001
COUNTRY	macedonia	1	3.0577	0.0852	2.8907	3.2247	1287.53	<.0001
COUNTRY	madagascar	1	2.9831	0.0834	2.8197	3.1465	1279.97	<.0001
COUNTRY	malawi	1	2.9380	0.0866	2.7683	3.1077	1151.51	<.0001
COUNTRY	malaysia	1	1.6100	0.0855	1.4424	1.7776	354.47	<.0001
COUNTRY	mali	1	1.8498	0.0863	1.6808	2.0189	459.97	<.0001
COUNTRY	mauritania	1	1.4429	0.0855	1.2754	1.6104	285.01	<.0001
COUNTRY	mexico	1	1.4185	0.0890	1.2440	1.5930	253.77	<.0001
COUNTRY	moldova	1	2.5938	0.0854	2.4265	2.7612	922.86	<.0001
COUNTRY	montenegro	1	2.1880	0.0927	2.0064	2.3697	557.43	<.0001
COUNTRY	morocco	1	1.7433	0.0883	1.5703	1.9163	390.17	<.0001
COUNTRY	mozambique	1	2.3681	0.0849	2.2018	2.5344	778.81	<.0001
COUNTRY	myanmar	1	1.6019	0.0833	1.4385	1.7652	369.48	<.0001
COUNTRY	nepal	1	2.4548	0.0878	2.2827	2.6269	781.91	<.0001
COUNTRY	netherlands	1	1.3518	0.0853	1.1846	1.5190	251.16	<.0001
COUNTRY	new zealand	1	0.8945	0.0845	0.7289	1.0602	112.03	<.0001
COUNTRY	nicaragua	1	2.8354	0.1040	2.6316	3.0392	743.49	<.0001
COUNTRY	niger	1	2.7124	0.0856	2.5446	2.8802	1003.98	<.0001
COUNTRY	nigeria	1	1.1598	0.0891	0.9851	1.3345	169.24	<.0001
COUNTRY	norway	1	1.0360	0.0843	0.8707	1.2012	151.01	<.0001

COUNTRY	pakistan	1	1.5804	0.0947	1.3948	1.7660	278.46	<.0001
COUNTRY	palestine	1	2.8732	0.0927	2.6916	3.0548	961.46	<.0001
COUNTRY	panama	1	0.7533	0.0919	0.5733	0.9334	67.24	<.0001
COUNTRY	paraguay	1	3.4508	0.0905	3.2734	3.6282	1453.73	<.0001
COUNTRY	peru	1	2.2950	0.0931	2.1125	2.4775	607.38	<.0001
COUNTRY	philippines	1	3.0229	0.0865	2.8533	3.1924	1221.10	<.0001
COUNTRY	poland	1	2.4831	0.0923	2.3023	2.6639	724.45	<.0001
COUNTRY	portugal	1	2.6330	0.0937	2.4493	2.8166	789.80	<.0001
COUNTRY	puerto rico	1	0.4709	0.1166	0.2425	0.6994	16.32	<.0001
COUNTRY	romania	1	2.6512	0.0918	2.4712	2.8312	833.47	<.0001
COUNTRY	russia	1	2.5416	0.0785	2.3877	2.6955	1048.03	<.0001
COUNTRY	rwanda	1	2.8613	0.0783	2.7080	3.0147	1336.68	<.0001
COUNTRY	saudi arabia	1	1.4935	0.0886	1.3198	1.6672	284.04	<.0001
COUNTRY	senegal	1	1.9356	0.0849	1.7692	2.1020	519.77	<.0001
COUNTRY	serbia	1	2.4564	0.0788	2.3019	2.6108	971.98	<.0001
COUNTRY	sierra leone	1	1.6730	0.0868	1.5029	1.8432	371.28	<.0001
COUNTRY	singapore	1	1.9709	0.0825	1.8091	2.1327	570.21	<.0001
COUNTRY	slovakia	1	2.7323	0.0863	2.5631	2.9014	1001.78	<.0001
COUNTRY	slovenia	1	2.3588	0.0867	2.1888	2.5288	739.92	<.0001
COUNTRY	south africa	1	2.0254	0.0879	1.8532	2.1976	531.45	<.0001
COUNTRY	south korea	1	2.0747	0.0846	1.9089	2.2406	601.35	<.0001
COUNTRY	spain	1	1.4836	0.0900	1.3071	1.6601	271.46	<.0001
COUNTRY	sri lanka	1	2.4989	0.0847	2.3329	2.6649	870.70	<.0001
COUNTRY	sweden	1	0.8664	0.0853	0.6991	1.0336	103.11	<.0001
COUNTRY	switzerland	1	1.1261	0.0860	0.9576	1.2945	171.62	<.0001
COUNTRY	taiwan	1	2.5094	0.0878	2.3373	2.6815	817.10	<.0001
COUNTRY	tajikistan	1	2.2330	0.0858	2.0649	2.4011	677.84	<.0001
COUNTRY	tanzania	1	3.0942	0.0871	2.9235	3.2649	1262.17	<.0001
COUNTRY	thailand	1	1.7922	0.0815	1.6325	1.9520	483.52	<.0001
COUNTRY	togo	1	2.5078	0.0846	2.3419	2.6737	877.88	<.0001
COUNTRY	trinidad & toba	1	0.8645	0.1163	0.6367	1.0924	55.29	<.0001
COUNTRY	turkey	1	2.8955	0.0909	2.7174	3.0736	1015.38	<.0001
COUNTRY	uganda	1	3.2011	0.0883	3.0279	3.3742	1313.13	<.0001
COUNTRY	ukraine	1	2.8502	0.0879	2.6779	3.0224	1052.07	<.0001
COUNTRY	united arab emi	1	1.3895	0.0870	1.2191	1.5600	255.21	<.0001
COUNTRY	united kingdom	1	1.1131	0.0839	0.9487	1.2776	176.01	<.0001
COUNTRY	united states	1	0.6091	0.0861	0.4404	0.7778	50.07	<.0001
COUNTRY	uruguay	1	1.7912	0.0889	1.6169	1.9655	405.68	<.0001
COUNTRY	uzbekistan	1	1.6396	0.0885	1.4661	1.8132	342.96	<.0001
COUNTRY	venezuela	1	0.0990	0.0943	-0.0859	0.2838	1.10	0.2942
COUNTRY	vietnam	1	2.3129	0.0836	2.1491	2.4767	765.54	<.0001
COUNTRY	zambia	1	2.1566	0.0859	1.9883	2.3250	630.27	<.0001
COUNTRY	zimbabwe	1	4.1989	0.0902	4.0221	4.3757	2167.42	<.0001
COUNTRY	zzzbrazil	0	0.0000	0.0000	0.0000	0.0000	.	.
Scale		0	1.0000	0.0000	1.0000	1.0000		

*Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata*



*Average Future Life Satisfaction (Five Years Ahead)*

**Model 2 - with interactive dummy (gender x COUNTRY) plus basic controls plus Gender and country (last variable coefficients not shown here)**

Parameter			DF	Estimate	Standard Error	Pr > ChiSq
Intercept1			1	-7.1853	0.0954	<.0001
Intercept2			1	-6.3472	0.0939	<.0001
Intercept3			1	-5.6933	0.0933	<.0001
Intercept4			1	-5.0868	0.0930	<.0001
Intercept5			1	-4.5469	0.0928	<.0001
Intercept6			1	-3.8028	0.0926	<.0001
Intercept7			1	-3.2081	0.0925	<.0001
Intercept8			1	-2.5076	0.0924	<.0001
Intercept9			1	-1.5365	0.0922	<.0001
Intercept10			1	-0.6798	0.0921	<.0001
Gender	<i>Female</i>		1	-0.5807	0.1290	<.0001
Gender	<i>Male</i>		0	0.0000	0.0000	.
Age			1	0.0249	0.0003	<.0001
Area	<i>(dk)</i>		1	-0.1051	0.0892	0.2384
Area	<i>(refused)</i>		1	-0.1403	0.0974	0.1498
Area	<i>Rural area</i>		1	0.2354	0.0213	<.0001
Area	<i>Big city</i>		1	-0.1816	0.0205	<.0001
Area	<i>Small City</i>		1	0.0493	0.0202	0.0148
Area	<i>Suburb / Big City</i>		0	0.0000	0.0000	.
GENDER*COUNTRY	<i>Female</i>	afghanistan	1	0.1898	0.1653	0.2509
GENDER*COUNTRY	<i>Female</i>	albania	1	0.5660	0.1709	0.0009
GENDER*COUNTRY	<i>Female</i>	algeria	1	0.4587	0.1728	0.0079
GENDER*COUNTRY	<i>Female</i>	angola	1	0.8109	0.1846	<.0001
GENDER*COUNTRY	<i>Female</i>	argentina	1	0.1593	0.1740	0.3600
GENDER*COUNTRY	<i>Female</i>	armenia	1	0.4929	0.1718	0.0041
GENDER*COUNTRY	<i>Female</i>	australia	1	0.1834	0.1694	0.2789
GENDER*COUNTRY	<i>Female</i>	austria	1	0.3345	0.1731	0.0533
GENDER*COUNTRY	<i>Female</i>	azerbaijan	1	0.7498	0.1796	<.0001
GENDER*COUNTRY	<i>Female</i>	bangladesh	1	0.4215	0.1670	0.0116
GENDER*COUNTRY	<i>Female</i>	belarus	1	0.5129	0.1718	0.0028
GENDER*COUNTRY	<i>Female</i>	belgium	1	0.4261	0.1726	0.0135
GENDER*COUNTRY	<i>Female</i>	benin	1	0.6617	0.1695	<.0001
GENDER*COUNTRY	<i>Female</i>	bolivia	1	0.4850	0.1736	0.0052
GENDER*COUNTRY	<i>Female</i>	bosnia herzegovina	1	0.6008	0.1529	<.0001
GENDER*COUNTRY	<i>Female</i>	botswana	1	0.7692	0.1733	<.0001
GENDER*COUNTRY	<i>Female</i>	brukina faso	1	0.8255	0.1693	<.0001
GENDER*COUNTRY	<i>Female</i>	bulgaria	1	0.6236	0.1743	0.0003

GENDER*COUNTRY	Female	burundi	1	0.6863	0.1680	<.0001
GENDER*COUNTRY	Female	cambodia	1	0.7656	0.1687	<.0001
GENDER*COUNTRY	Female	cameroon	1	0.5350	0.1719	0.0019
GENDER*COUNTRY	Female	canada	1	0.3820	0.1586	0.0160
GENDER*COUNTRY	Female	chad	1	0.8628	0.1691	<.0001
GENDER*COUNTRY	Female	chile	1	0.2781	0.1768	0.1157
GENDER*COUNTRY	Female	china	1	0.5269	0.1411	0.0002
GENDER*COUNTRY	Female	colombia	1	0.1878	0.1809	0.2990
GENDER*COUNTRY	Female	costa rica	1	0.6332	0.1846	0.0006
GENDER*COUNTRY	Female	croatia	1	0.4902	0.1782	0.0059
GENDER*COUNTRY	Female	cuba	1	0.6234	0.1817	0.0006
GENDER*COUNTRY	Female	cyprus	1	0.4328	0.1830	0.0180
GENDER*COUNTRY	Female	czech republic	1	0.7264	0.1788	<.0001
GENDER*COUNTRY	Female	denmark	1	0.4146	0.1692	0.0142
GENDER*COUNTRY	Female	dominican republic	1	0.2025	0.1892	0.2845
GENDER*COUNTRY	Female	ecuador	1	0.7053	0.1768	<.0001
GENDER*COUNTRY	Female	egypt	1	0.1011	0.1868	0.5882
GENDER*COUNTRY	Female	el salvador	1	0.3837	0.1934	0.0473
GENDER*COUNTRY	Female	estonia	1	0.5021	0.1739	0.0039
GENDER*COUNTRY	Female	ethiopia	1	0.5441	0.1785	0.0023
GENDER*COUNTRY	Female	finland	1	0.3957	0.1663	0.0173
GENDER*COUNTRY	Female	france	1	0.5539	0.1786	0.0019
GENDER*COUNTRY	Female	georgia	1	0.7772	0.1788	<.0001
GENDER*COUNTRY	Female	germany	1	0.7273	0.1711	<.0001
GENDER*COUNTRY	Female	ghana	1	0.8912	0.1716	<.0001
GENDER*COUNTRY	Female	greece	1	-0.0743	0.1890	0.6940
GENDER*COUNTRY	Female	guatemala	1	0.6698	0.1806	0.0002
GENDER*COUNTRY	Female	haiti	1	0.6731	0.2083	0.0012
GENDER*COUNTRY	Female	honduras	1	0.6273	0.1948	0.0013
GENDER*COUNTRY	Female	hungary	1	0.5644	0.1758	0.0013
GENDER*COUNTRY	Female	india	1	0.7893	0.1520	<.0001
GENDER*COUNTRY	Female	indonesia	1	0.3294	0.1705	0.0534
GENDER*COUNTRY	Female	iran	1	0.1229	0.1649	0.4562
GENDER*COUNTRY	Female	ireland	1	0.2507	0.1733	0.1480
GENDER*COUNTRY	Female	israel	1	0.4918	0.1720	0.0042
GENDER*COUNTRY	Female	italy	1	0.1852	0.1806	0.3050
GENDER*COUNTRY	Female	jamaica	1	0.8187	0.2116	0.0001
GENDER*COUNTRY	Female	japan	1	0.4401	0.1701	0.0097
GENDER*COUNTRY	Female	jordan	1	0.2050	0.1755	0.2428
GENDER*COUNTRY	Female	kazakhstan	1	0.5336	0.1722	0.0019
GENDER*COUNTRY	Female	kenya	1	0.1436	0.1769	0.4169

GENDER*COUNTRY	Female	kosovo	1	0.4173	0.1721	0.0154
GENDER*COUNTRY	Female	kuwait	1	0.2130	0.1805	0.2380
GENDER*COUNTRY	Female	kyrgyzstan	1	0.4685	0.1705	0.0060
GENDER*COUNTRY	Female	laos	1	0.5801	0.1629	0.0004
GENDER*COUNTRY	Female	latvia	1	0.6248	0.1681	0.0002
GENDER*COUNTRY	Female	lebanon	1	0.7270	0.1772	<.0001
GENDER*COUNTRY	Female	lithuania	1	0.7764	0.1720	<.0001
GENDER*COUNTRY	Female	macedonia	1	0.5575	0.1700	0.0010
GENDER*COUNTRY	Female	madagascar	1	0.6331	0.1658	0.0001
GENDER*COUNTRY	Female	malawi	1	0.8421	0.1723	<.0001
GENDER*COUNTRY	Female	malaysia	1	0.5726	0.1711	0.0008
GENDER*COUNTRY	Female	mali	1	0.9440	0.1722	<.0001
GENDER*COUNTRY	Female	mauritania	1	0.9386	0.1709	<.0001
GENDER*COUNTRY	Female	mexico	1	0.4850	0.1785	0.0066
GENDER*COUNTRY	Female	moldova	1	0.6948	0.1704	<.0001
GENDER*COUNTRY	Female	montenegro	1	0.6849	0.1850	0.0002
GENDER*COUNTRY	Female	morocco	1	0.2474	0.1765	0.1610
GENDER*COUNTRY	Female	mozambique	1	0.4599	0.1695	0.0067
GENDER*COUNTRY	Female	myanmar	1	0.5692	0.1663	0.0006
GENDER*COUNTRY	Female	nepal	1	0.7307	0.1751	<.0001
GENDER*COUNTRY	Female	netherlands	1	0.4335	0.1705	0.0110
GENDER*COUNTRY	Female	new zealand	1	0.3989	0.1687	0.0180
GENDER*COUNTRY	Female	nicaragua	1	0.8868	0.2076	<.0001
GENDER*COUNTRY	Female	niger	1	0.6542	0.1708	0.0001
GENDER*COUNTRY	Female	nigeria	1	0.4426	0.1784	0.0131
GENDER*COUNTRY	Female	norway	1	0.5261	0.1687	0.0018
GENDER*COUNTRY	Female	pakistan	1	0.2402	0.1895	0.2051
GENDER*COUNTRY	Female	palestine	1	0.8495	0.1852	<.0001
GENDER*COUNTRY	Female	panama	1	0.4923	0.1841	0.0075
GENDER*COUNTRY	Female	paraguay	1	0.3383	0.1805	0.0610
GENDER*COUNTRY	Female	peru	1	0.6880	0.1864	0.0002
GENDER*COUNTRY	Female	philippines	1	0.5623	0.1726	0.0011
GENDER*COUNTRY	Female	poland	1	0.5665	0.1845	0.0021
GENDER*COUNTRY	Female	portugal	1	0.8381	0.1869	<.0001
GENDER*COUNTRY	Female	puerto rico	1	-0.0795	0.2343	0.7343
GENDER*COUNTRY	Female	romania	1	0.4568	0.1836	0.0128
GENDER*COUNTRY	Female	russia	1	0.6092	0.1572	0.0001
GENDER*COUNTRY	Female	rwanda	1	0.6411	0.1556	<.0001
GENDER*COUNTRY	Female	saudi arabia	1	0.4606	0.1775	0.0095
GENDER*COUNTRY	Female	senegal	1	0.5538	0.1697	0.0011
GENDER*COUNTRY	Female	serbia	1	0.5815	0.1573	0.0002

<b>GENDER*COUNTRY</b>	<i>Female</i>	sierra leone	1	0.6572	0.1737	0.0002
<b>GENDER*COUNTRY</b>	<i>Female</i>	singapore	1	0.6279	0.1648	0.0001
<b>GENDER*COUNTRY</b>	<i>Female</i>	slovakia	1	0.7718	0.1722	<.0001
<b>GENDER*COUNTRY</b>	<i>Female</i>	slovenia	1	0.9314	0.1728	<.0001
<b>GENDER*COUNTRY</b>	<i>Female</i>	south africa	1	0.4238	0.1754	0.0157
<b>GENDER*COUNTRY</b>	<i>Female</i>	south korea	1	0.2360	0.1691	0.1629
<b>GENDER*COUNTRY</b>	<i>Female</i>	spain	1	0.5947	0.1794	0.0009
<b>GENDER*COUNTRY</b>	<i>Female</i>	sri lanka	1	0.6225	0.1691	0.0002
<b>GENDER*COUNTRY</b>	<i>Female</i>	sweden	1	0.3176	0.1706	0.0627
<b>GENDER*COUNTRY</b>	<i>Female</i>	switzerland	1	0.3116	0.1718	0.0697
<b>GENDER*COUNTRY</b>	<i>Female</i>	taiwan	1	0.2888	0.1755	0.0999
<b>GENDER*COUNTRY</b>	<i>Female</i>	tajikistan	1	0.6365	0.1711	0.0002
<b>GENDER*COUNTRY</b>	<i>Female</i>	tanzania	1	0.7427	0.1736	<.0001
<b>GENDER*COUNTRY</b>	<i>Female</i>	thailand	1	0.2830	0.1626	0.0817
<b>GENDER*COUNTRY</b>	<i>Female</i>	togo	1	0.7854	0.1690	<.0001
<b>GENDER*COUNTRY</b>	<i>Female</i>	trinidad & tobago	1	0.7735	0.2323	0.0009
<b>GENDER*COUNTRY</b>	<i>Female</i>	turkey	1	-0.0015	0.1818	0.9934
<b>GENDER*COUNTRY</b>	<i>Female</i>	uganda	1	0.5142	0.1757	0.0034
<b>GENDER*COUNTRY</b>	<i>Female</i>	ukraine	1	0.5571	0.1755	0.0015
<b>GENDER*COUNTRY</b>	<i>Female</i>	united arab emirates	1	0.4643	0.1743	0.0077
<b>GENDER*COUNTRY</b>	<i>Female</i>	united kingdom	1	0.2653	0.1675	0.1132
<b>GENDER*COUNTRY</b>	<i>Female</i>	united states	1	0.6719	0.1722	<.0001
<b>GENDER*COUNTRY</b>	<i>Female</i>	uruguay	1	0.3689	0.1779	0.0382
<b>GENDER*COUNTRY</b>	<i>Female</i>	uzbekistan	1	0.4060	0.1768	0.0216
<b>GENDER*COUNTRY</b>	<i>Female</i>	venezuela	1	0.1767	0.1890	0.3499
<b>GENDER*COUNTRY</b>	<i>Female</i>	vietnam	1	0.6045	0.1671	0.0003
<b>GENDER*COUNTRY</b>	<i>Female</i>	zambia	1	0.6498	0.1716	0.0002
<b>GENDER*COUNTRY</b>	<i>Female</i>	zimbabwe	1	0.5267	0.1791	0.0033
<b>GENDER*COUNTRY</b>	<i>Female</i>	zzzbrazil	0	0.0000	0.0000	.
<b>Scale</b>			0	1.0000	0.0000	

*Source: Social Policies Center – CPS/FGV from the Gallup World Poll microdata*

## Marcelo Neri - Interview Transcription and Translation

Video on [www.fgv.br/cps/ncm2014/eng](http://www.fgv.br/cps/ncm2014/eng)

Então, quer dizer, o Brasil está um pouco na contramão da sua história pregressa	Brazil today is a little bit opposed to its own past history
e está na contramão da história de outros países, emergentes e desenvolvidos.	and to other countries, emerging and developed ones current changes
Aqui a desigualdade cai por 11 anos consecutivos.	Here inequality has been falling for 11 straight years.
Nos últimos 12 meses terminados em janeiro a desigualdade caiu até mais forte	In the last 12 months until January this year inequality has fallen even faster
do que vinha caindo antes, e hoje agente está no menor nível de desigualdade da	than before, and today we are in the lowest inequality level
nossa série histórica que começa em 1960, embora a desigualdade do Brasil ainda	of our historical series that begin in 1960, although Brazilian inequality is still
seja uma das 12 maiores do mundo.	one of the 12 highest in the world.
(Por que isso?)	(Why is this happening?)
São vários motivos que levam a essa redução de desigualdade,	There are a lot of reasons that explain the fall in inequality,
o primeiro e mais importante é agente ter colocado os filhos na escola.	the first and the most important is that we have brought our children to school.
A estabilização foi importante, programas sociais também são importantes,	The 1994 stabilization of inflation was important and social programs too,
então é um conjunto de fatores, mas se eu fosse dizer um,	so it is a set of factors, but if I had to choose one,
educação é o mais importante de todos conforme os nossos estudos.	education is the most important of all, according to our previous studies.
(Mesmo assim o Brasil continua entre os 12 mais desiguais do mundo...)	(Nevertheless Brazil is still one of the 12 most unequal countries in the world...)
O estudo tem boas e más notícias em relação à desigualdade.	The study has good and bad news relative to the inequality.
As más notícias é que a desigualdade do Brasil é muito alta ainda,	The bad news is that inequality in Brazil is still very high,
umas das 12 mais altas do mundo.	one of the 12 highest in the world.
A boa notícia é que ela vem caindo a 11 anos consecutivos	The good news is that it has been falling for 11 years in a row
e que ela pode continuar caindo de novo e de novo, dado que ela é muito alta	and it can fall even more and more, because it is yet very high
e que vários fatores como melhora da educação, etc., ainda estão em operação.	and a lot of factors like improving education from a low levels are still in operation.
(Os dados mais recentes também apontam que o Nordeste é a região que está	(The recent data show that the Northeast is the region that is
crescendo mais e também é onde a desigualdade está diminuindo mais, é isso?)	growing the most and where the inequality is falling in a faster rate, is that true?)
Quer dizer, na verdade a desigualdade brasileira cai muito porque	Actually the Brazilian inequality is falling in a strong rate because mean
a renda do Nordeste aumenta mais, onde tem um grande contingente populacional,	income in the Northeast is increasing more, ,
do que no Sudeste, onde tem outro, ou do	compared to the Southeast or to the
Sul do país, mas dentro do Nordeste	South of the country, where there are a lot of

	people but inside the Northeast
a desigualdade não cai tanto, porque lá também está tendo investimentos, atração de empresas...	inequality is not falling so much, because there are investments being made and attraction of companies in the region...
Mas a desigualdade do Brasil cai porque a renda no Nordeste cresce mais,	But the Brazilian inequality falls because low incomes in the Northeast is increasing in a faster rate,
não tanto porque a renda dos pobres do Nordeste cresce mais do que o resto.	not because the income of the poor from the Northeast is increasing more than the elite there.
Então, quer dizer, se agente olhar a redução da desigualdade,	So, that means, if we look to the fall in the inequality that faster growth
ela tem uma face negra, favelada, analfabeta, esses grupos estão tendo	has a black face, from the slum, illiterate, etc These groups that are having a
crescimento de renda maior do que os alfabetizados, do que os que não moram em favelas,	stronger income growth in relation to the literate, people that live outside the slums,
do que os brancos, etc. Ela também é feminina, a renda das mulheres cresce mais	to the white people , etc. This fall has a female face too, the income of the women is growing more
do que a dos homens, cresce mais no Nordeste, cresce mais no campo,	than the one of the men, it grows more in the Northeast, in the rural areas,
então todos os grupos excluídos tradicionalmente da sociedade	so all the traditionally excluded groups from the society
como mulheres, negros, analfabetos, favelados, etc.,	like women, black people, illiterate, people from the slums, etc.,
estão tendo um crescimento de renda maior do que os demais.	are having higher income growth compared to the other ones.
(Sobre essa pesquisa das mulheres serem mais felizes, você pode falar um pouquinho sobre isso?)	(About the study that says that women are happier than men, can you talk a little about that?)
Então, basicamente as mulheres hoje são mais felizes que os homens numa nota de 0 a 10,	Basically women today are happier than men in a scale from 0 to 10,
quando perguntam “dá uma nota de sua felicidade presente e dá uma nota pra sua felicidade daqui a cinco anos”.	when they are asked “give a grade to your present happiness and to your expectation of life satisfaction in five years” .
Em ambos os conceitos as mulheres reportam notas maiores no mundo como um todo.	In the two concepts females reported higher rates than males in the world as a whole.
Quando você compara mulheres e homens com a mesma idade e outras	When you compare women and men with the same age and others
características, a nota das mulheres é maior que a dos homens,	characteristics, the females’ rates are higher than the one from males,
e no caso brasileiro as mulheres brasileiras tem uma nota de 0 a 10 de 8,98.	and in the Brazilian case, the Brazilian women give a mean grade from 0 to 10 of 8.98
A nota média das mulheres é a mais alta do mundo entre todas as mulheres de 158 países.	The mean female rate is the highest all over the world between the females from all 158 countries covered.
A nota dos homens também é a mais alta de	The males’s rate is too the highest of all other

todos os homens de todos os países do mundo,	countries' males rate,
agora, o diferencial de brasileiras e brasileiros é o mais alto do mundo.	but the difference between Brazilian women and men is the highest in the world.
Ou seja, as mulheres brasileiras têm muito mais felicidade do que os homens,	That means the Brazilian women are much happier than men are,
embora sejam os primeiros do ranking mundial dos homens do mundo.	although they are the first place in the world men' ranking.
Elas são mais, apresentam mais, então o dado é que o diferencial de felicidade	The female are happier, so the differential happiness rate
entre mulheres e homens no Brasil é particularmente alto,	between women and men in Brazil is particularly high,
embora os homens tenham nível de felicidade futura,	although men have future happiness level,
expectativa de melhora de vida, das mais altas do planeta.	and expectations of a better life, among the highest in the planet.
(O que explica isso?)	(What explain this?)
Quer dizer, são vários fatores que podem explicar porque que a mulher é positiva, fatores objetivos.	A lot of factors can explain why the women are positive with respect to their own future, objective factors.
De um lado a mulher fez uma revolução nas escolas.	On the one hand the women have made a revolution in the schools.
Em 1996 a educação das mulheres ultrapassou a dos homens,	In 1996 females' education has overtaken the one from males',
em 2006 a renda não trabalho da mulher, ou seja, a renda de Bolsa Família,	in 2006 females non-labor income, that means income from Bolsa Família,
aposentadoria, tudo que não é trabalho, ultrapassou a dos homens em 2006,	Social security benefits, pensions etc everything that is income not labor, exceeded the one from males from 2006 onwards,
e o terceiro fator é o trabalho das mulheres.	and the third factor is female labor effort.
As mulheres estão com mais esforço ao trabalho do que os homens.	The women are increasing more their work effort than men.
A jornada de trabalho cresce, a participação no mercado de trabalho	The workday is increasing, the participation rate in the labor market
cresce mais entre as mulheres e o desemprego cai mais entre as mulheres,	is increasing more among women and unemployment is decreasing more among them too,
ou seja, são três fatores que levam à melhora nas condições de vida das mulheres.	what means that there are at least three factors that explain the upgrade in the lives of the women.
De um lado o estudo, dois o trabalho, não só proporcionado pelo estudo,	First study, second work, not just because of the improvement in the education,
mas pelo esforço de trabalhar mais jornadas, mais mulheres trabalhando,	but because of the effort to work more hours, more women working,
mais mulheres participando do mercado de trabalho e conseguindo emprego,	more women participating in the labor market and getting jobs,
ou seja, as mulheres trabalham mais, e em terceiro lugar é o dado das políticas sociais e previdenciárias do Brasil.	that is, women are increasing more their work effort, and finally the third factor is the social and retirement Brazilian policies.
O Brasil fez uma opção preferencial pelas	Brazilian society made a preferential option

mulheres na sua política social,	towards females in its social and retirement policies,
no caso do Bolsa Família a aposta é que o dinheiro que vai para a mulher chega mais aos filhos.	in the case of the Bolsa Família the bet is that the money that goes to the women reaches their children more often.
Então essa foi a opção da sociedade brasileira e os três fatores explicam	So this was the Brazilian society choice and the three factors explain
porque as mulheres estão objetivamente melhorando mais as suas condições de vida que o homem,	why women are objectively improving more their life conditions than men,
e isso ajuda a explicar porque que na cabeça das mulheres elas veem um futuro mais promissor,	and this helps to explain why in the minds of the women they expect a more promising future,
e eu diria que de todos esses fatores o fato da mulher ter feito	and I would say that among all these factors
o dever de casa, ter ido mais à escola, é o fator principal.	the improve in years of study is the main one.
O futuro é dos educados, e as mulheres são mais educadas que os homens, logo o futuro é da mulher.	The future is for the better educated, and the women are better educated than men, so the future will be good for females.
(Agora, os homens brasileiros também são bem felizes em relação ao mundo, por quê?	(The Brazilian men are pretty happier compared to the world, why?
As políticas públicas estão voltadas mais para a mulher, mas por que os homens estão tão felizes também, os brasileiros?)	The public policies are focused more on the women, but why are Brazilian males so happy too?)
Quer dizer, tem um dado cultural no Brasil, quando agente usa o termo	There is a cultural aspect in Brazil, when we use the term
“Brasil, o país do futuro” ou “Brasileiro, Profissão Esperança”,	“Brazil, the country of the future” or “Brazilian, Profession Hope” (Brasileiro, Profissão Esperança)
isso é um fato que reflete o estado de espírito que a vida vai melhorar,	this is a fact that reflects the state of mind that life will get better,
esse é um dado do brasileiro, o brasileiro acha que a vida vai melhorar.	this is a Brazilian cultural characteristic as well, Brazilians believe that life will improve.
Ele pode até estar errado. Então, é um dado cultural, o brasileiro é um ser otimista por natureza.	He or she may be wrong. But is a cultural fact, the Brazilians are optimists by nature.
O que a pesquisa revela também é que o brasileiro dá uma nota melhor	What the study also shows is that the Brazilians give a better rate for
para a vida dele do que para o país, o que é um certo paradoxo.	his own life than for the country as a whole, which is a sort of paradox.
Como é que todos podem achar que a vida está muito boa e que o país não vai muito bem?	How come people think their lives are very good and the country is not doing that well?
Quer dizer, o Brasil é otimista mas não consegue enxergar o país como um todo.	That means, Brazilians are optimists but can't see the country as a whole.
O brasileiro é mais cigarra do que formiga, ele é positivo e individualista,	Brazilians are more cicada than ants in terms of La Fontaine fable, like a cicada he or she is positive and individualist,
e acho que os dados da pesquisa,	and I think the data from the study,



comparados a outros, mostram que isso	compared to other ones, show that this
talvez ajude a explicar porque o brasileiro poupa pouco, porque que o brasileiro	may help to explain why Brazilians saves too little, why the Brazilians
faz pouca reforma, e porque que o brasileiro está feliz da vida apesar dos pesares.	do little changes, and why the Brazilians are so happy with their lives in spite of national and individual problems.
(Aqui da Portuguesa. Queria que o senhor falasse um pouco de Portugal,	(I wish you talk a little bit of Portugal,
Portugal está entre os países menos otimistas, em relação à Irlanda, me fala sobre isso.)	Portugal is among the less optimists, in relation to Ireland, tell me about this.)
Quer dizer, na pesquisa agente faz um ranking de felicidade entre 158 países,	In our study we make a ranking of happiness among 158 countries,
felicidade futura, expectativa, que a crise afeta muito as perspectivas de todas as	future happiness, expectation, the crisis strongly affects the forecast of all people specially
gerações mais novas e de todas as nações, e o que agente observa é o seguinte:	younger generations, and what we observe is the follow:
o Brasil, que é um país dos Brics, é o país mais positivo do mundo, por razões culturais também.	Brazil, which is a country from the BRICS, is the most positive country in the world, for cultural reasons too.
Outros países como a África do Sul também estão bem situados, dos Brics.	Other countries like South Africa are pretty well positioned in the world happiness ranking too.
Dos países que estão em queda, Irlanda está bem situada,	From the countries that are doing bad in the economy, Ireland is well positioned,
Portugal e Grécia são uns dos últimos do ranking.	while Portugal and Greece are among the worst positioned countries in the ranking.
Eu diria que tem a ver com a situação econômica desses países,	I would say this is because of the economic situation of these countries,
mas também tem um dado cultural, afinal a música de Portugal	but there is a cultural data too, after all the national music from Portugal
é uma música triste, é o fado, e aqui no Brasil é o samba.	is a sad music, is the “Fado”, and here in Brazil is the “Samba”.
Acho que reflete um pouco o estado de espírito da população,	I think it reflects a little bit the feeling of the population,
os portugueses sabem que os seus filhos aqui brasileiros são otimistas por natureza,	the Portuguese know that their Brazilian sons and daughters are optimistic by nature,
isso não é uma qualidade, é um atributo, é parte da cultura do país.	this is not a quality, is an attribute, is part of the country’s culture.
(E as portuguesas estão na contramão da tendência mundial de otimismo?)	(And the women from Portugal are against the world trend of optimism?)
As portuguesas apresentam a valor de face um nível de felicidade menor	The women from Portugal present at face value a lower level of happiness compared
do que os portugueses, mas quando você	to the men, but when you
compara mulheres e homens com as mesmas características as portuguesas estão melhores do que os portugueses, comparando pessoas iguais.	compare women and men with the same characteristics Portuguese females are happier than the men, comparing identical people.
(E por que é importante medir a felicidade?)	(And why is so important to measure

	happiness?)
Porque, quer dizer, sejam gestores de políticas públicas, sejam os próprios políticos, sejam pesquisadores, nós temos uma visão muito nossa, no caso dos pesquisadores, gestores, etc.	That's why whether policy makers, whether politicians themselves, Whether researchers, we all have a very particular vision, in the case of researchers, policy makers, etc...
Eu acho que é muito importante ouvir a população, porque às vezes eu acho	I think it is very important to listen to people, because sometimes we say
"não, sua renda melhorou, sua educação melhorou, etc.", você tem que estar feliz.	"it improved your income, your education, etc...", and you have to feel happy.
Só que mudam os hábitos, mudam as aspirações, então nada como	But habits change, aspirations change, so there is nothing like to know
saber da felicidade pelas próprias pessoas, então eu acho que é muito importante ouvir as pessoas,	the level of happiness reported by people themselves, so I think it is very important to listen to them,
até porque todos os estudos de políticas públicas mostram que o problema é um problema de demanda.	especially because all the public policies studies show that the problem is a problem from demand.
Quer dizer, muitas vezes, vamos dizer, a educação do país, como aqui no Brasil,	I mean, many times the country's education, like here in Brazil,
é uma educação de baixa qualidade, só que o brasileiro acha que ela é de alta qualidade, então ele precisa ser educado.	is a low quality education, but the Brazilian think it is of high quality, so he or she need to be better educated about what a good education is.
Então isso enseja políticas públicas complementares, agente não defende	So this brings the necessity of complementary public policies, we don't support to
abandonar medidas objetivas obviamente, como é que está a educação, a proficiência escolar, etc.,	Abandon objectives measures, obviously, like how is schooling, education proficiency, etc...,
mas agente defende que se inclua no hall de medidores o que o brasileiro	but we support that we should include in the hall of social indicators meters what people think about
acha da educação e o que o brasileiro, as pessoas, acham do seu país, da sua vida.	his or her education and what does he or she think about their country, about their lives.
E afinal de contas, o objetivo do homem e da mulher é ser feliz hoje e no futuro,	After all, the main objective of men and women is to be happy today and in the future,
da população e eu acho que a pesquisa, quando dá essa visão futura, dá um pouco de como	and the study, when it gives this future subjective vision, shows a little bit
cada um se enxerga cinco anos à frente. Então acho que é um dado importante.	about how each one sees himself or herself five years from now. So I think this is an important data.
(Por que esse quadro corre o risco de se reverter em 2015, ..., afinal 2016 é o ano das Olimpíadas?)	Why does this situation is likely to reverse in 2015, after all 2016 is the year of the Olympics?)
Não não, eu não acho que reverte, eu só acho que nos últimos 50 anos todas as mudanças,	No, I don't think it will reverse, I just think that in the last 50 years all the major Brazilian changes,

todas as principais transições que o Brasil passou ocorrem coincidentemente em anos terminas em 4.	all the main transitions Brazil has gone through occur coincidentally in years ending in 4.
Golpe de 64, choque do petróleo e desaceleração em 74, redemocratização,	Military Coup of 1964, oil shock impacts and economic slowdown in 1974, return to democratization,
cujo ápice é as “Diretas Já!”, em 84, estabilização em 94,	which the main symbol is the “Diretas Já!” (“Direct Elections for President Now!”), in 1984, inflation stabilization in 1994,
surgimento da nova classe média a partir de 2004, então eu só me arrisco a 2014,	emergence of the new middle class from 2004 onwards, so I just risk myself to 2014,
não porque é ano de Copa do Mundo, ano de eleição,	not because is World Cup’s year, election’s year
mas por conta de uma regularidade empírica, digamos assim.	but because of an empirical regularity, let’s say so.
E eu acho, quer dizer, pensar além, quer dizer, agente não sabe,	And I think, we don’t know,
2014 também é ano de eleição, então eu acho que agente projetar para além	2014 is election’s year too, so I think that making forecasts to the future
sem saber quem é o governante, ou a governante, eu acho que é mais arriscado,	without knowing who will be in charge of the politics is riskier,
mas no caso é realmente essa regularidade que tudo no Brasil termina em anos terminados em 4.	but in the case it is really this regularity that everything in Brazil happens in years ending in 4.
(Marcelo, o que que muda na pirâmide no cenário que você projeta para frente da classe média brasileira?	(Marcelo, what changes in the pyramid in the scenario that you design for the future of the Brazilian middle class?)
A classe C vai continuar sendo a que mais sobe?)	Is the A class the one which will continue to increase the most?
Não, quer dizer, o que os dados mostram é que existem três grande saltos,	what the previous data has shown is three big jumps,
uma no “milagre econômico”, outra no Plano Real, melhoras sustentáveis em que você aumenta e permanece alto,	one in the “economic miracle of the 1960s and 1970s”, another one in the Real Plan and more sustainable improvements where increases, remain at a high plateau,
e depois do fim de 2003 em diante, que talvez seja a mais notável,	and after the end of 2003 onwards, this one maybe the most notable,
pelo fato de já estar permanecendo a 11 anos seguidos, apesar	because it is going on for 8 years in a row, despite
de algumas crises no meio, nesse período de 2003 a 2011	some crisis in the middle, in the period of 2003 to 2011
40 milhões de pessoas chegaram a classe C, e a nossa projeção para 2014,	40 million people has reached the C class, and our forecast until 2014 is that
em 3 anos mais 12 milhões vão chegar a classe C nesse período.	in just 3 years more 12 million will join the C class.
Agente teve 9 milhões em 8 anos que chegaram à classe AB e agente projeta	We had 9 million in 8 years that reached the AB class and we expect
mais 7 milhões chegando à classe AB. Ou seja, a classe que vai crescer mais	more 7 million joining this class. In other words, the class that will increase the most
no futuro vai ser a classe AB, até porque as	in the future is the AB class, especially

<p>             pessoas já chegaram, muitas delas em alguns lugares,              pelo menos, ou em muitos lugares, chegaram à classe C, então é um novo patamar.              A nossa projeção para a classe A vai crescer 29% contra 11% da classe C              nesse mesmo período, ou seja, vamos falar no futuro de nova classe A              da mesma forma que estivemos falando nos últimos anos de nova classe C ou nova classe média.              Aproveitando o ensejo, 6ª feira lançamos o nosso livro, hoje na Bolsa de São Paulo,              6ª feira aqui na Livraria da Travessa no Rio, “A Nova Classe Média”,              e aí vocês podem entender mais o que se passa na cabeça do brasileiro.              (Marcelo, e cadê os 16 milhões de extremamente pobres da classe D e abaixo que ainda não foram incluídos?)              Eu acho que a pobreza não termina até 2014 apesar da meta, acho que é uma meta nobre.              Não vai ser erradicada até 2014, ela cairá bastante, a pobreza segundo a nossa medida, que é mais alta, nas nossas projeções ela vai cair 40% até lá, não é 100%.              Agora, os extremamente pobres vão sofrer uma queda, os dados mostram que a pobreza caiu 8% em 12 meses terminados em janeiro de 2012,              ou seja, com uma crise no meio, é um dado notável.              Protestos em Wall Street, protestos contra a desigualdade com aumento de pobreza,              e o Brasil no meio dessa crise, um país que já viveu tantas crises,              vivencia uma queda de pobreza de 8% porque a nossa maior marca,              que é a desigualdade, ela está saindo, está sendo gradativamente diminuída no país,              eu acho que essa é uma conquista da nossa geração, e eu acho que agente tem já 11 para 12 anos de redução de desigualdade, algo que nas nossas séries estatísticas agente nunca observou.           </p>	<p>             because people had already reached C class, a lot of them in some places,              at least, or in many places, the C class, so this is a new departing level.              Our forecast is that the AB class is going to increase 29% against 11% from the C class              in the same period, what means we are going to talk in the future about new A class              as we talked previously about the new C class or the so-called new middle class.              Taking the opportunity, on this week we are releasing our book, today in the São Paulo Stock Exchange (Bovespa),              Friday here in Travessa Bookstore (Livraria da Travessa), the book is called “The New Middle Class”,              and then you can understand better what is going in the Brazilian minds.              (Marcelo, and where are the 16 million extremely poor from the E class and below that were not included yet?)              I don’t think we will end poverty by 2014 despite the goal, which is a noble goal.              It will not end by 2014, but I think it will decrease a lot, according to our measure, which is more rigorous than the Government (higher poverty line), poverty will decrease 40% by there, not 100%.              But the share of the extremely poor will decrease a lot, the data show that poverty decreased 8% in 12 months ending in January 2012,              what represents, especially with a crisis in the middle, a noticeable improvement.              Protests in Wall Street, protests against inequality with an increase in poverty in developed countries,              While in Brazil in the middle of this crisis, a country that has suffered with so many crisis until recently,              Experienced these last 12 months a 8% fall in poverty because our biggest symbol, which is inequality, is fading out slowly, is being gradually reduced in the country,              I think this is quite an achievement of our generation, and we have 11 to 12 years of straight fall in inequality, something that in our statistical series we have never observed.           </p>
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Videos on the New Brazilian Middle Class  
<http://www3.fgv.br/ibrecps/ncm2010/Videos.htm>



## **Center For Social Policies (CPS/FGV):**

### **Information about Brazil's Social Reality on your Computer**

The Center for Social Policies carries out research on the most pressing themes of the Brazilian socioeconomic reality, making the results available to the wide public with the following aims:

- Innovating the way of thinking about social issues and improving the design and implementation of public policies.
- Developing new methods of research and dissemination of knowledge.
- Providing specialized evaluation services in our areas of concern.
- Enhancing the access of the population in general to knowledge, strengthening the public debate of ideas.

CPS's researches concern various themes represented comprised within the areas below:



Quite often, these themes are strictly related with each other as, for instance, sanitation and health or microcredit and poverty.

In its activities, CPS uses the main mechanisms of research and analysis to study such related themes through:

- Qualitative and quantitative impact evaluation
- Design and monitoring of social targets
- Design of incentive systems
- Studies about the perceptions on policies and participation.

The Center for Social Policies (CPS/FGV) seeks to contribute to the equitable development in Brazil by bridging applied research, public debate and the implementation of public policies.

The various objectives of the Center for Social Policies may be grouped into three large target areas, namely:

i) The Center for Social Research carries out and publishes research on theoretical and empirical issues aiming at the academic audience.

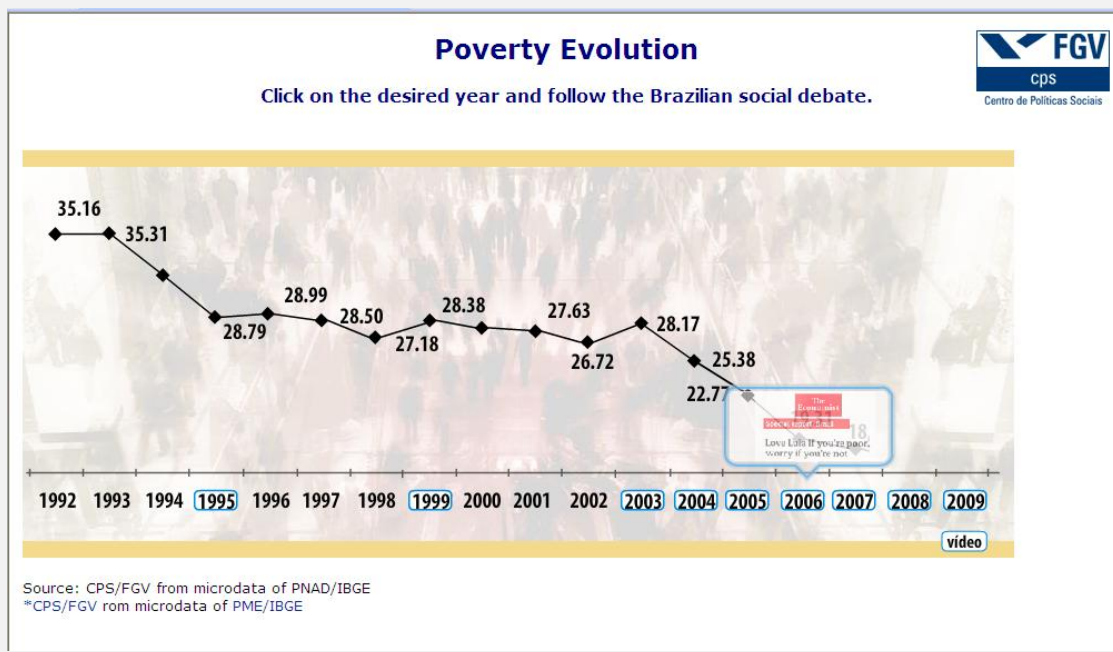
ii) The Center for Social Projects evaluates the design and operation of public policies implemented by the government or by civil society. It also ensures the financial sustainability of the remaining activities of the centre by providing services to governments, companies and NGOs with a special emphasis on policy evaluation.

iii) Last, but not least, the Communication for Society innovates in its way of launching researches looking for the widest possible institutional impacts and the ownership of knowledge by society itself based on the results of our research.

## CPS and the Brazilian Social Debate

The study of classic social indicators such as Poverty, Inequality and Social Welfare is perhaps the area of which CPS research is mostly widely known. The challenge here is to process large quantities of microdata from household surveys and administrative records in order to diagnose the evolution and determinants of well-being of the population. The group of researchers working in CPs had success to show first hand, that is, before any other research institution, the main changes in Brazilian poverty and inequality series during the last 18 years ranging from identifying the social effects of the Real plan passing the effect of the external crisis in the second half of the 1990s and on the first year of Lula administration to the fall of poverty observed every year since then. The graph below synthesizes some of CPS findings.

[http://www.fgv.br/cps/Pesquisas/miseria\\_queda\\_grafico\\_clicavel/FLASH/index\\_eng.htm](http://www.fgv.br/cps/Pesquisas/miseria_queda_grafico_clicavel/FLASH/index_eng.htm)





## **The New Middle Class in Brazil**

### **What does your company know about it?**

The Center for Social Policies at Getulio Vargas Foundation provides customized research about demand determinants for a broad variety of goods and services segmented by different economic classes and population segments. For example, what is the demand in C Class for cars, cable TV, computers, cell phones, consumer credit, own housing, vocational courses, private education etc. We offer an updated view of the emerging consumer markets and alternative scenarios for the future, derived from forecasts of macroeconomic, demographic, distributive and behavioral components open at national, State, City and local (neighborhoods) levels. Beyond the spatial dimension, we identify socio-economic targets for your products and services such as age, gender, marital status among others.

If you are interested to know about the research possibilities in your sector of activity and/or products, contact us at:

**Center for Social Policies/Getulio Vargas Foundation (CPS/FGV)**

Tel.: 55 (21) 3799-6887/ (6885)/ 55(021)98681211 E-mail: [cps@fgv.br](mailto:cps@fgv.br) /

Address: Rua Barão de Itambi, 60 / 8º andar - CEP: 22231-000 / Rio de Janeiro – RJ, Brazil

# **Book on the New Middle Class in Brazil: The Bright Side of the Poor**

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Comments by **Lula, Armínio Fraga** and **Gustavo Franco**  
written especially for the book

The book “The New Middle Class: the bright side of the poor”, from Marcelo Neri, is an indispensable reading to understand the deep social changes that occurred in Brazil in the last years. Neri’s shows that those that conquered the increases in income after 2003 were exactly those belonging to the previously most excluded groups: women, black, illiterate and those living in the Northeast of Brazil. Besides that, it reveals what changed in the lives of the Brazilian, with the rise of millions to the middle class. Neri shows, through the Future Felicity Index, that the Brazilian people are the ones who most believe in a bright future.

**Luiz Inácio Lula da Silva – President of Brazil – 2003 to 2010**

Marcelo Neri is a tireless, rigorous and creative scholar of social discussions in Brazil. This book about the rising of a new middle class will be the reference for anyone who is interested in understanding what is going on in Brazil during the last 18 years. Rich in details, written in a friendly way and full of interesting examples and data, the text enlightens the discussion and helps to rethink the future. The gains from the book are impressive, but the work ahead is still enormous. Read this book and give a copy to your deputy and senator, it will help a lot! –

**Armínio Fraga – President of the Brazilian Central Bank - 1999 to 2003**

Marcelo Neri has created a fascinating and central research agenda. His work captures many dimensions of changes in the Brazilian society resulting from both the good economic management and the globalization, but also from the demographic and the social dynamics of a country enthusiastic by its own possibilities. The portrait of this society happy with its perspectives is presented in this book with liveliness and rigor. It is an indispensable work for the good understanding of the always complexes interactions between economics and society.

**Gustavo Franco – President of the Brazilian Central Bank - 1997 to 1999**

*“...study from the Getulio Vargas Foundation by professor Marcelo Neri shows that, from 2003 until May this year, approximately 40 millions Brazilians have reached the middle class... it is like we introduce in the middle class a whole Argentina”*

**President Dilma Rousseff** [in the raffle of the World Cup and in the UN.](#)

*“...with the Real, the poor population has fallen from 35% to 28% of the total population. Poverty continued to fall until it reached 18% in 2008, resulted from the accumulated effect of social and economics policies.”... “There is a bunch of middle classes which are being called without much precision as “C class” or “new middle class””*

**Fernando Henrique Cardoso -** [President of Brasil – 1995 to 2002.](#)

*“In the last decade, the progress made by the Brazilian people inspired the World. More than half of this nation is today considered middle class. Millions left poverty behind... hope is coming back to places where fear once dominated.”*

**President of the US Barack Obama** [speech in Rio de Janeiro Municipal Theater.](#)

## Media impact on the work presented by the book

*"According to Fundação Getulio Vargas ...Brazil, well known for its inequality, is now a middle class country. Professor Neri talks about the return to formal jobs."*

**The Economist** – [story "Half a Nation Strong" about the study from FGV](#)

*"This is like the fable of La Fontaine, about the working ant and the cicada singer. Brazil is now a country that is more ant than cicada."* **Newsweek** – [Weathering the Storm](#)

*"We are respecting market laws.. and doing pretty active social policies."* -

**Washington Post** – [front story "In Brazil, the 'middle path' helps to expand the middle class"](#)

*"Bolsa Família has been much more efficient than the rise in the minimum wage" -*

**New York Times** – [front story "Amid global gloom Brazil brims with hope"](#)

*"After years of inequality, a new middle class flourishes, buying cars and cellphones",* [EL PAÍS](#)

*"A decade ago, Marcelo Neri thought it was laughable Brazil be included in the group of emerging economies BRICs: 'BRICs sounded better than RICs'" -* [CNN](#)

*"Brazil x China: We are a democracy, we don't destroy our environment that much, we are getting less unequal. Our growth quality is better than the one from China."* [BBC News](#)

*"Pelé, the biggest player of our economy, is the low-income citizen; where you expect poverty, you find people rising, living an 'American dream', or a 'South-American dream'."* [CNBC](#)

*"Effects from the minimum wage, programs to reduce poverty, informality.. finally, there is no relevant social theme in the last 20 years that has not been approached by Marcelo"*

**Época Magazine** – ["The 100 most influential Brazilians"](#)

*"Two years after the 'Plano Real' was implemented, Marcelo Neri was the first to prove the impact of the economic stability in the fall of poverty in Brazil... 'Class C Ambassador'... There is no way to dissociate Marcelo Neri from this group... The first academic to show that this class has become predominant in the Brazilian society... as the C Class get empowered so does the prestige of their 'discoverer'."* **Veja Magazine** - ["Doutor Demografia" \("Doctor Demography"\)](#).

**Marcelo Neri elected one of the 50 most influential "cariocas" .**

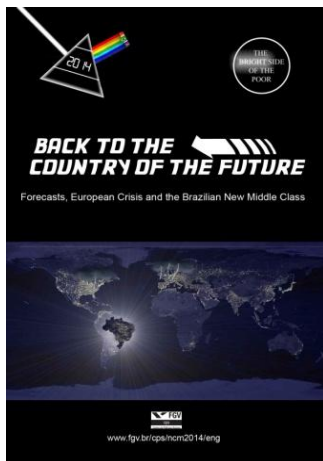
*"Marcelo Neri is keen to warn that he doesn't support neither PSDB (social democrats), nor PT (worker) parties... he assigns the promising moment of the Brazilian economy both to the heritage of Fernando Henrique Cardoso and to the faith propagated by Lula"* [Estado de São Paulo in 2010](#)

*"Extreme poverty grew in the 1st year of Lula" –* [Cover story from "O Globo" in 2004 -Flávia de Oliveira](#)

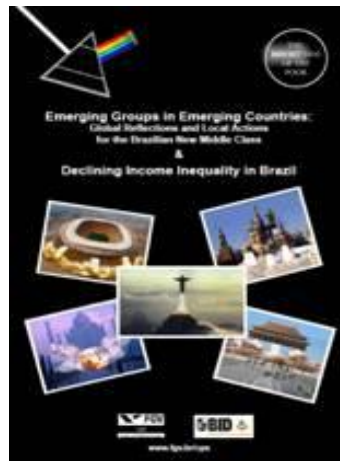
*"The Brazilian inequality in fall since the beginning of the decade has changed its direction with the worsening effects of the global economic crisis."* [Folha de São Paulo in 2009](#)

*“Marcelo Neri from FGV, the greatest scholar of the ‘new middle class’ explains that the appointment reflects the positive and prospective sense of the one that realized the dream of improving life.” - Merval Pereira – [O Globo](#)*

**Get to know the new researches on the New Brazilian Middle Class by the Center for Social Policies at Getulio Vargas Foundation (CPS/FGV)**



[www.fgv.br/cps/ncm2014/eng](http://www.fgv.br/cps/ncm2014/eng)



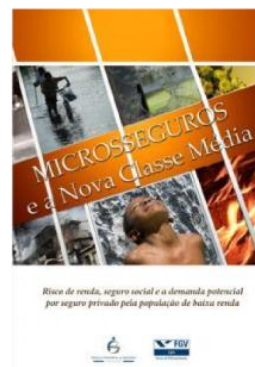
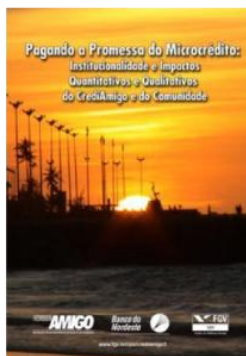
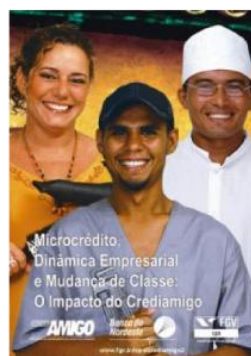
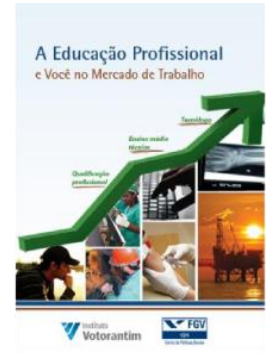
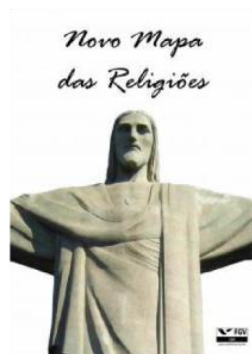
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This research (*in English*) are available at  
**[www.fgv.br/cps](http://www.fgv.br/cps)**




## Get to know other researches of the Center for Social Policies at Getulio Vargas Foundation (CPS/FGV)




## Research Website

The website <http://www.fgv.br/cps/ncm2014/eng> provides the study in full, including interactive databases, such as a world happiness simulator. It analyzes the Brazilian's happiness index (from past to future), pointing out differences and similarities with groups of emerging countries and elsewhere in the world in 2011. It also presents a set of information on Brazilians' income today and in the future, with scenarios projected to 2014, slides, videos, media repercussions, etc.

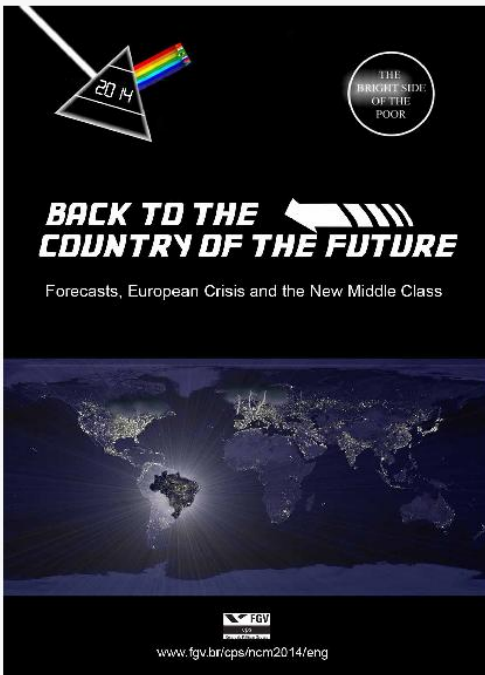


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- | Interview - Text
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Emerging Groups in Emerging Countries:  
Global Northward and Local Southward  
for the Poor and New Middle Class  
&  
Declining Income Inequality in Brazil



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Forecasts, European Crisis and the New Middle Class

www.fgv.br/cps/ncm2014/eng

## Research Website in Portuguese; [www.fgv.br/cps/ncm2014](http://www.fgv.br/cps/ncm2014)



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Os Emergentes dos Emergentes



**DE VOLTA AO PAÍS DO FUTURO**

Projeções, Crise Europeia e a Nova Classe Média



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