

# Bachelor-Thesis

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## **Living Wages and their Influence on Democratic Participation in Brazil**

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# **Living Wages and their Influence on Democratic Participation in Brazil**

By Jan Nikolas Tamancoldi Lechte

## **Abstract**

After identifying poverty and inequality as deterrent factors for the effective democratic participation for the Brazilian population, this thesis analyses the effects of the flawed democratic participation on Brazil's political class, population and institutions. Further on, theories are used to analyse the Brazilian electoral incoherencies. Recalling how redistributive measures have been applied in Brazil during the *Partido dos Trabalhadores* era, helps to summarize and to better understand the cycle of inequality perpetuation in Latin America and in Brazil. The taxation system in Brazil is criticized and poverty is analysed according to the World Bank poverty line. The concept of Living Wages is presented together with a calculation methodology that can be used to establish and define wages that guarantee decent lives. An example Living Wage in Brazil is discussed, giving way to the author's conclusions with the argumentations in favour of an increasing minimum wage. By having as goal, the Living Wage, such public policy can - in the long-term - better the state of the Brazilian democracy by improving democratic participation.

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# Chapter 1:

## Introduction

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For people living in democracies it is hard to imagine being under any other kind of rule. The ideals of democracy have spread throughout the world and its values have been incorporated into the national cultures of these countries (Pew Research Center, 2017).

The idea of equality and freedom are the values that underlie and are the basis for democracy and they can be traced back to several developments around the world. From the antique Greek democracy to the French and American Revolution, the definitions of what democracy ought to be have evolved. But, as Sen (2009, p.330-ff) emphasizes, the principles of equality and freedom together with the ideas for human rights, which are present implicitly in all definitions of democracy, are an inherent evolution of thought by humans living in society.

The last few years have seen a revival of authoritarian thoughts throughout the world. Politicians like Marine Le Pen in France, Viktor Orbán in Hungary, and Donald Trump in the US, combine populism with nationalist ideas and authoritarianism (Molloy, 2018). These are just a few examples of events that represent the resurgence of authoritarian and intolerant thoughts around the world. In South America, the humanitarian crisis in Venezuela and economic recession in the entire region have created social tensions that also give birth and popularity to far-right speeches, like the case with Jair Bolsonaro; a radical right-wing politician with increasing popular support in Brazil (Phillips, 2018).

With the nearing presidential elections in Brazil in 2018, it is important to revise the core principles of democracy since the reappearance of said thoughts signalizes flaws in the way society is working. By analysing Brazil's democracy, this thesis aims to understand these flaws and analyse how they can be fixed.

The fact that the Brazilian democracy has flaws is also stated by the Democracy Index, developed by the UK-based Economist Intelligence Unit (EIU, 2015). It ranks all South American countries, except Uruguay, as flawed democracies or worse, meaning that these are nations where elections are fair and free and basic civil liberties are honoured but may have issues. Brazil is a nation that has significant democratic faults, including underdeveloped political culture and issues in the functioning of governance Unit (EIU, 2015).

Nevertheless, Brazil is South America's biggest country and economy with a Gross Domestic Product (GDP) of over 2 trillion US Dollars in 2017<sup>1</sup>. The country is one of the founders of the South American trade bloc, Mercosur, and boasts significant influence in the region and worldwide. There lays reason for choosing Brazil as study object for this thesis. Brazil, in its position, has the possibility to guide the entire region into a better democratic status, by influence and example.

With this in mind, this thesis analyses democratic participation in Brazil and explains how following the concept of Living Wages in the application of minimum wage policies can have positive long term effects to Brazil's democratic participation, subsequently increasing the quality of the democracy. Ideally, this work will attract attention towards the importance of income distribution policies for the further development of democracies.

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<sup>1</sup> <https://countryeconomy.com/gdp/brazil> (Access Date: 2018-08-15)

This thesis is structured with five chapters. Firstly, it will introduce the reader to the current issues motivating the work, then explain essential terminologies surrounding the term “Democracy” in order to understand the basic principles that gave birth to this socio-economic system adopted by Brazil. The understanding of these principles will accompany the reader throughout the discussions and argumentations.

By explaining democratic participation and contextualizing it for Brazil, this thesis aims to pinpoint possible causes for its alleged poor quality in the country. Further on, it explores different aspects of the Brazilian democracy in search of said possible causes and takes a deeper look into examples. Still on the second chapter, having established certain flaws in the democratic process, this thesis moves on and discusses characteristics and consequences, resulting from said flaws.

Chapter three, after having identified poverty and inequality as problem factors, explores relating theories in the South American context and, when possible, applies some concepts to the Brazilian case. By looking into the socio-economic policies of the *Partido dos Trabalhadores* (“Labour Party”) era, this thesis finds relevant data for its main assumptions. Having analysed the dynamics of state policies and the development of inequalities, the thesis then inspects the current situation of the Brazilian population by using conventional poverty lines, that aid in defining the necessary income to not be considered poor.

Chapter four starts by introducing the concept of Living Wages and contextualizing it with the Brazilian minimum wages. It then briefly introduces the Anker methodology (Anker & Anker, 2017) for calculating Living Wages since the conventional poverty lines seem to be inappropriate for use in the context of this thesis. Further on, the chapter gives an example of the use of this methodology and proposes analysing the Brazilian situation from this new perspective. Having found a suitable income level, discussions on minimum wage policies and the possible application in Brazil follow, while chapter five concludes the thesis by summarizing the main findings and exposing the author’s last thoughts.



## **Chapter 2:**

# **The Democratic ideals in contrast to the Brazilian democracy**

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In this chapter, this work explores democratic participation in Brazil. To accomplish this, it is first necessary to understand the concept of democracy and the core principles of this socio-political system, by which most of the western world is ruled. Later, the chapter gives insights to Brazil's current situation in light of these democratic principles, followed by a discussion explaining the political representation crisis.

## 2.1. Democratic principles

More than a political system, democracy is a universally recognized ideal that provides an environment for the protection and effective realization of human rights (United Nations, 2018). *Demos* stands for “the people” while *kratia* stands for “rule” or “power”, conveying the idea that the people must control power<sup>2</sup>. To further understand the meaning of democracy, it is helpful to clarify the core principles that compose what we understand as democracy today. Furthermore, democratic principles are of central importance in the context of this thesis, once they lay the foundations for the analyses and discussions.

Following are the democratic principles according to (Klein, 2011):

Control of the abuse of power	Any government without checks and balances on its powers is likely to abuse those powers. The most common form of abuse of power is corruption by government officials. Control of abuse of power can be achieved through a number of ways, i.e. by way of separation of powers of the three arms of government – the Legislative, Executive and the Judiciary – and by ensuring the independence of the three.
Multi-party system	A multiparty system is a setup where there are more than two political parties contesting for power. The reasons for having multiple parties in a democracy are: to widen the pool for choice of the best candidate for political office; to offer alternative views to the government of the day as a result of the existence of an opposition; and to enable the opposition to act as a check on those in political office. One-party systems lead to a lack of alternatives for the citizens and concentration of powers and have often led to dictatorships.
Bill of rights	This imposes controls on government powers in a bid to protect the citizens from abuse by heavy-handed leaders. As such, the bill of rights seeks to protect the rights and freedoms of the citizens by way of ensuring that this protection is enshrined in the constitution of a given country.
Neutrality of state institutions	State institutions such as the police and the army should be neutral and not take sides or be politically partisan.
Regular, free and fair elections	Regular elections ensure that the citizens are not stuck with bad leadership but that they have the opportunity to throw out incompetent leaders through free and fair elections.

<sup>2</sup> Democracy definition: <https://en.oxforddictionaries.com/definition/democracy> (Access Date: 2018-08-15)

Rule of law	This implies that no one is above the law and requires that all citizens observe the law and are held accountable if they break it. The due process of law requires that the law should be equally, fairly and consistently enforced. The rule of law ensures law and order and the protection of citizens as they enjoy their rights.”
Accountability	This is when elected leaders or public officials have to answer to the common citizens regarding their actions, decisions or indecisions during the time they are or were occupants of the public offices.
Transparency	To be transparent means that leaders allow for public scrutiny of what they do while in public office. The citizens are allowed to attend public meetings and are free to obtain information on what happens in public offices, who makes what decisions and why. Transparency is a step towards accountability.
Citizen participation	The citizens are part of the decision-making process on matters that affect society.
Economic freedom	Economically handicapped citizens are the ones prone to all types of abuses as they lack the economic base to meet the basic necessities of life. As a result they are the ones often bribed with the smallest of gifts during elections, the consequences of which are often adverse, such as returning corrupt and morally bankrupt leaders to power. Economic independence creates the foundation on which the citizens become vibrant and thus able to call their leaders to account for their actions or inaction.
Human rights	Unlike dictatorships, democracies strive to protect the rights and freedoms of their citizens from abuse. These rights include the right to life, the right to own property, the freedom of expression, the freedom to associate, and the freedom to assemble, among others.
Political tolerance	While there may be differences between the people by way of race, religion, descent and culture , the ruling masses are mindful and respectful of the interests of the minorities.
A culture of accepting the results of elections	Once free and fair elections are held and a winner clearly emerges, the loser of the elections should without resistance evacuate office and hand over the instruments of power to the winner. However, it is also important that once voted into power, the leaders should rule for the benefit of all citizens regardless of the fact that some did not vote for them.
Equality	Meaning equality before the law, equality of opportunity in the realisation of individual capacities without regard to one’s race, gender, ethnic background, religion or whatsoever.

*Figure 1: The democratic principles*

These principles are considered basic elements of any democratic system and are generally the core elements of any modern constitution. These are generally present in the constitutional structural organisation of democracies and are the legal skeleton that shapes the governmental body. Accountability and transparency are principles that reign over the relationship between the represent ants in power and their electors. In Klein's definitions, she also recognizes the rather social, less structural, principles that democracies should possess and defend, like economic freedom, equality and human rights. All of these are complementary principles and a democracy should strive to achieve them all.

## **2.2. Democratic participation**

In political science terminology, *democratic participation* is used to denote a variety of activities, e.g.: voting, being a member in a political party, participating in demonstrations, contributing to certain political organization, discussing political events, actively supporting a particular candidate during the electoral campaign, applying pressure on political leaders, disseminating political information and beyond (Cotta, 1992, pp. 888).

When discussing democratic participation, (Dahl, 1998, p. 37-ff) stipulates that, throughout the process of making binding decisions, one must have an adequate opportunity, and an equal opportunity, for expressing his or her preference as to the final outcome. He outlines the need for a participation that is not only inclusive and equalitarian, but also enlightened in the sense that the consequences of these choices are taken into consideration in the decision-making process.

Similar to Dahl's (1998) discourse, Cotta (1992) recommends care with some important characteristics, that need to be taken into consideration. These are political infrastructure, high rates of literacy and the presence of what Cotta refers to a more or less solid democratic tradition (1992, p.888-890). He argues that these are basic requisites of western democracies and that expecting similar results when applying western-based methods and definitions in developing countries, that lack those characteristics, might not be reasonable.

## 2.3 The Brazilian Context

Considering Brazil's development, this thesis finds it prudent to follow Cotta's advice and analyse the democratic participation through the lenses of the above mentioned characteristics (political infrastructure, high rates of literacy and a solid democratic tradition) and if it can be considered effective by Dahl's reasoning. In doing so, the thesis aims to further understand democratic participation in Brazil.

### 2.3.1 Political Infrastructure

Brazil's government form, defined in the constitution, is a federal presidential republic. This form of government both accords to and guarantees most of the principles of democracy. Brazil is formed by the Union of states (also "federation" or *Estados*), municipalities and a Federal District in which the exercise of power is attributed to distinct and independent organs, submitted to a control system to ensure compliance with laws and the Constitution (Presidência da República, 1988).

Based on Montesquieu's ideals for the division of powers, power is divided into three spheres in Brazil: The Executive, the Legislative and the Judiciary branches. These power spheres are structured as follows (Presidência da República, 1988; Silva Amorim, 2012):

- The **Executive** power is exercised by the President of the Republic at a national level. In the *Estados*, the Executive power is exercised by governors and in the municipal level by mayors. In all Executive levels, representatives are elected by direct vote for a four-year term, with the possibility of renewal for another consecutive term;
- The **Legislative** power is composed, at federal level, by the National Congress, which is divided into the Chamber of Deputies and the Senate (*Câmara de Deputados* and *Senado*):
  - Federal deputies are directly elected to be part of the Chamber of Deputies. This has an amount of seats that emulate, as far as possible, the population of each *Estado*. More populous *Estados* have so more representatives. Federal deputies serve for four-year terms at a time and there is no limit to consecutive

terms. In the Senate, each *Estado* is represented by three directly elected senators, independent of the state population, for terms of eight years. There is no limit as to consecutive terms;

- At the state levels, the Legislative power is exercised by the State Legislative Assemblies and its state deputies and in the municipal level by the Municipal Councils and their councilmen. Both state deputies and councilmen are elected for four-year terms and may be elected for unlimited consecutive terms.
- The **Judiciary** power, whose highest instance is the Federal Supreme Court (*STF*, for *Supremo Tribunal Federal*), is responsible for interpreting the Federal Constitution and is composed of eleven ministers appointed by the President under referendum from the Senate. Appointed ministers must be individuals of renowned juridical knowledge. The composition of the STF ministers is not completely renewed every presidential term: the president only indicates a new minister when one of them retires or dies.

Brazil, with the design of its institutions, is a democratic state regarding issues of participation and competition. The country has political organizations with Legislative competence, which are composed of members directly or indirectly elected by the people, and these bodies have their representatives, renewed or re-elected periodically (Duarte & Souza, 2015, p.76).

After this short look into Brazil's institutions and backed by Duarte's analysis, it can be said that constitutionally and institutionally, the country does not lack in political infrastructure. The Brazilian constitution contains in its lines explicitly or implicitly, all of the democratic principles. From the legal perspective and judging only by what is written in the constitution, Brazil is a fully democratic country.

### 2.3.2 Illiteracy Rate

A further factor to take into consideration, according to Cotta (1992) is the population's literacy levels. The underlying assumption is that literacy is a minimum requisite for citizens to be able to effectively participate in civic life.

The illiteracy rate of the population aged 15 years or older in Brazil fell from 7.2% in 2016 to 7.0% in 2017. In absolute numbers, the rate represents 11.5 million people who still cannot read and write. The incidence is almost three times higher in the population aged 60 years or older, 19.3%, and more than twice as high among blacks and mulattos (9.3%) than in whites (4.0%). Even though 14 of the 27 states have already achieved their stipulated targets, the regional disparity is still large. The Northeast, which recorded the highest rate among the regions, the illiteracy rate is 14.5%. The lowest rates were in the South and Southeast regions, which registered 3.5% each. In the Midwest and North, the rates were at 5.2% and 8.0%, respectively (Neto, 2018).

A person who cannot engage in all activities in which literacy is required for the effective functioning of his or her group and community, and also for enabling him or her to continue to use reading, writing and calculating for his or her own and the community's development, is considered to be functionally illiterate (United Nations, 2018, p. 18). However, the above mentioned study, conducted by the Instituto Brasileiro de Geografia e Estatística (IBGE), does not categorize functional illiterates as illiterates in general. This thesis assumes that participation in civic life, as meant by Cotta (1992) and Dahl (1998), require literacy as defined by the UN above. With this in mind, the last available data to functional illiteracy is from 2009 and shows a rate of functional illiteracy of 20,3%<sup>3</sup>. Based on this data, this thesis considers Brazil to categorize as a country with a high rate of illiteracy.

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<sup>3</sup> <https://seriesestatisticas.ibge.gov.br/series.aspx?t=taxa-analfabetismo&vcodigo=PD384> (Access Date: 2018-08-15)

### 2.3.3 Solid Democratic Tradition

Further analysing Cotta's critique, this thesis explores whether Brazil has what he refers to as a more or less solid democratic tradition. Tradition can be understood as "a long-established custom or belief that has been passed on from one generation to another"<sup>4</sup>. This thesis therefore understands a solid democratic tradition a long-established belief in the democratic system that contributes to its further development and respects the democratic principles stated section 2.1.

One indicator for a more or less democratic tradition is respecting the principle of regular, free and fair elections (Klein, 2011). O'Donnel adds that elections ought to be also competitive, egalitarian, decisive and inclusive (2007, p. 9). This being said, it should be safe to assume that that citizens should not trade their right to vote for any kind of compensation.

Yet, when analysing the Brazilian electoral process, this is not an uncommon practice. A study ordered by the Brazilian Supreme Electoral court (Tribunal Superior Eleitoral, abbreviated to TSE) (2015), concludes that the illegal practice of buying and selling votes is still very much present in Brazil even though vote trading is a crime foreseen in the Electoral Law (Law no. 9.504 / 97 - article 41-A) and may lead to the annulment of the candidate's registration. According to the law, the candidate may not donate, offer, promise or deliver to the voter any personal advantage of any kind in order to obtain his or her vote. These requests do not even need to be explicit in order to be characterized as trading of votes.

The aforementioned research (Tribunal Superior Eleitoral, 2015) concludes that the perception that the trade of votes as an illegal practice is still small among voters. Furthermore, many consider it normal practice to offer their votes in exchange for benefits.

Figure 2 aids the understanding of the practice of vote trading throughout Brazil. After the elections of 2014, the state that registered the largest rate of people claiming to have knowledge of vote buying was Roraima, where 71% of the respondents answered this question affirmatively. At the opposite end of the scale is the state of Rio Grande do Sul, that with 18% positive answers, recorded the lowest rate.

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<sup>4</sup> <https://en.oxforddictionaries.com/definition/tradition> (Access Date: 2018-08-15)



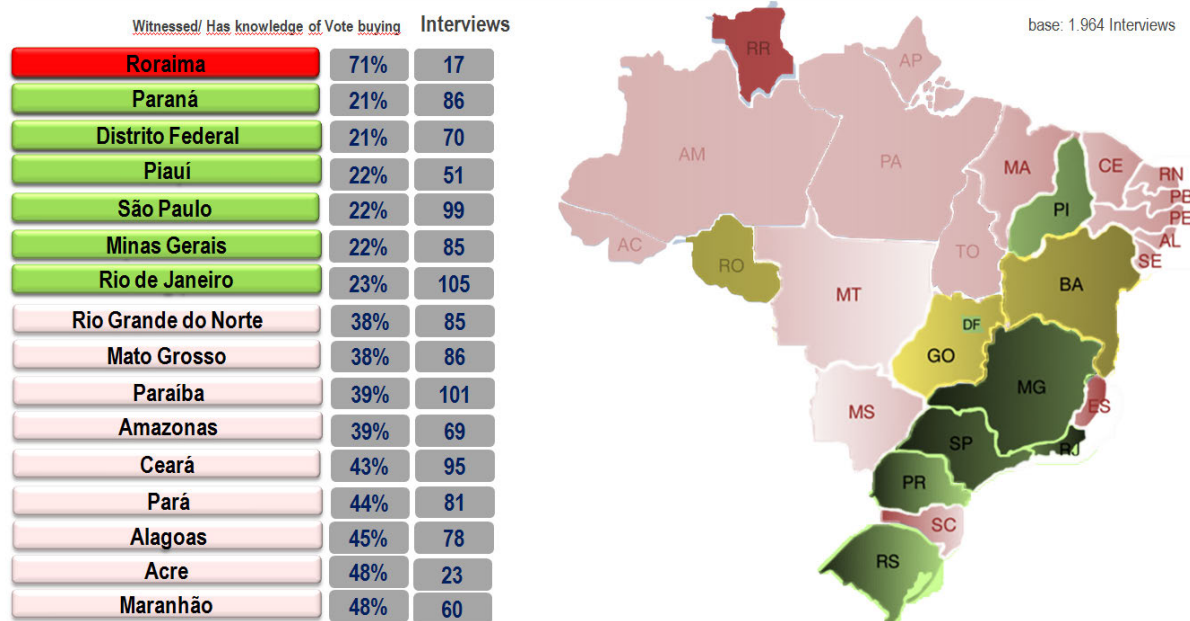


Figure 2: Vote trading map (Tribunal Superior Eleitoral, 2015)

By looking at the map on Image 1, a trend becomes clear and identifiable: with few exceptions (the states of Espírito Santo and Santa Catarina), the South (Rio Grande do Sul, Santa Catarina, Paraná) and Southeast (Minas Gerais, São Paulo, Rio de Janeiro, Espírito Santo) regions had under the average rates in the study, while most states in the North, Middle-West and Northeast regions had on or above the average rates. That is, in those regions, the knowledge of vote trading happening is more common than in the South of Brazil.

This indicates that the requisites of elections – to be free and fair – is not respected and sets the entire legitimation of the electoral process into question. Furthermore, the fact that the lowest rate in this study is 18% denounces a rather critical situation for Brazil.

This thesis suspects that the incidence of vote trading relates to economic situation and education. Therefore it is interesting to observe how the results of this study react when compared to data on Human Development Indexes.

The Human Development Index (HDI, or IDH in portuguese), “was developed by the United Nations as a metric to assess the social and economic development levels of countries. Four

main areas are examined and used to rank countries according to the HDI: mean years of schooling, expected years of schooling, life expectancy at birth and gross national income per capita”<sup>5</sup>.

Figure 3 presents individual HDI values for each Brazilian state, and also Brazil’s worldwide ranking (positioning no. 84). Roraima, the top-ranking state on the vote trading study, scores an HDI of 0.764, while Rio Grande do Sul, the opposite in vote trading has a HDI of 0.807 (Brazil’s HDI is 0.718):

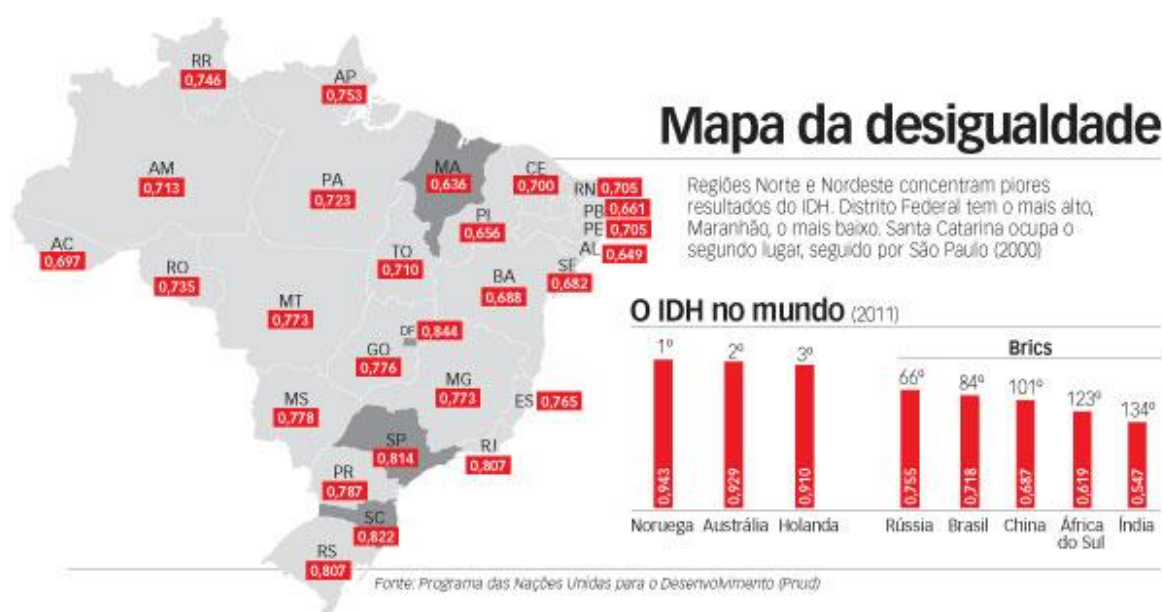


Figure 3: HDI per state in Brazil (Nuzzi, 2012)

This thesis recognizes that most states that present rather high levels of HDI have lower rates of vote trading (see figure 2 and 3). Gross income per capita is strongly correlated to other factors used to calculate HDI. The relation between the economic component and vote trading is of interest and should be looked into. Klein notes, “economically handicapped citizens are the ones prone to all types of abuses as they lack the economic base to meet the basic necessities of life. As a result they are the ones often bribed with the smallest of gifts during elections, the consequences of which are often adverse, such as returning corrupt and morally bankrupt leaders to power”(Klein, 2011, pp. 4).

<sup>5</sup> <https://www.investopedia.com/terms/h/human-development-index-hdi.asp> (Access Date: 2018-08-15)

O'Donnel expresses similar values when he states (2007, p. 9) that elections should be free in the sense that citizens are not coerced when making a voting decision and voting (Tribunal Superior Eleitoral, 2015).

While the threat or use of punitive measures might not be a verifiable coercion<sup>6</sup> factor in the Brazilian elections, one should take into account that the Brazilian democratic state presents deep social fissures, caused mainly by persistent social inequalities that prevent significant portions of the population from accessing goods necessary for survival and a minimally dignified life (Duarte & Souza, 2015, p.76).

When observing the results from this survey and HDI data, it suggests that economic vulnerability makes people susceptible to this form of corruption, as described in literature.. Recalling the principle of economic freedom, it is inevitable to question the integrity of citizenship rights, and the degree of freedom in these elections.

Strictly speaking, this is a form of participating in the democratic process, albeit with little legitimacy. Regardless, it should be fought against, seeing that it clearly breaks the principles of free elections and the integrative principle, which are implicit in every definition of citizenship or democracy, and do not respect the core democratic principles (Vilas, 1997, p.21).

Despite having the institutional requisites, this thesis understands that democratic participation in Brazil cannot be compared using the same parameters than Western democracies. The high rates of illiteracy and the break with several democratic principles, especially economic freedom, equality and free and fair elections diagnoses an insufficient quality in the citizens participation in the democratic processes.

Yet, as dire as the situation might seem, Brazil does have the democratic institutional basis to develop upon. It can be said that citizens do indeed exercise the right to vote and elect representatives, however, as shown in the past examples and further on in this thesis, it is highly questionable if power effectively lays in the people's hands.

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<sup>6</sup> Coercion is the threat or use of punitive measures against states, groups, or individuals in order to force them to undertake or desist from specified actions. In addition to the threat of or limited use of force (or both), coercion may entail economic sanctions, psychological pressures, and social ostracism (Khan, n.d.).

## 2.4 Voting as main tool for change

As already stated, the very concept of democracy demands the centrality of participation by the people in power, here to be understood as governmental decision-making on basically all aspects of life in society.

As previous democracies, Brazil considered the concept of representative democracy and implementation of elections to be the best path to put into practice people's power. This concept transfers a great deal of the primordial importance of popular participation to the electoral process, where representants of the people get elected and take decision on people's behalf, essentially exercising power. This is stated in the first Article of the Brazilian constitution: "All power emanates from the people, who exercise it through elected representatives or directly, under the terms of this Constitution" (1988).

Brazil uses the Direct Recording Electronic in all its elections. This is a voting machine that registers the ballots by means of a ballot display with mechanical or electro-optical components that can be activated by the voter (typically buttons or a touch-screen). The implementation of this system makes fraudulent election practices harder to achieve. All in all, voting in Brazil is structured in a fairly simple and effective way and voting is not made difficult.

Except for citizens under 18 (one may vote from 16 years of age) or over 70 years of age, and for illiterates, physically attending the voting location (mostly schools) is a mandatory act in Brazil. The voting process is then conducted as following<sup>7</sup>: the citizen must physically attend his or her election section on the date of the election, and alone, in the voting booth, choose a candidate through the electronic ballot machine. Should a citizen not be able to attend a voting location on Election Day, he/she needs to justify absence towards the electoral justice or pay a fine, in case of lack of justification. Despite being obliged to attend, the citizen is not obliged to choose a candidate, or even to vote at all. The freedom of vote guarantees the the voter the possibility to vote blank or annul his/her (Dos Santos, n.d.).

Without a voter's registration (*título eleitoral*) other civil rights and services are unavailable e.g. getting a passport (Albuquerque, 2018). This leads to a high percentage of registered voters. The electronic voting systems are simple and inclusive, providing a picture of the

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<sup>7</sup> <https://www.eleicoes2018.com/como-votar/> (Access Date: 2018-08-15)

candidate before confirming the vote, helping the general public to vote in an independent way. Each municipality has several voting areas, assuring that the voters do not need to travel long distances to vote. So, based solely on the voting process, Brazilians do not find hurdles to elect their representatives.

Based on the fact that Brazil is a representative democracy and as such delegates citizens' power to representatives through the vote, it is deductible that voting is the main and most significant form of democratic participation in the country Klein (2011). The Brazilian political infrastructure and voting process has the potential to provide a fair and free electoral process. Yet, as seen previously, Brazil has not been making use of this structure in accordance to the democratic principles (vote trading, lack of economic freedom, etc.).

This work recognizes that all forms of democratic participation are meaningful. However, limited data and issues in measuring the effects of other forms of democratic participation (other than voting) leads this thesis to focus on vote, as it is the most central participatory tool. From this point on, voting and its decision-making process will be regarded - in the context of this work - as democratic participation.

## **2.5 The Political Representation Crisis**

As seen up until now, Brazilians hold the right to vote and should effectively be able to change their political representation to meet their needs, but there are (previously mentioned) breaks with democratic principles, that this thesis suspects translate into dysfunctionality in the representative system.

The following chapter presents data regarding trust in institutions and a common political phenomenon that could further help to identify and understand the lack of economic freedom and education as detrimental factors for electoral participation and the quality of democracy itself.

### 2.5.1 Mistrust in institutions

*"... when inefficiency or institutional indifference prevails in the face of demands to assert rights guaranteed by law or when practices of corruption, fraud and disrespect towards the public interest are generalized, an atmosphere of suspicion, of discredit, and hopelessness is created, compromising the acquiescence of citizens to the law and to the structures that regulate social life; mistrust and distancing of the citizens from politics and democratic institutions flourishes"* (Moisés & Carneiro, 2008, p.39)

The above mentioned effect is reflected in a survey done by the Global Competitiveness Report (Schwab, n.d., p.71). The report shows that Brazilians do not trust their politicians. In a scale from 1 (being the worst) and 7 (the best), Brazilians rated their trust in politicians at 1,3 - scoring the worst result from 137 countries surveyed.

The feeling of widespread corruption cannot be said to be unfair. With roughly a third of congress being currently investigated in several criminal offenses, the most common being related to corruption, this survey results and the general feeling do not surprise. Adding to this, the Chamber of Deputies, which should theoretically mirror the society in its composition, is much older, whiter, and mostly composed of men in clear contradiction to Brazil's demographic profile<sup>8</sup>.

The Chamber of Deputies rather resembles the economic elites, not only in profile, but also in the way they legislate. In the 2015 federal deputies election, from the 513 elected officials, 80% of the chamber is composed by white men and 10% by women. Only 19,9% of deputies declare themselves to be not-white. This disparity in representation is partially translated into legislation. Brazil has followed a hard path of austerity and reduction of social rights in the last years (Macedo, 2014). Not surprisingly, the general perception is that the state is not one for the people and that it favours the rich and powerful (O'Donnell, 2010, pp. 149).

Until 2015, corporate funding of campaigns was a major factor in creating this inequality in representation. With private companies donating sums in the height of hundreds of millions of US dollars, it is no surprise that the Brazilian Legislative was plagued by a conflict of interests in its lawmaking functions (Toledo, Burgarelli, & Bramatti, 2014).

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<sup>8</sup> [https://www.indexmundi.com/brazil/demographics\\_profile.html](https://www.indexmundi.com/brazil/demographics_profile.html) (Access Date: 2018-08-15)

In 2015, the Brazilian Supreme court ruled against the constitutionality of corporate funding. The long term effects of the new system remain to be seen and the 2018 presidential elections will be the first test to the new system.

### 2.5.2 A feeling of corruption

The popular feeling that the political class is its entirety corrupt, largely contributes to the distrust in the system. A recent survey by Transparency International, states that for 78% of Brazilians perceive that corruption levels have risen in the previous year (Transparency International, 2017). It is important to state, that the period of the questioning overlapped with President Rousseff's impeachment process and might have toned the numbers upwards. Even so, the public perception that corruption is in the rise might be explained by the increasing number of corruption schemes being uncovered over the last few decades (Fujita & Marchao, 2017).

For instance, a Wikipedia list<sup>9</sup> compiles media coverage reporting scandals since the 1960s. While in the 1960s there were eight cases, the number rose to 18 in the 1970s, to 30 in the 1990s and 64 in the 2000s. The number of political scandals nearly doubled in the 2010s, spiking at 104 cases.

The number of scandals being covered in the media does raise the public perception of corruption, yet it does not necessarily mean an increase in levels of corruption. Nevertheless, all this factors coupled with the recent political turmoil certainly cannot be expected to better the public perception of institutions. Since 2015, Brazil has seen the then president Rousseff be impeached, the vice-president Michel Temer assume presidency and set into motion a completely different political agenda than his predecessor. Since assuming office, Temer has been accused of major corruption (Fernandes, 2017). Protected by political immunity, he moved public funds in order to achieve support in the Deputies Chamber and escape trial<sup>10</sup>.

On April 7th 2018, the ex-president Luiz Inácio "Lula" Da Silva was imprisoned as a result from processes related to the "Operation Car Wash" (*Operação Lava Jato*)<sup>11</sup>. Furthermore,

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<sup>9</sup> [https://pt.wikipedia.org/wiki/Lista\\_de\\_escândalos\\_pol%C3%ADticos\\_no\\_Brasil#Referências](https://pt.wikipedia.org/wiki/Lista_de_escândalos_pol%C3%ADticos_no_Brasil#Referências) (Access Date: 2018-08-15)

<sup>10</sup> <https://www.bbc.com/portuguese/brasil-40810076> (Access Date: 2018-08-15)

<sup>11</sup> <https://www.bbc.com/news/world-latin-america-35810578> (Access Date: 2018-08-15)

one in every three federal deputies (from a total of 513) is investigated or liable for a criminal action in the Federal Supreme Court and four currently in the exercise of their mandate are sentenced to prison (Borges, 2017).

However, it is not only the Legislative and Executive powers who face a reputation crisis. A further research done by the Getúlio Vargas Foundation (FGV), uncovered that the trust in the Judiciary system is also broken. By 2016, the *Ministério Público*, one of the main investigative bodies in the Judiciary, had been cited as "reliable" by 44% of respondents. In 2017, the number dropped to 28%, while 30% of respondents said they trusted in "Justice" in 2016, only 24% said the same between May and June of 2017, when the survey was made (Canário, 2017).

All of this contributes to the lack of trust in politics and the widespread feeling of corruption.

### 2.5.3 Re-election of bad politicians

The lack of economic freedom has been made evident in the previous sections (see sections 2.1 and 2.2.3). Yet, another emblematic development in the Brazilian electoral process is worth analysing: The re-election of bad politicians.

When defining regular, free and fair elections, Klein states that regular elections ensure that the citizens are not stuck with bad leadership. People have the opportunity to throw out incompetent leaders through free and fair elections, which give citizens a chance to elect a leader of their choice. As seen before, vote is the tool for change that is at the population's disposal (2011).

Nonetheless, some cases in Brazil are quite emblematic in this sense. For example, career politician Paulo Maluf (listed in the Interpol Red Notice in 2013, convicted and imprisoned for money laundering in 2017<sup>12</sup>) and Rio de Janeiro's ex-governor Anthony Garotinho (convicted in 2010<sup>13</sup>) had continuing faithful electorate for many years despite being recognized by the public as symbols of corruption in politics. The same happens in the rest of Brazil, with big figures such as Renan Calheiros and Fernando Collor, and to a smaller extent

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<sup>12</sup> <http://g1.globo.com/jornal-nacional/noticia/2017/12/paulo-maluf-vai-para-cadeia-e-defesa-tenta-prisao-domiciliar.html> (Access Date: 2018-08-15)

<sup>13</sup> <http://noticias.terra.com.br/brasil/politica/justica-federal-condena-garotinho-e-alvaro-lins-por-corrupcao.e06c63fc8940b310VgnCLD200000bbcceb0aRCRD.html> (Access Date: 2018-08-15)



with less-known politicians, who continue to be re-elected in spite of doing a job publicly considered bad<sup>14</sup>.

As seen before, the State has very low public credibility, yet such politicians keep getting reelected. Renovation in the Chamber of Deputies and Senate have been, and are predicted to continue, in an all-time low (Albuquerque, 2018). For the elections of 2018, the campaigning period was reduced from 90 to 45 days. With a new funding policy, that heavily favours bigger parties, and the entire support structure that elected representatives have at their disposal, such as cabinet money and budget amendments, these new measures will definitely work against any renovations (Moraes, 2018).

### **Rational ignorance**

Still, the phenomenon of electing bad politicians is older than these new regulations and asks for further explanations: When facing this contradiction, an explanation favoured by the broad public has been “*People are just stupid*”. The concept of “rational ignorance” (Downs, 1957, pp. 146), stemming from the public choice theory, presents a plausible argument, capable of somewhat improving the understanding of this contradictory phenomenon.

The concept of *rational ignorance* refers to a situation where an agent rationally decides to be ignorant about a subject because costs of learning outweigh the benefits of knowledge (Downs, 1957). For example, one might want to learn Latin, yet the costs of spending a few years studying this language are not enough to justify a language with little application. This concept can be applied to the behaviour of voters (Butler, 2012, p. 52-54).

Similarly, when the individual vote of a citizen has close to zero probability of changing the result of the election, there are costs associated with researching candidates, deciding which proposals are better for society, and finally deciding and voting for candidates. There is, therefore, a tendency for voters to be rationally ignorant in politics (Downs, 1957, pp. 146).

Following the *rational ignorance* line of thought, while there are few incentives for a careful choice of candidates, there is a strong incentive to vote for someone, since, as stated before, voting is mandatory in Brazil. Facing this scenario, there are three options for a *rationaly ignorant voter* in politics: voting blank, voting for anyone or refrain from voting. These

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<sup>14</sup> This politicians have been accused of multiple crimes related to corruption, e.g money laundering, gang formation, theft, etc. Therefore they will be referred to as “bad”.

options have virtually identical associated costs, which are the costs of moving to a voting location, or to justify your absence. The second choice may seem more persuasive for some voters, because of the appeal to supposedly participate in the political life of the country or the fulfilment of a civic duty. However, data on abstention and invalid votes rather suggest that voters are indifferent between the three options, as shown in a recent intention survey in which a scenario for the upcoming presidential elections counted with nearly 30% blank votes and over 16% of voters labelled as “undecided”, numbers that at the date exceeded the voting intentions for any of the top contestants (Chapola, 2018).

Another explanation for the re-election of bad politicians is a direct result of *rational ignorance*. The voter knows a limited number of candidates and proposals, usually the politicians best known for performing certain public constructions, and has no incentive to seek other information (Downs, 1957, pp. 146). If the voter assumes that the flaws of a politician are not particular, but rather a general feature of the category, achievements linked to a politician are sufficient for the voter to decide his/her vote. In other words, at the same time that the flaws of a politician are not enough for a significant differentiation between candidates, being connected to a major public doing, such as the inauguration of a new highway, can be a shortcut to a political victory. An example that supports this assumption is the popular phrase “Rouba, mas faz!” (freely translated to “Steals, but delivers!”). Perhaps the most infamous politician to have used of this political modus operandi is Paulo Maluf.

The re-election of bad politicians could also be a result of risk aversion and uncertainty that political changes bring about. The configuration of the Brazilian political system increases this uncertainty. The lack of a clear program from the multiple parties (35 at present) increases the difficulty in predicting the governance of new politicians. One could expect that with such a high number of parties, the voters would have a great diversity of programs to choose from, when in reality – from an ideological point of view, most parties do not differ radically (Passarinho, 2018; Power & Zucco, 2011). This contrasts, e.g. with the United States, where it is possible to predict accurately the policy differences between a Republican and a Democrat government.

In Brazil there is no institutional feature like the election recall (also known as recall referendum or representative recall). Although different countries have variations to this ruling, this is basically a process through which a registered voter can petition to remove a

member of the Legislative body office. This kind of measure should ensure a certain degree of accountability, transparency and coherence with promises made during campaign. The lack of a clear political programs and ideological profiles makes it hard for the public to accurately predict what policies a, e.g. federal deputy, will defend.

### **Rational irrationality**

Finally, the last explanation is related to another concept from the public choice theory: rational irrationality.

The connection between votes decided on the basis of private benefits, whether for an individual or a group, and the idea of *rational irrationality* (Caplan, 2001, p. 6-19). Just as a voter can be rationally ignorant, it is also possible that making irrational decisions can be a rational decision in certain circumstances. Basically if the costs associated with a poor choice are low or diffuse, while at the same time the costs associated with making a rational decision (in this context, seeking all the necessary information and “wasting” time thinking about a sensible solution) are high, it may be "rational" to make an "irrational" decision.

Because the costs of having a bad politician are essentially scattered costs for the entire population, "rational irrationality" may be applicable, which would explain why so many voters make bad decisions repeatedly. Generally, this type of bad choice is associated with a type of clientalistic relationship (like the previously looked upon vote trading) by giving some privilege or benefit to a particular voter, the politician wins his vote for several elections, even if the flow of benefits is not continuous.

Since the popular feeling is that bad politicians are rather the rule and not the exception, immediate gratification outweighs the costs of making a good decision, especially when the feeling is that the singular vote does not influence the inevitable poor outcome of an election. This mentality, together with pressing economic needs, might further explain Brazil's relationship with vote trading (Assaf, 2014).

Based on the analysis and discussion throughout chapter 2, it can be inferred with a degree of certainty that **economic vulnerability worsens the electoral outcomes**. Conversely, a better formal instruction, that includes political education, might increase awareness to the consequences of political actions and knowledge about the functioning of the democratic

system, and consequently also improve the outcomes of the electoral process (Campbell, 2006, p. 29-ff).

Chapter two provided the basis for the further development of this thesis. Based on the work so far, chapter three will analyse the effect of poverty on an effective democratic participation.

## **Chapter 3: The Effect of Poverty and Inequality on Democratic Participation**

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Democratic theory assumes a society of free, equal, and autonomous individuals (Levin-Waldman, 2018, p.198). The core ideal of equality means that individuals are supposed to have equal standing. In other words, citizens are equal before the law, have the same vote as other citizens, the same right to express one's self in the political sphere and the potential to influence governmental decisions. In accordance with this ideal, economic status is supposed to be irrelevant. Both the rich and the poor are equal before the government. Individuals enjoy the same rights of citizenship as others and must enjoy their autonomy so that they can participate as full-fledged citizens in the democratic process. Ultimately, as stated in the previous discussions, citizens are the constitutive elements and effective political actors of a democratic regime, and the base of democratic political life resides in the autonomy of the individual (Vilas, 1997, p. 24).

The descent into the condition of poverty and insecurity threatens the autonomy of individuals, and consequently their rights, since no individual can fully enjoy supposed rights if he/she lacks the essentials for a reasonably healthy and active life (Fukuyama, Diamond, & Plattner, 2012, p.11; O'Donnell, 2010, p. 179).

For individuals in poverty conditions the solution of everyday life problems becomes the central focus of attention. Recalling the concept of rational ignorance, the costs of doing research and spending time in order to be able to make an informed decision and effectively participate in civic life, is relatively even greater for a person in the condition of poverty, since what is in stake is life security itself.

The decision to participate and effectively invest time into political action is determined, above all, by the ability to achieve material substance and a minimal level of security. (O'Donnell, 2010, p. 24). In other words, in order to abide by the principles of equality and economic freedom, both essential for a democracy, individuals must be in conditions of autonomy.

O'Donnell (2010), Dahl (2006, p. 4-ff) and Levin-Waldmann (2018, p. 109-ff), recognize that, according to these principles, a society would need absolute economic equality to achieve a status of full democracy, seeing that the economic situation creates an unbalance in power. In other words, the perfect democratic system should be composed of only middle income individuals, without the existence of poor and rich. From this theoretical assumption, the above mentioned authors advocate for enlargement and empowerment of the middle class, as means to achieve better democracies.

Further anchoring the pursuit of equality as a democratic goal are the findings of Wilkinson and Pickett (2010) that demonstrate that the worsening inequality not only has negative consequences for the poor, but eventually also contaminates the entire society, with the feeling of social injustice deepening the rift between the income classes. The authors conclude that it is not only poverty, but mainly the degree of inequality, that most strongly relates to wellbeing of an entire society. Aspects like community life, physical and mental health, drug-usage, life expectancy, obesity, educational performance, less urban violence, the degree of incarceration and adolescent maternity, all improve with a country's degree of equality.

According to this line of thought, democratic States should therefore, as means of guaranteeing their own legitimacy and in the interest of their people, strive to end poverty by diminishing income inequalities.

### **3.1. State Policies and Inequality in Brazil**

The correlation between poverty and citizenship rights is further discussed by Vilas (1997, p. 21). In light of deep social inequalities and the massive extend of impoverishment; he calls the *de facto* existence of citizenship rights into question. The author also recons that a movement of perverse causal reciprocity takes place in which inequality increases poverty and poverty expands inequalities, and in which economic growth and growing poverty become entirely compatible. Seconding this opinion, in the case of Brazil, are Sripes & Mendes (2016, p. 129-ff).

This exclusionary style of development conspires against the integrative principle which is implicit in every definition of citizenship or democracy. In the political environment in Latin America, social polarization is reinforced by state policies that abandon countercyclical measures and operate according to the market (Vilas, 1997, p. 21). This pattern concentrates and strengthens economic power towards the wealthy. The resulting extreme social polarization reduces the range of state policy instruments and their capacity to maintain inequalities within certain bounds. Sripes & Mendes recognize these effects to be true for Brazil as well (2016, p. 125-ff).

Taxation is a central topic for this discussion, since it is necessarily coupled with the notion of social equity. By defining who should fund the State, and with how much, tax policy itself carries an important role in income distribution (Viol, 2005).

In practice, this is observable in the taxation systems in Latin America. The groups with highest income, are able to successfully resist tax reforms, while the people with lowest income, cannot possibly contribute more. Thus, tax policies are aimed at the middle groups (Vilas, 1997, p. 21). This sort of tax design is still present in Brazil today. On a report published in 2014 of the tax revenue for the year of 2013 (Receita Federal, 2015, p. 10-13), Brazil exposes a contradictory tax system that heavily focuses collection of funds on the middle and lower groups.

In the category “Taxes over Income, Profits and Capital gains” Brazil charges an average of 6,1%, the second lowest value for all Organisation for Economic Co-operation and Development (OECD) countries, only behind Turkey. For reference, the average for OECD countries lies at 11,7%. Denmark, the highest taxing country, takes a 30,7% share. In the category “Property Tax”, Brazil charges 1,3% while the average for OECD countries charge at 1,9%. In the category “Taxes over goods and services”, and here lies the great contradiction, Brazil has the highest taxation for all countries in the OECD, charging 17,9%, while the average for OECD countries lies at 11,5% (Receita Federal, 2015, p. 10-13).

This shows us, that proportionally, Brazil taxes consume much higher than it taxes income and capital gains. These indirect taxes over goods and services affect the entire population. Yet, they clearly affect the lower income classes proportionally more, since most of their income is destined to consumption goods that are basic for their survival. While a person earning a minimum wage will have to compromise most of his/her income with food and basic services, and never actually be able to save up enough to have capital gains, a wealthy person will spend proportionally less of their income with basic needs, while also paying tax little over capital gains. People who earned up to two minimum salaries in 2004, payed 48,8% of their earnings in taxes while people with incomes over 30 minimum salaries paid 26,3% (Sripes & Mendes, 2016, p. 133).

Not only does this tax design not respect the contribution capacity proportionally, it also stigmatizes the poorer population based on the false belief that the poor do not pay taxes, since these indirect taxes are less visible than taxes over property and income. As a result, public policies that aim to reduce poverty and inequality are publicly perceived by all income groups as undeserved benefits and get negatively labelled, making it even harder for the general population to understand mechanisms and institutions aimed at improving democratic participation for lower income groups (Sripes & Mendes, 2016, p. 133).

In sum, “middle- and low-income families are forced to pay comparatively more for a State that spends comparatively less to meet their needs. Contrary to what is suggested by liberal democratic theory, in Latin America those who make decisions do not pay, and those who do pay do not make decisions” (Vilas, 1997, p. 26).



### 3.2. The Partido dos Trabalhadores Era

While the developments in Latin America and in Brazil have followed Vilas predictions on poverty and inequality inducing policies in Brazil's recent history, it is necessary to recognize that, even though only temporarily and with limited effects, there was a break of the described cycle.

When in 2002 Luíz Inácio "Lula" Da Silva won the presidential elections, it was expected that his macro-economic strategies for Brazil would change the course set by his predecessor, Fernando Henrique Cardoso. Seeing that Da Silva's presidential campaign was mostly based on a more left-wing political orientation, in accordance with his political life and ideology, and Cardoso's government had followed a rather liberal path (Morais & Saad-Filho, 2011, p. 1).

The stance that Da Silva's government took is understood as a reaction to the time's economical context of Brazil. In 2002, the country was in the midst of a serious currency crisis and struggling to refinance its public debt. The economic situation pressured the candidates to assume a public commitment to respect domestic and foreign public debt contracts and support an emergency aid program to be provided by the International Monetary Fund (IMF), which was negotiated by Cardoso's ending government. This program provided a large loan to aid exiting the currency crisis. Yet, this program also contained austerity clauses restricting monetary and fiscal policies for the future government (Carvalho, 2003, p. 23).

On international side, Da Silva's government received international pressure, represented by having the IMF as creditor. On the domestic side, it is also speculated that the continuity of the neo-liberal agenda was due to the need to make alliances, since Da Silva's party (*Partido dos Trabalhadores*) did not hold a majority in the Chamber of Deputies. So, even if defeated in the presidential elections, conservative parties maintained influence in other levels of Executive power, while also still controlling much of the Legislative power and Judiciary. Adding to this institutional power, conservatives had enormous economic influence as well as the overwhelming majority control over mass communication means (Novelli, 2010, p. 233). Many authors (Carvalho, 2003; de Almeida, 2004; Erber, 2011; Novelli, 2010) discuss the macro-economic course that Da Silva chose with critiques to the continuity of the neo-liberal agenda in his early government. By the end of 2005, the unsatisfactory macro-economic

performance (and, presumably, the criticism from former allies) generated a debate between the "neo-liberal vision" and the "developmentist vision" within Da Silva's government. This debate resulted in the replacement of the original economic team by defenders of a policy of greater State activism. The core of this new economic team was based on three lines:

*“[1] adoption of temporary measures of fiscal and monetary stimulus to accelerate growth and increase the productive potential of the economy; the acceleration of social development through the increase in income transfers and the raising of the minimum wage, and [3] the increase in public investment and the recovery of the State's role in long-term planning”* (Barbosa & Souza, 2010, pp. 69)

With this development, Da Silva's government eventually succeeded in implementing important social policies, even though it mainly failed to make institutional changes that would prevent the perpetuation of inequality and poverty, as seen in the taxation situation exposed previously (Ribeiro, 2015, p. 37).

After Da Silva's second mandate, Dilma Rousseff won two consecutive presidential runs, and was in power until her impeachment early 2016, resulting in roughly 13 years of *Partido dos Trabalhadores* in power (From 2003 to 2016). As a result from the successful implementation of internationally recognized social programs like *Brasil sem Miséria* (Brazil without Misery) and *Bolsa Família* (a conditional cash transfer program, CCT) during those years, Brazil managed to improve in several important social aspects.

Perhaps the most impactful policy during the *Partido dos Trabalhadores* era, was the development and implementation of the *Bolsa Família* program in Da Silva's first mandate. This is one of the biggest CCT program in the world, benefitting over 11 million families, and like most CCT programs in Latin America, *Bolsa Família* provides a monthly transfer to poor households.

The program started in 2003 with the merger of four existing conditional and unconditional cash transfer programs: *Bolsa Escola*, a minimum-income grant related to primary education, *Fome Zero* and *Bolsa Alimentação*, two income grants related to food security, the former unconditional, the latter conditional on health check-ups and vaccination updates, and *Vale Gás*, a subsidy to help poor households to buy propane.

*Bolsa Família* differentiated itself from previous CCTs with features like:

- the use of self-declared income instead of a proxy means method to assess eligibility;
- the existence of an unconditional transfer to extremely poor households regardless of the presence of children or pregnant women;
- decentralized nature of the application process and of monitoring of conditionalities, in which municipalities play an important role (Soares, Ribas, & Osório, 2010)

It is estimated that the program is responsible for taking 36 million people out of conditions of extreme poverty (people who earned under R\$ 77 per month as of 2015), while costing roughly 0,5% of the GDP<sup>15</sup>. The program is recognized worldwide due to its relative low cost and very good results in fighting poverty and inequality<sup>16</sup>.

The reduction in income inequality in Brazil is visible between 2002-2015 in the GINI Index<sup>17</sup>, where 0.0 represents perfect equality and 1.0 indicates total inequality. While the index value was at 0.581 in 2002, it decreased steadily and reached a value of 0.513 in 2015<sup>18</sup>.

While it is hard to isolate the impacts of such programs from general economic changes, scholars recognize that *Bolsa Familia* played an important role in reducing poverty and income inequality in Brazil (Soares et al., 2010, p. 179-183).

With the recent economic recession, the political turmoil, and the retake of a rather liberal and austere style of government by Michel Temer, characterized by measures like the constitutional amendment project 55 (PEC-55). This PEC, is popularly called “end of the world PEC”, and freezes public spending for the next 20 years. This includes areas like health, education and public safety. Adding to this, Temer was successful in implementing reforms to the labour laws that resulted in the International Labour Organization categorizing Brazil as a country suspected of infringing international labour laws, while demanding explanations from the Brazilian government (Pragmatismo Político, 2018).

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<sup>15</sup> <http://www.brasil.gov.br/cidadania-e-justica/2015/10/em-12-anos-bolsa-familia-retirou-36-milhoes-de-possuas-da-pobreza-extrema> (Access Date: 2018-08-15)

<sup>16</sup> <https://nacoesunidas.org/programa-bolsa-familia-e-exemplo-de-erradicacao-de-pobreza-afirma-relatorio-da-onu/> (Access Date: 2018-08-15)

<sup>17</sup> GINI Index: Is a measure of income inequality (0.0 on the Gini scale represents perfect equality in income distribution and the score of 1.0 indicates total inequality) <http://www.businessdictionary.com/definition/gini-index.html> (Access Date: 2018-07-30)

<sup>18</sup> <https://data.worldbank.org/indicator/SI.POV.GINI?contextual=min&end=2015&locations=BR&start=1995&view=chart> (Access Date: 2018-08-15)

In Brazil's slow recuperation from the economic recession, the poorest 40% of the population lost income, while the intermediate and higher income sectors recovered gains in the first quarter of 2018. The average monthly income of the most vulnerable 20% fell from R\$ 400 in the first quarter of 2017 to R\$ 380 the same period in 2018, a real decrease of 5%. In contrast, the richest 20% saw their average monthly income rise from R\$ 5,579 to R \$ 6,131, an increase of 10.8% in the same period (Carrana, 2018).

These recent developments set an unprecedented importance to the 2018 presidential elections in Brazil. With left-wing candidates promising tax reforms to target the wealthiest and expansion of social protection programs to fight poverty and inequality while right-wing candidates almost unanimously defend market deregulations and the minimization of state spending in order to boost economic growth, it remains uncertain if Brazil will return to the inequality perpetuation cycle described by Vilas (1997).

### **3.3 Poverty in Brazil Today**

As means of analysing poverty around the world, the World Bank (WB) and a group of independent researchers came up with the concept of Purchasing Power Parity exchange rates (PPP). The PPP exchange rates are constructed to ensure that the same quantity of goods and services are priced equivalently across countries and makes international comparisons possible<sup>19</sup>.

The World Bank has classified Brazil as an upper middle income class Country, defining its poverty line at US\$ 5,50 (2011 PPP) per day, or R\$ 12 as of 2015. Despite of this classification, the Poverty & Equity brief revealed that 39.9 million Brazilians (19.4% of total population) were below this poverty line in 2015 (2018).

The pesquisa nacional por amostra de domicílios contínua (PNAD-C<sup>20</sup>) is a large-scale survey conducted by the IBGE (2017), that provides data on many aspects of Brazilian households. From the 89.134.000 people (above 14 years) who earned any kind of income in 2017, up to 20% (17.826.000 people) earned up to R\$ 447 per month, while up to 30% (26.740.200 people) earned up to R\$ 608 per month.

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<sup>19</sup> <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq> (Access Date: 2018-08-15)

<sup>20</sup> The dataset of the PNAD-C survey can also be found in the digital version of this thesis, as an attached file.

The WB US\$ 5.50/day poverty line, converts into R\$ 524,23/month (using exchange rates from the 28/04/2017 and multiplying by 30 days for a month [ $5,5*3,1772*30=524,238$ ]). Based on this data, it can be assumed that roughly over 20% of the Brazilian workforce does not earn enough to be above the WB poverty line.

Assuming a working citizen lives alone and does not have to sustain any family members or any other person, would R\$ 524,238 be enough to provide a decent standard of living, enabling autonomy and economic freedom to this person?

According to the Intersindical Department for Statistics and Socio-economic Studies (DIEESE, 2018), the *Cesta Básica* (standard food basket that represent the minimum needs of one individual for a month in Brazil) had the following price in August 2018 in the following Brazilian capitals:

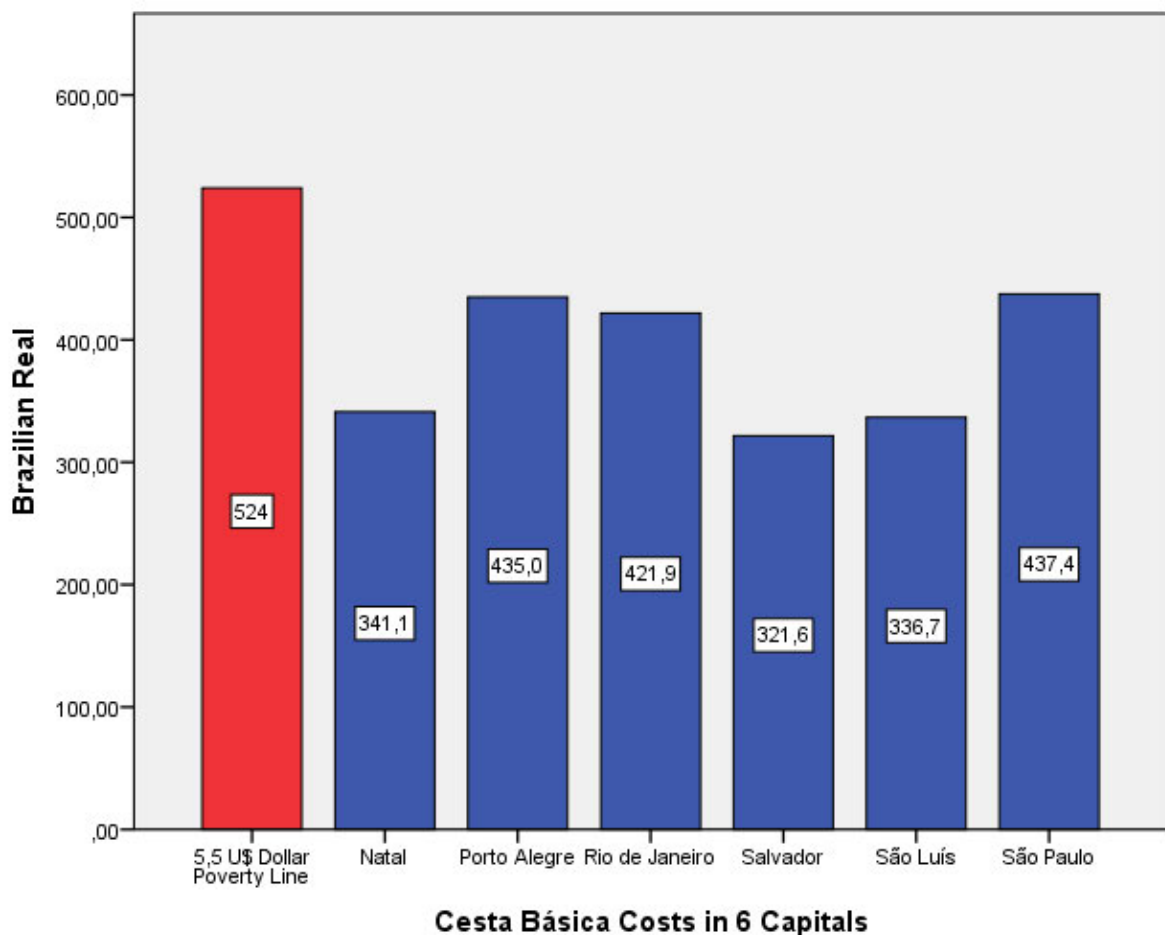


Figure 4: Cesta básica costs based on date from (DIEESE, 2018)

Porto Alegre, Rio de Janeiro and São Paulo have the most expensive Cesta Básica in Brazil, while Salvador, São Luís and Natal have the cheapest (DIEESE, 2018).

Assuming that the aforementioned person lives in a city, (like over 80% of the Brazilian population, according to the PNAD-C 2017), and spends R\$ 321,62<sup>21</sup> on food every month, this cost alone would represent over 60% of the R\$ 524,23 proposed by the WB poverty line for Brazil. If costs for housing and other essential needs are to be added, it becomes clear that being on the WB poverty line is not enough to be considered autonomous (with economic freedom) in order to be able to effectively participate in the democratic process.

Even though autonomy is a very broad and subjective concept. Its theoretical conception finds similarities in Sen's Capability approach (2009, p. 225-ff). Admittedly a more conceptual and philosophical way of dealing with poverty, where freedoms, as defined by Sen, can be compared to the autonomy stated by Levin-Waldman (2018), and also with the decency argument that underlies the Living Wage concept present in the Anker methodology (Anker & Anker, 2017). This methodology is a more practical approach that aims to measure the necessary income for a decent living standard.

With this data in mind, this thesis recons that the international poverty line, as used by the WB, is not a suitable instrument to identify and/or qualify poverty in the context of this thesis. In the next chapter, this thesis presents the concept of Living Wages as a more suitable alternative to tackle this issue.

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<sup>21</sup> Inflationary differences between 2017 and 2018 were disregarded here. Inflation at end of 2017: 2,95%

# Chapter 4: Living Wages and Democratic Participation

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In this thesis, the concept of Living Wages, as present in the Anker Methodology (Anker & Anker, 2017) will be presented as an alternative to conventional poverty lines, seeing that, as priorly asserted, these lines are insufficient for defining poverty, at least as understood in the context of this thesis. It is important to recognize that the poverty lines proposed by the World Bank and other conventional international poverty lines have a different purpose than what is needed in this thesis. Therefore, an alternative calculation is welcomed.

The Living Wage concept aims to define a wage level that offers workers “the ability to support families, to maintain self-respect, and to have both the means and the leisure to participate in the civic life of a nation” (Glickman, 1999, p. 66). This definition bears

resemblance with the ideas of Sen on defining poverty relative to the achievement of what he calls “capabilities”. These capabilities include such things as the ability to read and write, to lead a long and healthy life, to have freedom of movement, and to participate meaningfully in the civic life of the community (2009, p. 253).

## 4.1 Anker methodology

Richard Anker and Martha Anker define Living Wages as the

*“Remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.”* (Anker & Anker, 2017, p.8)

They have set themselves the task of developing a methodology for measuring Living Wages.

The emphasis of both Sen (2009, p. 253) and Glickman (1999, p. 66) on the meaningful participation in the civic life of the community is of high relevance to the hypothesis that income levels can positively influence democratic participation, as proposed in this thesis. The definition given by Anker and Anker for Living Wages does not fully encompass the broad vision conveyed by Glickman or Sen. Seeing that they propose not a theoretical discussion, but an actual practical approach to measuring Living Wages, it is understandable that the definition that serves as starting point for their methodology does not include an abstract concept, as difficult to measure as the meaningful participation in the civic life of the community. One of the main critiques for this methodology is that it requires judgement to define what is to be considered decent, in other words it is partially, subjective. Yet, as Anker & Anker argue, and this thesis agrees, the developed methodology is precise enough to be useful (Anker & Anker, 2017, p. 6-9).

Taking into account the many definitions, theoretical contributions and history of the terminology behind Living Wages, this thesis considers that the aim of a “decent” standard of living in Anker & Anker’s work contemplates an effective participation in the civic life.



Estimating a living wage begins by estimating the costs of a basic but decent lifestyle for a worker and his/her family. This basically consists of adding up the costs for three main expenditure groups: food, housing and other essential expenses for a family. On top of these, a small margin for unforeseen events is added (Anker & Anker, 2017, p.18).

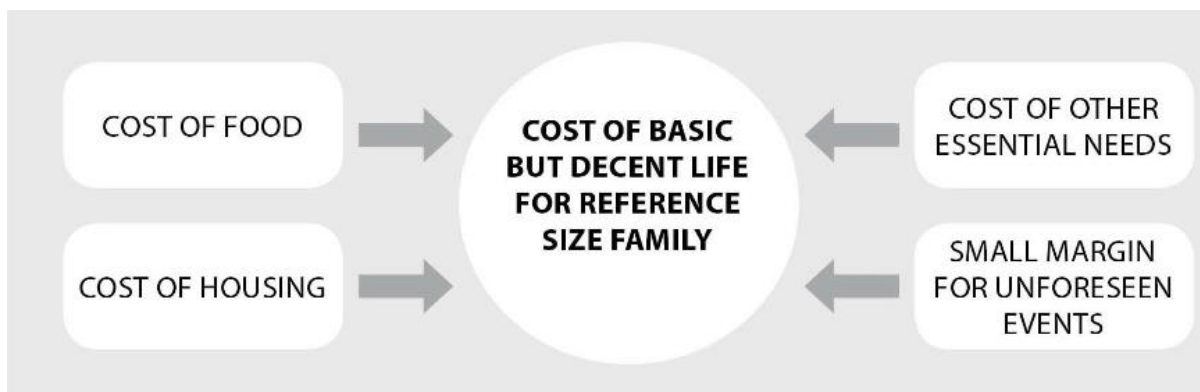


Figure 5: Costs of basic but decent life (Anker & Anker, 2017, p.18)

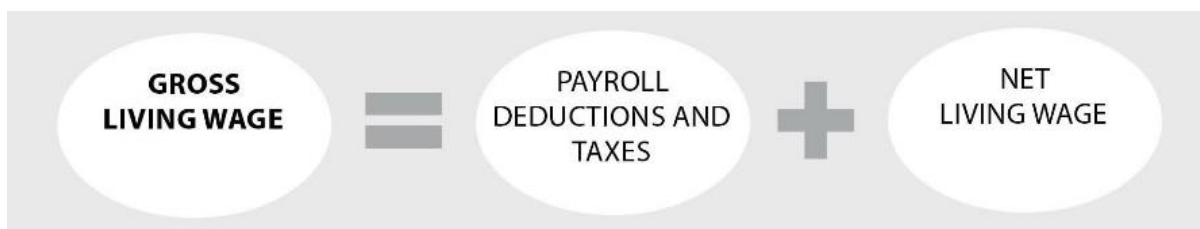
To define the Net Living Wage, these costs are then divided by the number of workers in the reference size family. The number of workers per family is always between one and two full-time workers per couple and depends on local conditions as regards to labour force participation rates, unemployment rates and part-time employment rates.



Figure 6: Net Living Wage (Anker & Anker, 2017, p.18)

After calculating the Net Living Wage, it is necessary to take into consideration statutory payroll deductions and income tax. After all, workers need to be able to take enough money

home in order to afford the decent standard of living. Thus, statutory payroll deductions and taxes are added to the net living wage, to calculate the Gross Living Wage.



*Figure 7: Gross Living Wage (Anker & Anker, 2017, p.18)*

## 4.2 Minimum wage

The minimum wage and the living wage generally have similar objectives: to ensure that full-time workers do not live in poverty. Therefore it is not surprising that many people think of the minimum wage and the living wage as similar or as the same thing, especially when definitions for minimum wage are used as done by the Brazilian government (Anker & Anker, 2017, p.10).

Brazil's Constitution has defined that every worker, rural or urban, has the right to a minimum wage capable of attending to their basic vital needs and those of their families with housing, food, education, health, leisure, clothing, hygiene, transport and social security, with periodic adjustments that preserve their purchasing power (Presidência da República, 1988).

When comparing the definitions for the Brazilian minimum wage and Anker & Anker's definition for Living Wages, one can conclude that the Brazilian definition is even broader and more generous. Yet, in practice, Living Wages and minimum wages are quite different.

Minimum wages are set by the government and need to balance two concurrent objectives: On the one hand, it should aim to reduce poverty and provide for the needs of workers and their families. In this aspect, its proposition is very similar to that of the Living Wage. On the other hand, however, the minimum wage also aims to stimulate employment and economic growth.

The disparity between actual minimum wages and the Living Wages is a result of this political process, since the minimum wage can be set at any level, and is influenced by the relative power of employers and workers (Anker & Anker, 2017, p.10).

The minimum wage in Brazil as of 2015 was of R\$ 788 while a Living Wage report done in same year for the Minas Gerais South and Southwest regions, using the Anker methodology, found that a rural workers Living Wage value lied at R\$ 1629. More than twice the minimum wage (Alexandre de Freitas Barbosa, João, & Zacareli, 2016, p. 3) From this comparison alone, it becomes clear that the level of the minimum wage in Brazil does not meet its proposed purpose.

#### 4.2.1 Example of a Living Wage

The Living Wage report, found that a family in that specific area would need a minimum of R\$ 656/month to sustain a healthy diet (Alexandre de Freitas Barbosa et al., 2016, p. 17). The costs for basic housing for this reference family, would cost anywhere between R\$ 450 to R\$ 600 per month. The report used the lowest value in their calculations. The average expenditure on electricity, water and propane amounted to R\$ 180/month. In sum, the total housing costs, calculated by adding the rent costs (R\$ 450) to the average expenditure on utility costs (R\$ 180), would amount to R\$ 630 per month. When calculating the non-food non-housing costs (NFNH), the report took into account that Brazil has public education and healthcare systems. However, since the healthcare system's quality is highly debatable, the researchers found it fit to add one private yearly medical appointment for each family member. Since education is also provided as a public service, the researchers also did not add extra costs for education. The researchers concluded that a family would have NFNH-costs of R\$ 1201 per month.

However, according to the Programme for International Student assessment (PISA), from 2015, Brazil is significantly under the OECD average in science, reading and mathematics. The cumulative expenditure per student between the ages of 6 and 15 corresponds to 42% of the average spending per student across OECD countries (OECD, 2015, p.1).

Taking into account that educational levels and political participation are positively correlated to income in Brazil (Oliveira, 2001, p. 41-48), in the context of this thesis, it would be

appropriate to add a sum for education expenses, even though there is a public education system in place. For unexpected events, a sum of R\$ 47 was added.

These calculations resulted in a total sum of R\$ 2534/month living costs for a reference sized family. This sum was divided by 1.71 (estimated number of adults working full-time in the family), and the net Living Wage was set at R\$ 1482. The addition of payroll deductions and taxes result in the gross Living Wage of R\$1629 per month (Alexandre de Freitas Barbosa et al., 2016, p. 25).

When concluding the report, the authors acknowledged that since the economic crisis was starting to show its effects, a lower number of full time employed adults per family could be expected. This would result in higher Living Wages for the near future (Alexandre de Freitas Barbosa et al., 2016, p. 25).

Furthermore, the DIEESE estimates a necessary minimum wage of R\$ 3.674,77. This value is what the DIEESE considers the necessary sum for a worker to be able to guarantee the basics of a dignified life according to the constitution (DIEESE, 2018). This value corresponds to the total costs of living for a family. However, the methodology applied by the DIEESE is rather simplistic, in the sense that it assumes many values and is a general calculation and not a region-specific one.

This thesis believes that the Living Wage calculations using the Anker methodology are the best approximation of the necessary value to guarantee a dignified living. Nevertheless, the DIEESE estimation helps to understand the living costs of a urban worker.

If using the Living Wage value as a parameter for poverty in the context of this thesis, the PNAD-C would identifies that over 60% of Brazilians with any kind of income would be below the R\$ 1629 line (IBGE, 2017). It is necessary to pay attention to the fact that this Living Wage value was calculated for workers in a Minas Gerais rural area, residing in nearby small urban concentrations. As stated before, over 80% of the Brazilian population lives in larger urban areas, where the costs of living are considerably higher.

With this in mind, this thesis feels safe in assuming the R\$ 1629 line as a minimum value for a decent life, even though it recognizes that further calculations for other cities and regions are needed in order to draw a more accurate image of Living Wages in Brazil.

Brazil places 8th in the world by total GDP, and is undeniably rich in natural resources and productive capacities. By having over half its population in living conditions that cannot be considered decent, it faces a serious threat to its further democratic development.

In the next section, it will be presented arguments for pursuing a minimum wage policy that aims to be a Living Wage.

### **4.3 Arguing for a Living Wage**

As shown in this thesis, poverty and inequality are incoherent with the principles of democracy. Therefore, with the sole objective of respecting the principles of democracy, this thesis suggests that Brazil should further fight poverty and inequality. By setting the Living Wage as a benchmark and long-term goal, Brazil could effectively reach a better democracy.

In recent history, with the Partido dos Trabalhadores government, Brazil has seen the potential benefits that implementing redistributive policies can have in society. Part of the public opinion in Brazil argues that such policies were only possible due to the good economic development for the period. Yet, one of the main reasons for the good economic development was the strengthening of inner market consume, due to the redistributive social policies and facilitation of access to credit for the lower income classes (Morais & Saad-Filho, 2011, p.59-61).

This thesis suggest a steadily increasing minimum wage – that aims at the Living Wage, as means to reduce poverty and inequality, instead of the expansion of redistributive measures or even a restructuring of the taxation system. Thus, as means of fighting the systematic inequality in Brazil, redistributive measures and a taxation reform are absolutely necessary and might even be more efficient than an increasing minimum wage. Yet, when considering the present political atmosphere, an increasing minimum wage seems to be a necessary first step.

The Partido dos Trabalhadores era brought about a stigmatization of social programs, such as the Bolsa Família, that although being recognized by the entire political spectrum to nowadays is necessary, became labelled by conservatives as “free money” for “lazy people”. Similar to the taxation example given by Sripes & Mendes (2016, p.133), such policies are very visible, covered by the mass media. However, their aim and purpose are severely

misunderstood by a portion of the middle and upper income classes. Coupled with the feeling of rising intolerance around the world and in Brazil, people who opposed Da Silva's governments and policies often accuse the social program of having the sole purpose of buying and keeping the votes of the miserable (Falcão, 2016).

In the current climate of political turmoil and division of the public opinion, the minimum wage is an instrument well accepted by both sides. By having a comparison-base in the own wage, most people understand the necessity of providing workers with minimum dignity. For this reason, this thesis defends that, taking the current situation into consideration; an increasing minimum wage is the most viable alternative to fight inequality in Brazil today.

The discussion on the efficiency of minimum wages is very vast. Classic arguments against it say that it leads to increasing unemployment and substitution of labour by machinery and a net loss of value creation; while argumentations in favour emphasize in the poverty reduction benefits and possible increases in productivity and household consume effects (Levin-Waldman, 2018, p. 91-ff).

The following graph (Figure 7) shows the relation of increasing minimum wages and income inequality in Brazil for the recession period of 1995 to 2005. The real minimum wage (inflation adjusted) is represented by the blue line, while the yellow and red lines represent respectively the GINI Indexes for work income and household income per capita. With increases in the value of the real minimum wage, the indicators for income inequality drop, expressing a negative correlation between minimum wages and income inequality (Saboia, 2007, p. 5):

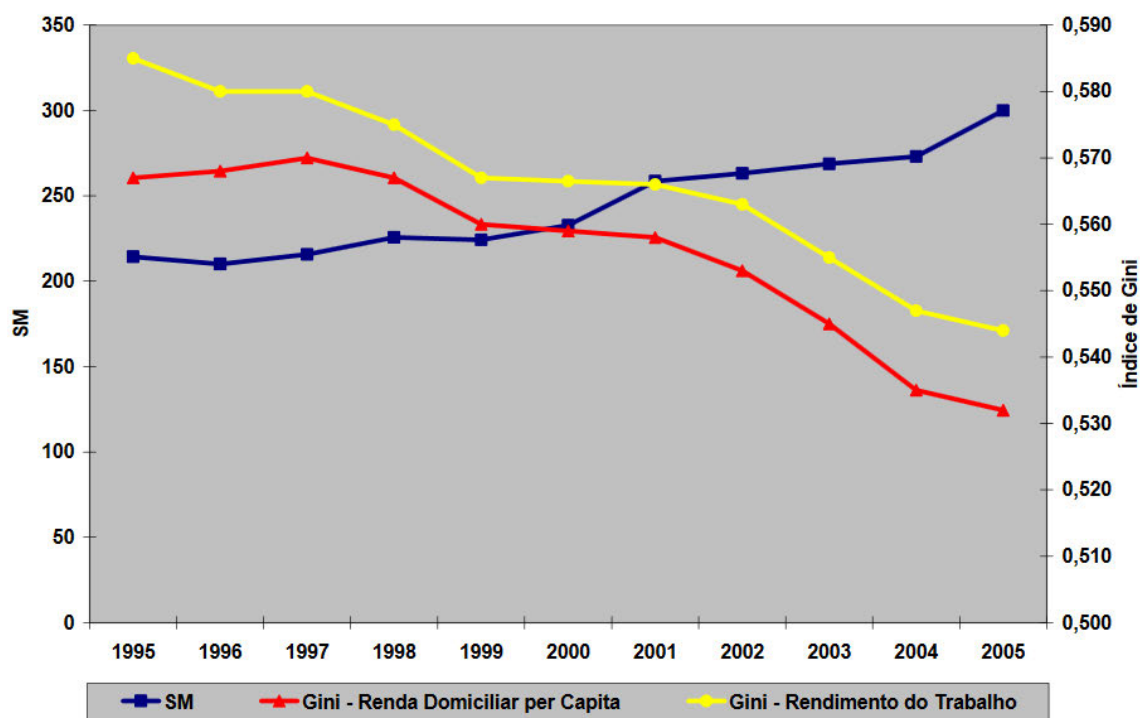


Figure 8 Minimum wage and inequality (Saboia, 2007, p. 5)

It is important to recognize that the IBGE estimates that nearly half of the Brazilian workers earn 19, 5% under the minimum wage. This is possible due to the high number of workers in the informal sector (IBGE, 2017). Nevertheless, it has been observed that increases in the minimum wage also positively affect the wages of workers in the informal sector (Foguel, 1998, p. 1-13).

Then again, this thesis does not aim to make an economical argumentation in favour of increasing minimum wages. Rather, it defends that a country that calls itself democratic has an obligation to defend the true application of democracy respecting all of its principles, and thus, according to the data and argumentation here presented, is compromised in defending its citizens from poverty and inequality.

This thesis concludes that using Living Wages as a long term goal to progressively increase minimum wages could reduce income inequality in Brazil and, in the long-term, be beneficial for the democratic development by improving democratic participation. Yet, it is necessary to recognize the socio-economic complexities of a nation before applying any kind of macro-economic measures. Nevertheless, this thesis successfully identifies income inequality as a deterrent factor in the democratic development of Brazil and confidently defends that fighting this inequality will result in a better democracy.

## Chapter 5:

# Conclusion and recommendations

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Future qualitative research would be useful in order to better and more deeply assess the impacts of social inequalities on democratic participation. Likewise, such researches would be relevant in order to further understand the seriousness of the matters discussed. Applying the Anker methodology in more regions in Brazil could further the understanding of the necessities of the lower income groups. This information would be useful to raise society's awareness and facilitate the design of public policies to provide decent living standards for all citizen.

This thesis set out to answer the research question:

**How can Living Wages lead to better democratic participation in Brazil?**



By using Living Wages as a long-term objective for minimum wage policies, Brazil can revert the income concentration trend and progressively improve the citizens' democratic participation. The following conclusions led to this answer.

The underlying assumptions that served as starting point for this research was that democratic participation in Brazil had a relationship with income and that providing a decent income to workers might improve democratic participation and, subsequently, democracy in Brazil as a whole.

Brazil, in the eyes of the world, is considered a democratic country. By discussing the principles that serve as basis for western democracies and some characteristics that serve as requisites for the functioning of democracies in the western perspective, this thesis concludes that Brazil, even though it has the institutional structure, presents severe flaws that stand in its way of becoming a true democracy. High illiteracy rates are only a facet of the systemic poor education in the country. A characteristic that this thesis considers deterrent to the development of and respect for democratic principles.

Further on, this thesis finds that, by following international trends, Brazil has perpetuated social and economic inequalities that until this day are widespread in the society and severely limits the capacity of a great part of the population to effectively participate in civic life. In other words, social inequalities in Brazil harm the principles of equality and economic freedom, that are essential for the functioning of the democratic system.

Analysing representation results and practices, this thesis diagnoses Brazil as having severe problems when it comes to democratic participation, which ends up resulting in mistrust in institutions. After taking a closer look into this mistrust, this thesis concludes that the political crisis that Brazil today faces results from a mix of lacklustre electoral participation by the population, widespread feeling of public corruption and general political instability. This reassures the initial suspicion that the lack of economic freedom, severely affects democratic participation in Brazil. Deriving from these discussions, another resulting conclusion is that Brazil also lacks a solid democratic tradition.

Moving forward, by analysing the recent history, it can be concluded that Brazil has the necessary means to, in the near future, start changing the dynamics of inequality perpetuation. Looking into poverty in Brazil from different points of view, this thesis considers that the Anker calculation methodology for Living Wages is the best suited one when it comes to

defining an income level that can provide a decent life - including effective civic participation.

Taking into consideration the recent political developments and the tense political climate that resulted from such developments and the economic recession, this thesis concludes that a public policy of increasing minimum wages steadily is the best option to fight systemic inequalities, the resulting poverty and the underlying damages to democracy. By using Living Wages as a long-term objective for minimum wage policies, Brazil can revert the income concentration trend, and progressively improve the citizens' democratic participation.

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