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TITLE: CASH TRANSFERS AND INEQUALITY: AN APPLICATION OF AN INTER-REGIONAL GENERAL EQUILIBRIUM MODEL FOR BRAZIL.

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ABSTRACT:

In 2003, Bolsa Família Programme (PBF) was implemented in Brazil. The PBF, by transferring monetary resources, increases the income of the poor and extremely poor families. Although, the PBF also impacts other families through the interaction of them with the economy. So, the PBF changes the final income of the agents and may have an impact on Brazil's income distribution. The objective of this study is to analyse the impact, direct and indirect, of the PBF on inequality. To do so, an inter-regional general equilibrium model was built, based on IFPRI model, supported by an inter-regional social accounting matrix (SAM), created specifically to this study. This work indicates that the income transfers lead to a decrease in inequality, measured by Gini Index, from 0,881% to 0,927%, according to the Government financial pattern. This decrease is caused by the positive effects of the initial transfers which more than compensates the negative indirect effects on inequality. That means that, in spite of the fact that the initial income transfers results in a decrease on the concentration, the operation of the economic structure shows a concentrative bias.