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THE OLD CLASS: THE DARK SIDE OF THE  
RICH

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## **THE OLD CLASS: the dark side of the rich.**

**Antonio David CATTANI<sup>1</sup>**

*Imagine Chelsea, Eaton Square or the fashionable areas of Kensington and Belgravia closely surrounded by Hackney, Tottenham, Woolwich or deprived areas of East London. Or Henley-on-Thames surrounded by huge shantytowns. On a much larger scale, this is what can be seen quite regularly in some of the large metropolitan areas of Brazil, or even in some rural areas: islands of abundance surrounded by a sea of poverty. Brazil has always been a very rich country characterized by huge inequalities. Recent political and economic changes have propelled it to the sixth largest economic in the world. The country is currently seeing an accelerating reduction in poverty at the same time as an increase in the concentration of income. This paper aims to address these paradoxes.*

In 2010, Marcelo Neri, chief economist at the Centre for Public Policy of the influential Fundação Getúlio Vargas (FGV), edited a collection entitled *The New Middle Class in Brazil: the Bright Side of the Poor*.<sup>2</sup> This publication can be

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<sup>2</sup> Available in English at [www.fgv.br/cps/nmc/](http://www.fgv.br/cps/nmc/)

considered a benchmark in studies of socioeconomic inequalities, social mobility and public policy in Brazil.

It is important for several reasons. Firstly, because of the institution where it was produced, the FGV. This is a university and research and information centre, is the most important think tank in Brazil. Since it was set up in 1944, this private body has taken a leading role in the formulation of public policy and the formation of professionals for the higher reaches of the public and private sectors. In terms of economics the FGV is strictly conservative, and it enjoys unrivalled credibility with informed opinion and major business leaders. The Centre for Social Policy is embedded within a complex and ideologically-oriented educational structure for training professionals in Economics, Law and International Monetary Policy; it is responsible for the production of knowledge of social reality, and particularly of the impact of public policies. Its publications are seen as having the same credibility as all the other information and analyses produced by FGV.

Secondly, *The New Middle Class* presents recent data on a phenomenon never before recorded in the country's history: the rapid reduction in the number of the poor and poverty-stricken that has taken place since 2003. Amply documented with graphs and statistics, the book sees this phenomenon as the result of the public policies implemented by the Federal Government during the administration of President Luiz Inácio Lula da Silva. The same findings had been made by other institutions and researchers but without receiving much public recognition. For example, when the *Instituto de Pesquisa Economica Aplicada* ('Institute of Applied Economic Research'), a government body within the President of the Republic's Secretariat of Strategic Affairs, produced similar data and analyses, conservative political sectors and the mass media reacted angrily, accusing the Institute of manipulating information in ways favourable to the Government. Similarly, when independent researchers drew the same conclusions about the economic mobility of the poor, they were also ignored or more commonly, this was considered useful information on which to base business marketing strategies, divorced from any understanding of the reasons for the improvement in the standard of living of this sector of the population.

The importance of the work coordinated by Marcelo Neri lies also in the personality of the famous researcher himself. Objective, dynamic and a good

communicator, Neri shows consummate mastery of both the mass media and academic communication, and he is confident in the consistency of his analyses. Certainly, Neri is a Pink Floyd fan: the report's cover shows the cover art of their 1973 album *The Dark Side of the Moon*<sup>3</sup>, merely changing *Dark* to *Bright*. This is why, in another play on words, we have yet again inverted the adjectives, and used Neri's work to discuss crucial issues of social and economic inequality, social class and justice. *The New Middle Class: the Bright Side of the Poor stimulates* reflections on the processes that have marked Brazil's history, enabling us to debate social class and above all, to mount a criticism of current absences within the social sciences when it comes to analysing class structure and power relations in Brazil, a country classified among the ten most unequal countries in the world. As we will see later, one of the main weaknesses in social thought is its inability to examine what we will call the "Dark Side of the Rich". Like Neri, we will pay homage to Pink Floyd's classic 1973 album, but here our theme song will be the opening track on Side B: "*Money, it's a crime...Share it fairly...But don't take a slice of my pie*".

## **500 YEARS OF RICHES AND POVERTY**

Historical sociology and the notion of path dependence are indispensable tools for understanding the nature, determinants and possibilities of contemporary societies. In the case of Brazil, this analytical perspective arouses feelings of frustration and discouragement in researchers and educated readers, particularly if they hold progressive values. Since the arrival of Portuguese sailors in 1500, Brazil has passed through several extractive and productive cycles whose intensity is one of the key features of its economic organisation: the felling of Brazilwood – for timber and its red dye – (1500-1530), the sugar cycle (1600-1700), the gold and minerals cycle (18th century) and the coffee cycle (1800-1930), as well as other less important or more localised cycles such as the rubber cycle in Amazonia (1879-1912), and the dried beef cycle in Rio Grande do Sul (19th century). These had specific political and social effects. Despite the industrial diversification which occurred

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<sup>3</sup> Album artwork by Hipgnosis and George Hardie

after the 1930s, macroeconomic determinants defined by specific phases of productive or commercial expansion lost none of their importance. The most recent examples in the 21st century are agroindustry and the export of commodities.

The pattern of this kind of economic growth is nearly always characterised by the following features: a) the productive forces of a particular activity set the overall direction of the economy, although not exclusively; b) these activities are always carried out intensively and on a large scale; c) control of the trade is in the hands of a numerically small sector (family groups, large national or multinational companies or monopolistic corporations). The wealth produced rarely evidences any '*trickle-down effect*', in terms of leading to a more harmonious economic integration or a wider distribution of wealth. This is the specific feature we wish to emphasise. Historically Brazil has been blessed with an abundance of natural resources, entrepreneurial energy and a strong and willing workforce. But despite this, the wealth produced has always been concentrated in the hands of the privileged: aristocratic slave owners, plantation owners, captains of monopoly industries, bankers, traders and rentiers holding positions of power.

The phrase "Brazil is a rich country with a lot of poor people" has passed into political folklore and is constantly repeated. Depending on who says it, this is either worthy of featuring in the *Stupidest Things Ever Said* list or a summary of the historical phenomenon of the concentrated expropriation of social production into private hands. In Brazil during the Colonial and Empire periods, the contrasts between opulence and extreme poverty – quite apart from slavery – horrified famous travellers like Darwin, Saint-Hilaire and Debret and would certainly have appalled Humboldt. Passing through Salvador in 1831 and observing local reality, Darwin was so outspoken in criticism of the degrading condition of the slaves, that he quarrelled with Robert Fitzroy, the captain of HMS *Beagle*, who threatened to expel him from the expedition. One hundred and fifty years later, a German philosopher, recognised as being an elitist and conservative, after giving a lecture at the Goethe Institute in Porto Alegre, was taken to dinner at an "all you can eat" grilled meat restaurant. Even though the guest shared the beliefs of a Herbert Spencer or an Ayn Rand, he could not contain his indignation at the contrast between the starving beggars outside and

the superabundance and criminal waste of food inside the restaurant frequented by the local elite.

To foreign eyes such contrasts seemed flagrant, as for example in Roger Bastide's 1957 classic, *Brazil, Land of Contrasts*; as they did to the more astute among writers, social scientists and Brazilian scholars, from Buarque de Holanda, to Raimundo Faoro, Celso Furtado, Milton Santos, Murilo de Carvalho, Octavio Ianni, José de Souza Martins and others, most recently Marcio Pochmann (2002, 2004 and 2009) and Jessé Souza (2004 and 2010). Whether in formal academic language or in a more expressive style, the words used underline the analyses of these paradoxes and social aberrations, the real or symbolic violence inherent in class relations and the abyss which separates groups who share the same social space and who are part of the same economic cycle.

In the past one saw liberal-minded aristocrats who were nevertheless slave owners: in the 21st century we see international managers revered despite being exploiters of the vulnerable or as ardently neo-liberal billionaires craving for public funds. Not all socioeconomic developments in Brazil are so extreme, but the power of the "wealth pole" is crucial to an understanding of the issues underlying social structures and social dynamics, which may relegate other aspects of the nation's reality to the status of epiphenomena.

There is a profusion of data that, if correctly interpreted, illustrates the previous assertions. Information for periods prior to the 20th century is scanty and imprecise, making it possible to gain only a general idea of the processes. It was only in the 20th century with the creation, in 1934, of the *Instituto Brasileiro de Geografia e Estatística* (IBGE) that data was systematised and reliable information regularly produced. A systematic compilation of national accounts was only undertaken after 1947 by the Getúlio Vargas Foundation.

Published by the IBGE in 2003, *As estatísticas do século XX* (Twentieth Century Statistics) is a rich and panoramic synthesis of demographic changes and socioeconomic developments in Brazil. The preface to this work features an important dialogue with the IBGE president, Eduardo Pereira Nunes (Professor at the FGV) and Celso Furtado, the most acute analyst of Brazil's development problems. In the interview, mention is made of the growth in the Brazilian population from 17 million people in 1900 to 170 million by 2000

and the corresponding quantitative expansion in the economy, greater than in any other Western country over the same period, transforming Brazil from a basically rural and provincial country, to the tenth largest economy in the world at the time of the interview and the sixth largest in 2011. But what these two renowned economists see as absolutely decisive is the permanent imbalance in the distribution of wealth.

In his vast scientific output, Celso Furtado has been able to demonstrate that the national blueprint for growth has always been linked to the logic of concentration of the social product. For occasional periods (1930-1945; 1956-1963), Keynesian policies adopted by the Federal Government, allowed a glimpse of the possibility of encouraging more balanced growth. Through the creation of state enterprises in strategic sectors, encouragement of the internal market, social policies favouring certain sectors of the working class and other measures, the State attempted to alter the pattern of wealth distribution. However, administrations of an obtusely liberal bent (1945-1949; 1955) and, above all, the disastrous authoritarian policies of the military regime following the 1964 coup d'état, undermined the slender advances that had been achieved during periods of relative democracy.

The military dictatorship, which lasted for 21 years (1964-1985), saw a major intensification of the regime of concentration of property and appropriation of income by the elite. Beginning in 1968, the bloody repression of the political opposition, the dismantling of civil society organisations, the destruction of independent trade unions and the persecution of any kind of intellectual contestation, including liberal, created a kind of economic, political and ideological straitjacket which remained in place for a further 20 years beyond the end of the regime.

The distribution of income shown in Graph 1 below is an attempt to illustrate changes in this essential phenomenon which will be discussed further later. It forms a rough synthesis of official statistics produced by various official bodies, censuses, sample surveys and data from academic and private research.

Before beginning to analyse this graphic synthesis, we should point out that the concept of "income" can refer to many very different elements, giving rise to endless polemics. For example, if the calculation is based essentially on

income from work plus retirement and other pensions, as in the prize-winning book by Marcelo Medeiros, *O que faz os ricos ricos (What Makes the Rich Rich)* (2005), it is possible to prove the existence of unequivocal and marked inequalities favouring minority segments at the expense of the great majority of the population.

If “wealth” is the basis for the calculation, and consequently the focus of the analysis of class structure, the problem becomes more complex, as it is then necessary to distinguish between income and assets. The first is a regular and permanent inflow and the second is a “stock” of income, or rather, a materialisation of income at a specific time. Following this trail, the team led by Marcio Pochmann (2004) arrived at conclusions more shocking than those of Marcelo Medeiros: the number of the truly rich was far smaller, and the wealth they possessed much greater.

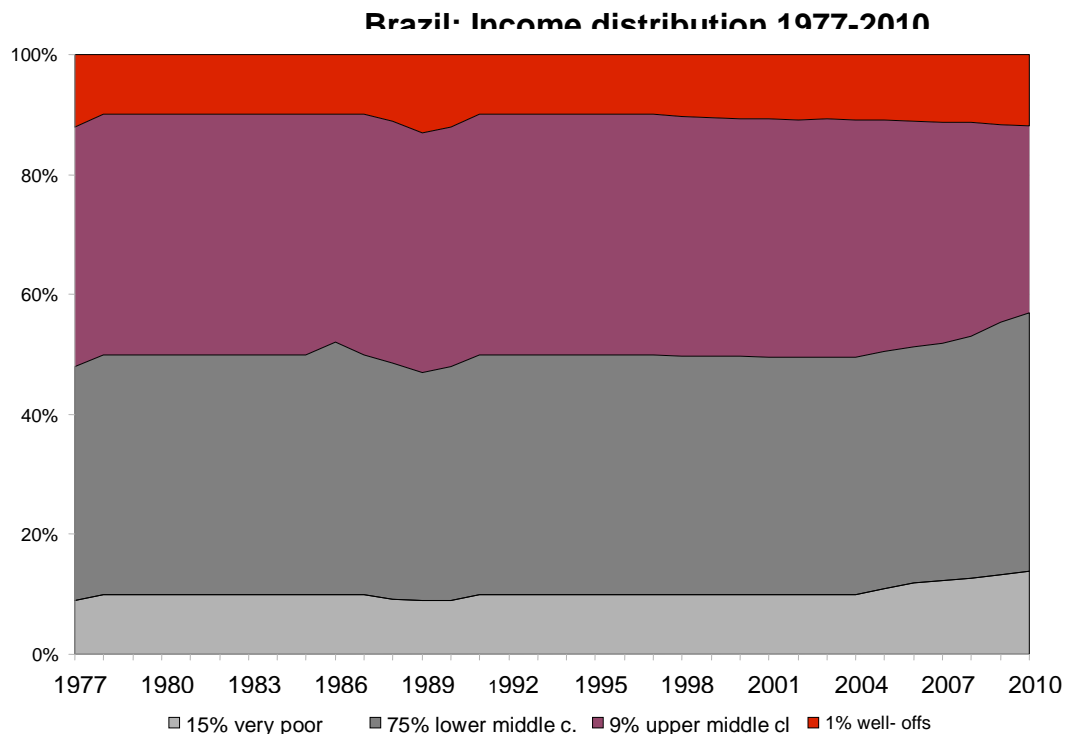
The concept of “substantive wealth”, despite a degree of arbitrariness and imprecision, enables us to arrive at a more accurate understanding of this issue. Substantive wealth is capable of generating more wealth where it really counts in economic, political and social arenas. For example, an individual who has a nice house, a second home by the sea or in the countryside, one or more cars, savings of several thousand pounds and a small business, may be considered rich compared to the national average, but, like the majority of employees, does not possess “substantive wealth”. This concept relates to Adam Smith’s brilliant idea for how to measure wealth: “[A person] must be rich or poor according to the quantity of labour which he can command” (Smith, 1776). In all circumstances the decisive feature is the **quantity** of labour power possessed. The small businessman referred to above may have three or four employees, but compared to the owner of a multinational chain of shopping centres he is unquestionably poor. His identity as a social being is capitalist but his economic interests are light-years away from those who control the economic sphere by their virtue of possessing substantive amounts of real wealth.

In his concern to differentiate between capitalists and workers, Marx ignored issues of the scale of wealth possessed. If this was valid in the past in political and ideological terms, the disproportionate position in the volume of substantive wealth currently possessed by the few is now a crucial factor. Thus,



Graph 1, combining information on earnings and on assets, shows a rough approximation of the distribution of the population into four large groups. The proposed classification (well-offs, upper middle class, lower middle class and extreme poverty) is also vague and controversial and will be discussed below.

**GRAPH 1**



Source: see Appendix 1

The first impression on looking at the graph is how relatively stable the distribution has remained over these thirty three years. The extreme poverty represented by the bottom band represents approximately 15% of the population. Although there is no consensus over the methods of classification used by national and international agencies (Spicker, Leguizamon & Gordon,

2006), in a sense this is the easiest segment of all to identify. The United Nations declaration that was drawn up at the World Summit for National Development in Copenhagen in 1995, gives a precise definition of absolute poverty: “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information.” This is the situation of those individuals who by their own efforts are unable to satisfy their basic human needs. There are those who suffer from serious physical and mental problems, the homeless, starving groups barely surviving in the drought-stricken areas of north eastern Brazil, street-dwellers living in large cities, the unemployed dependent on public assistance<sup>4</sup> and others of the dispossessed who cannot survive physically and socially through their own efforts. According to an estimate falling between the optimism of the government and the criticism of the opposition, they numbered twenty-eight million in 2010. Although this statement may seem surreal due to the sheer level of possible variation, the meaning of the phenomenon would be the same whether they numbered 25 or 35 million! In the same way, although it would be incongruous to refer to the “appropriation of wealth” by the poverty-stricken at the bottom of the social pyramid, the best estimates put this at 15% of national income.

Above the destitute we find an unclassifiable mass of people making up about 75% of the population of working age. All the terms “lower middle class”, “class C” or “middle class” are vague and controversial (Sobrinho, 2011). When considering share of income, this is in principle connected to the notion of “working age”, which muddies the water further when we take into account that the legal age of entry into the labour market does not correspond to the reality. Thousands – or indeed millions – of people may enter into the social sphere even when they are below legal working age, such as domestic servants, child workers in family agricultural work etc. At the other end of the age scale are retired senior citizens who continue working or who have sources of income which ensure they hold specific social positions. In the same way, the analysis differs according to whether the unit of analysis is the individual or the family. In

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<sup>4</sup> The *Benefício de Prestação Continuada* (Continuing Provision Benefit) paid by the Ministry of Social Development to the needy unemployed and those with severe disabilities is given to three million people.

any case, “middle class” refers to a disparate set of situations and positions: small-scale capitalists, employees, the self-employed, free-lancers, small farmers, domestic employees, pensioners and retired people. This aggregate forms a plural reality which defies attempts at classification, whether in economically advanced countries, as shown by studies like that of John Goldthorpe and Erik Olin Wright, or in emerging countries according to the analysis of J. A. F. Santos (2002). The pairing of the noun ‘class’ with the adjective ‘middle’ is either an oxymoron or completely illogical. ‘Middle’ as a modifier of ‘class’ is neither one thing nor the other, and could mean anything or nothing. The most important thing to emphasise is that approximately three quarters of the total population receives barely 40% of the national income. If we add the poor to the “middle class”, we arrive at the statistic that 90% of the population, equivalent to 170 million people, receives around 55% of the national income.

The sociologist Marcelo Medeiros in his brilliant lectures, used to adopt a culinary metaphor to illustrate this situation. If the total national income were a pizza, it would be sliced up in the following way: a little more than half would be distributed among 90% of the diners, who would have, literally, mere crumbs, while the other half would be served to the remaining 10%. Among these, a large slice, 15% of the entire pizza, would be eaten up by less than 1% of the people at the table. This metaphor gives some idea of the quantitative aspects, but to reflect reality better, the pizza would be replaced by junk food for the majority and caviar for the minority...

The third group, described with some lack of precision as “upper middle class” or “class B”, also brings together disparate situations and positions: high-level employees in the public and private sectors (higher management, the judiciary<sup>5</sup>, financial managers and executives in state enterprises and large companies), owners of medium-sized businesses and land-owners with capital, rentiers, famous sporting, cultural and media personalities, and highly-qualified professionals (lawyers, doctors, psychiatrists, engineers, architects and others). They make up less than 10% of the population but appropriate one third of national income. The cut-off point for classifying this segment is completely

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<sup>5</sup> In the public sector, pay ratios are commonly 1 to 30. In the judiciary, due to various subterfuges, this ratio may be 1 to 50.

arbitrary. In his most recent work *De Volta ao Pais do Futuro*, (Back to the Country of the Future), (2012) Marcelo Neri takes a very low monthly income threshold to qualify for “Class B” (family income of between £2,600 and £3,500 a month, or £31,200 to £42,000 per annum), which enables more than 22 million people to be classified as “Class B”. Using more rigorous criteria and taking into account ownership of assets as well as incomes, this total could be reduced by “a few” millions.

This sector, difficult to measure and compare as a “consumption class”, is responsible for initiating activities and products within the luxury market. It is characterised in general, by property ownership (luxury houses and apartments, invariably ostentatious second homes) and imported cars, and by an equally ostentatious lifestyle including frequent trips abroad, expensive parties and ownership of fashionable gadgets among other things. The top layer of this segment comprises those whom the financial sector terms HNWIs (*High Net Worth Individuals*), individuals who own over a million dollars in financial assets and for whom the removal of one source of income (salary, for example), would not affect their lifestyle. Even without having any ideological or political homogeneity, this segment contains the opinion-makers, the majority of politicians and dynamic entrepreneurs as well as parasitical rentiers.

Of all the information gathered together in Graph 1, the most essential part for this analysis is the band shown in red, representing less than 1% of the population responsible for appropriating almost 15% of the country’s wealth in 2010. Here are the seriously rich, millionaires, multimillionaires and billionaires. According to a report in the business magazine *Exame*<sup>6</sup>, there are 130,000 multimillionaires in Brazil, 65% of whom live in São Paulo and Rio de Janeiro, the main financial centres, and the growth in their number in the first decade of the 21st century is mainly associated with the expansion in high finance.

Although somewhat arbitrary, the various systems of classification agree on a figure of 150,000 families (0.3%) in a country of 50,000,000 families approximately. Marcio Pochmann (2004), the ex-president of the Institute of

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<sup>6</sup> *Exame* magazine, São Paulo, issue 05-1-2012. We should note that the amount of fortunes and the classification criteria are completely arbitrary, as they are for similar surveys by financial consultancy companies like Capgemini in its annual World Wealth Reports.

Applied Economic Research linked to the Secretariat of Strategic Affairs of the Presidency of the Republic, is even more radical, maintaining that this is a

“...tiny social stratum consisting of five thousand immensely rich families according to estimates of the amount of assets and accumulation of yearly income, based on available official figures – [which represents] 0.01% of families.” (Op.cit. p. 29).

These are such small percentages that it hardly matters if it is 0.3% or 0.01%. What really counts is that both demonstrate the abyss that separates a minority group from the rest of the population. Quantitatively, there are a few individuals who control key decision-making in the strategic sectors of communication, telephony, mining, and agribusiness, and in particular, who dominate the core of the banking and financial sector which impact positively or negatively on tens of millions of families. Pochmann estimates that this group's assets form almost 40% of Brazil's GDP (*idem, ibidem*) showing the absurd disparities in income distribution and property ownership.

This exceptional concentration of income is crucially important in many ways: in the direct or indirect exercise of power, in control over the mass media and consequently in the formation and manipulation of public opinion, in the financing of specific political parties and policies, and above all, in the making of strategic decisions in the economic field that impact on the daily lives of the rest of the population. Obviously socio-political and economic realities cannot be reduced to or be easily moulded by the designs of multimillionaires. Social movements, sections of civil society mobilising in alternative ways, and particularly, since 2002, a progressively-oriented Federal Government have been counteracting this domination. What needs to be emphasised here is the immense distance that separates a few individuals who exercise manifold forms of power from the millions of other Brazilians. This distance is frequently overlooked by scholars concerned with quantified classifications in which the existence of extreme positions cannot be adequately shown by surveys. This is the case in Brazil as well as in economically advanced countries.<sup>7</sup>

Returning to Marcelo Neri's research as a reference, we can see that the income cut-off line for classifying an individual as “Class A” is £3,500 per month.

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<sup>7</sup> See the critique of Goldthorpe in the article by Mike Savage and Karel Williams “Elites: remembered in capitalism and forgotten by social sciences”, in Savage & Williams (eds) (2008)

This threshold is close to what the author considers to be the cut-off point for “Class C” (55% of the population), whose average monthly income is between £610 and £2,660 (Neri, 2009, pp. 48 & 51). Taking these criteria, the socioeconomic divide in Brazil would not be very different from that found in Norway, Australia and the Netherlands which are at the top of the HDI (Human Development Index), when in fact Brazil was 84th in this ranking in 2011.

As researchers and journalists recognise (Medeiros, 2004; Caliari, 2010), given the various material and theoretical obstacles to approaching the wealth pole, it is not possible to give precise measurements or elaborate on statistical classifications. Due to their sheer numbers and the nature of statistical laws it is easier to construct homogeneous and representative samples of the poor. On the other hand, the wealth and property of large capital makes it exceptional, or, as Savage & Williams (2008) argue, exclusive. Marcelo Neri defines an average monthly income of £3,500 as the minimum ceiling for an individual to be classified as “Class A”. Hence, this category includes both individuals with this income and those who may be receiving £35,000, £350,000 or even £3,500,000 a month – that is, 10, 100 or 1,000 times as much.

Returning to Adam Smith’s formula for measuring wealth, we may illustrate this disproportion by taking a number of extreme cases. According to the ranking used by *Forbes* magazine, in 2011 there were 36 multibillionaires in Brazil, among them Eike Batista, owner of the seventh largest fortune on the planet. In most cases these fortunes have accumulated and continue to do so at an ever-increasing rate, some of them accounting for the order of tens or even hundreds of millions of pounds sterling a month. These individual annual incomes are sufficient to engage the labour power of 50,000, 100,000, 200,000 or more workers a year, which makes these billionaires far richer than any potentates or magnates who have existed in the past.<sup>8</sup> In “more modest” cases, it is common for the highest executives to be paid salaries and other income (including fringe benefits), that make up 10%, 20% or 30% of the company’s total payroll. Thus one or two managers or CEOs might receive the equivalent of the total salaries of a thousand or more employees. According to a survey carried out by the multinational recruitment agency Robert Walters, in a list of

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<sup>8</sup> See the examples given by Milanovic (2010) in the extract “*Who was the richest person ever?*”

the 23 most economically important countries in the world, Brazilian top (salaried) executives are the highest paid, always at the top of the pay scale.<sup>9</sup>

The same process of intense appropriation of profit occurs in the financial sector, which has been best able to take advantage of the Federal Government's dependence on private loans. Since the mid-1980s the government has been paying tens of billions of dollars per year to holders of government bonds in the form of interest and debt repayments. This cost is far in excess of all government social expenditure, including health, education, sanitation etc. (IPEA, 2009). Strictly speaking, a large number of these creditors are banks, financiers and various investors. But with the exception of pension funds, in general these companies belong to a few people, which means that the billions paid out each year fall into the hands of an extremely small number of individuals. Given that social expenditure is designed to serve tens of millions of people, the payment of stratospheric sums in interest, benefits a derisively small number of the fortunate.

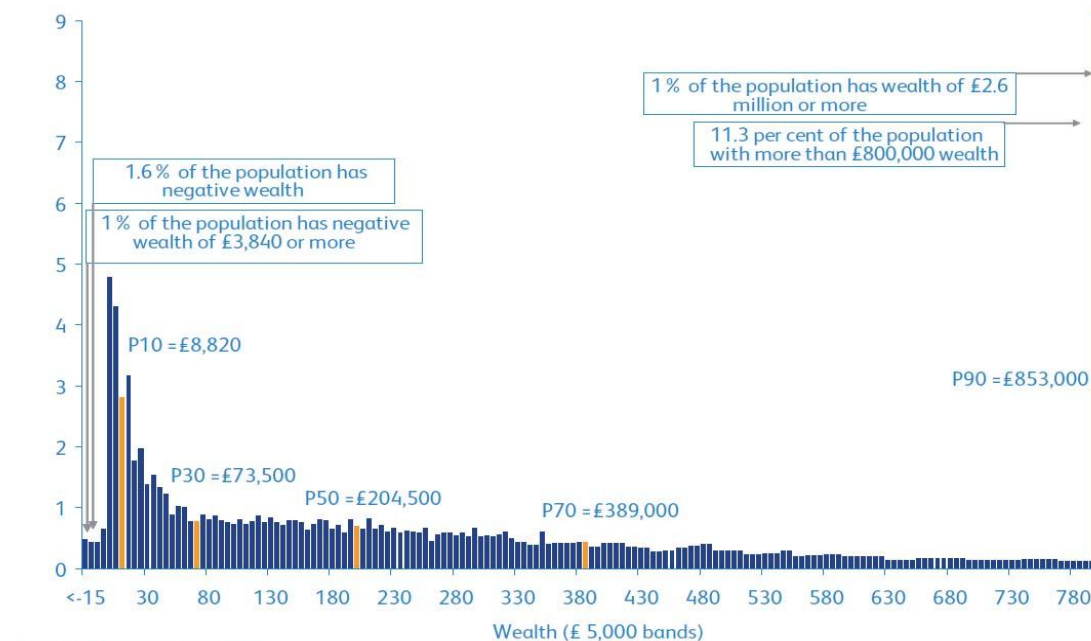
For this reason it is extremely difficult to draw up graphs and tables to systematically express the numbers belonging to "Class A" or the "Upper Class" or however it is designated, because a true representation of the group of highest incomes would have to be expressed on a logarithmic scale. The accurate statistical services of the UK managed to partially capture this phenomenon for Great Britain in 2006-2008. Above £73,500 a year of net income, there is a gradual but regular reduction in the number of people with higher incomes. Above £853,000 a year, there is a surge in the very highest incomes represented by the last column on the right of figure 2.19 (Graph 2) The narrow yellow column – almost a line – shows the range of incomes starting at £853,000 a year and reaching tens or hundreds of millions of pounds. Of course, a faithful representation of the extremes of wealth would mean extending the horizontal axis (Wealth in £5,000 bands) for several pages. In any case, in visual terms, this range is flagrantly disproportionate compared to the previous distribution which covers 99% of the population.

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<sup>9</sup> [www.robertwalters.com.br](http://www.robertwalters.com.br) accessed 28-03-2012. This was confirmed in a study by the Hay Group, published in the *Brasil Econômico* Journal in 12-04-2012.

**GRAPH 2**

Figure 2.19(a): Total net wealth, 2006-08, GB, (£)  
Percentage with wealth in each range



Source: ONS based on WAS.

Figure 2.19(b): Total net wealth, 2006-08, GB, (£)

Source: Hills, John (2010) *An Anatomy of Economic Inequality in the UK: Report of the National Equality Panel*. London: STIRCED, CASE-Report 60, p.75



If this is the situation in the UK, a country considered economically advanced, where there is an alternation between social-democratic and liberal conservative governments, as well as with a long tradition of labour movements and strong trade unions, one can imagine the situation in Brazil, which has historically been dominated by small wealthy elites and has only a short history of democracy and weak social movements. Both for the UK and Brazil, keeping the situation in due proportion, this type of image allows us to gain some idea of the distance which separates the income of 99% of the population from the minority of the well-off. Consequently, we can glimpse the distance that separates their living conditions, lifestyle and *habitus*, and above all, the ability to exercise power and domination.

Other comments on Graph 1 should be made. Firstly, given Brazil's turbulent political and economic history over the last thirty years, the stability of income distribution between different segments over this period seems surprising. The military dictatorship lasted until 1985, and then from mid-1985 to 1989, the country was governed by a bizarre coalition headed by President José Sarney, elected by an electoral college which was dominated by conservative interests. Sarney, the former president of a party that had supported the military dictatorship, had switched to the opposition party on the eve of the election. The first three years of his office were marked by a far-reaching reform of the Constitution, by the beginning of a hyperinflation surpassing all previous historical records, by disastrous economic policies which contributed to the increasing chaos of the daily lives of the population: ineffective price freezes, shortages, a rapid deterioration in public services and increasing corruption in all spheres of public and private life. The inflationary process explains the oscillations that occurred between 1986 and 1993. In this period, the holders of inflation-indexed assets and property owners saw their income increase, while employees, pensioners and those on social benefits saw their incomes eroded by inflation.<sup>10</sup> Those with large fortunes had access to highly-qualified advisors who were able to steer their investments so as to take

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<sup>10</sup> From July 1965 to June 1994 the rate of inflation was 1.1 quadrillion per cent, or, more precisely, **1,142,332,741,811,850%**.

advantage of all the advantages and weaknesses of the market, now putting money into gold, foreign currency, shares or government bonds, now transferring money abroad, particularly into tax havens. With the globalisation and the growth in financial speculation of the 21st century, the availability of these kinds of advice services and the capacity for diversification of investments, continued to ensure unequalled stability.

In November 1989, there were direct presidential elections, the first since 1960. Fernando Collor, a lack-lustre, demagogic politician and businessman, with strong support from conservative sectors and economic leaders, was elected with votes from the poor. Incapable and corrupt, he intensified the dismantling of the state apparatus in accordance with crude neoliberal principles. He proved incapable of controlling inflation and was impeached for corruption, and replaced by the mercurial vice-president Itamar Franco, whose great achievement was to establish the Real Plan which made monetary stability possible. In 1994, Itamar's former Finance Minister, Fernando Henrique Cardoso, was elected largely as a result of the Plan's success, and was re-elected for a further four years in 1998. During his eight years in office, Cardoso intensified the process of economic liberalisation, rolling out a programme of privatisation and opening up to market forces. Although public services had suffered from budget cuts, public debt grew from 60 billion USD to 245 billion USD. To guarantee his re-election, he did not adopt the corrective measures of the Real Plan, which led to a serious devaluation of the national currency in the post-election period (January 1999) that caused great damage to the country. The main beneficiaries of all the transformations during his government were the major banks and the speculative finance sector

This period was also marked by a resurgence of social movements: trade unions between 1980 and 1995; the landless workers' movement from 1984; intense mobilisation of public service workers between 1985 and 1995, as well as unrest caused by the external debt crisis of 1982 and international crises (1994, 1997-8, and the "dot.com" crisis of 2000). Briefly, income distribution had remained almost the same proportion during the military regime, during corrupted, populist and neo-liberal governments. Despite democracy consolidation, despite intensive social mobilizations and deep shifts in the economic sphere, Brazil's yawning inequality remained unchanged.

The last comment on Graph 1 relates to changes since 2004. Luiz Inacio Lula da Silva was elected in late 2002 and took office in January 2003 and immediately initiated a raft of social policies very different from those of all his predecessors. The two main basic axes were: an increase in the minimum wage (which affected a third of the labour force and formed the basis for higher bands) and adoption of public policies directed at the most needy through targeted direct benefits and improvements in public services like education and health. Between 2003 and 2012, the minimum wage increased by 66%<sup>11</sup> in real terms. The main public policy was the creation of the *Bolsa Família* (Family Grant) programme, a monthly cash benefit given directly to the poorest families (with a per capita income of under £80 a month) conditional by keeping children and other dependents in school and providing vaccinations and health care. The results were immediate and highly positive, and today the programme is recognised by international organisations as one of the most efficient in the world in combating extreme poverty.

In addition to these social policies, the Lula government adopted bold development policies which protected the economy from the worst of the financial crisis of 2007-2008. It stimulated strategic sectors (oil, shipping construction and others) and labour intensive sectors, particularly civil construction, and in 2009 set up the *Plano de Aceleração do Crescimento* (Plan for Accelerated Growth) which saw massive investments in infrastructure, sanitation, transport and energy. Aided by the high international price of commodities, the country was able to maintain positive growth in GDP, while reducing the unemployment rate to hitherto unseen levels. All the statistics on growth in consumption, improvement in living conditions and access to goods and services tend to justify Marcelo Neri's euphoria when he quantified the reduction in poverty, together with the lowest economic strata into that vast conglomerate of situations classified as "Class C" or "new middle class". But the picture becomes darker when we look at the indebtedness of these same emerging segments. Easy – although not cheap – credit made it possible for them to acquire cars, motorbikes, accommodation, mobile phones and electrical

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<sup>11</sup> <http://www.dieese.org.br/notatecnica/notatec106PoliticaSalarioMinimo.pdf>

appliances, but this has become an insidious form of exploitation of the most vulnerable<sup>12</sup>.

After 2004, the “upper middle class” saw a decline in its proportional share of national income. This reduction is relative and needs to be treated with caution, avoiding plaintive references to the “squeezed middle” so dear to the mainstream media, eager to foment resentment and reaction among sectors that are losing a tiny fraction of their privileges, or, more precisely, are not seeing their assets and incomes increase on the exaggerated scale of before. According to data provided by Marcelo Neri (2009, p. 41), between 2000 and 2009, the growth in the average income received by the poorest sectors was around 60% while that of the richest 10% grew by 12%. For a given individual this means that somebody receiving £1,000 a month would see his or her income increase by £600 a month by the end of the period, whereas somebody receiving £100,000 a month would see a gain of £12,000 over the same period. For the first person the increase would represent a significant change in their living conditions, whereas for the second, the increase would be merely an increase.

The red band in Graph 1 shows that the share of the richest 1% was increasing regularly until the end of the 1990s. Most probably the increase registered in the above-mentioned 0.1% or 0.3% occurred despite the financial crisis of 2007-2008, the same phenomenon is found in other economically advanced countries of the North and West. The reasons are the same: excessive gains through financial speculation, a concentration of mega corporations (and consequently of property and appropriation of profit), the expansion of international trade similarly dominated by large corporations, unlimited power of CEOs and managers in receipt of high salaries and fringe benefits even when their companies are showing insignificant profits or even losses.

The following analysis focuses on this stratum whose importance is not limited to the 33 years covered by the graph. If it were possible to construct a

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<sup>12</sup> In 2011 the tax on the profits of credit operations fixed by the Central Bank was around 12% annual equivalent. The tax rate levied on savings accounts was about 7.5% whereas the interest charged on credit purchases could easily rise above 90% and interest rates on bank credit cards up to 120% annual equivalent. This means that buying goods on credit with interest at market rates the buyer ends up paying double the real amount.

table covering a century or so, the findings would not be very different. This stratum includes centuries-old fortunes and those recently amassed. The new multimillionaires are assimilated within the upper echelons of society because once it consists of several million pounds, any fortune can acquire “tradition” and “respectability” and the arrivistes can reinvent themselves as members of the “old class”.

## ARCANE WEALTH

It is not sufficient to note the high concentration of wealth and its immunity (at least temporary and partial) to political vicissitudes and economic crises. We must also take into account that the amount of personal fortunes may be even higher than estimates suggest, as occurs in various other countries, as was publically recognised by the editors of the *Forbes Billionaires Issue* and *The Sunday Times Rich List*.<sup>13</sup> Having identified the phenomenon of the concentration of wealth at the top of the social pyramid in dozens of different countries, Anthony Atkinson and Thomas Piketty, in the most complete comparative study in international terms ever carried out, maintain that, since liquid capital gains are difficult to calculate, the real value of fortunes is greater than that registered in the available statistics (2010, p. 13).

In theoretical terms, it is unimportant whether a fortune is valued at, for example, £50 million or £60 million. The relational proportion between this multimillionaire and 99% of the population remains unaffected. There are other ways in which this difference is significant. For example, underestimation reveals the inability of the fiscal authorities to identify sources of income and to tax them with the same rigour as it does other tax payers. Especially in the case

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<sup>13</sup> In a rare example of “inside information”, Samuel Irving Newhouse IV, heir to the Condé Nast media empire (which includes the magazines *Vanity Fair*, *New Yorker* and *GQ*), admitted that the real extent of the family fortune was much greater than was realised. Cf. James Johnson’s 2003 documentary, *Born Rich* <http://www.documentarystream.com/born-rich-jamie-johnson/>

of transactions carried out on the international financial markets, national taxation systems are not equipped to deal with the new financial products, derivatives like collateralized debt obligations, credit default swaps, auction bonds and so on. At the beginning of the 21st century, within just a few hours, dozens of operations can begin early in the morning in Hong Kong, pass through Frankfurt, London, New York, and Chicago and end in the late afternoon in San Francisco. Now, since “money never sleeps”<sup>14</sup>, these transactions can take place hundreds of times, 24 hours a day, seven days a week. There are no taxation systems capable of keeping track of their results and identifying them as gains subject to national taxes. Tax havens play a decisive role in this type of subtraction.

In 2002, the last year of the Fernando Henrique Cardoso government, the head of the Federal Revenue Service made two dramatic statements: the first, that the largest Brazilian bankers paid little or no income tax; the second, that government agencies had discovered (or suspected) the source of more than 100 billion USD that entered and left the country following the vagaries of the exchange rate or speculative opportunities. Business described these operations as involving “foreign capital”, whereas according to the person best placed to know about such matters at that time, this sum came from Brazilian investors. According to James Henry from the Tax Justice Network, in 2010 this amount was three times more (CDS, 2011).

In addition, reports by COAF<sup>15</sup> (Financial Activities Control Council), the body within the Federal Treasury charged with combatting money laundering, the underestimate of large fortunes could be associated with illegal or criminal operations (Cattani, 2008). None of the cases mentioned could be ascribed to the peculiarities of local capitalism.

“...it is obvious that those paying tax have a financial incentive to present their affairs in a way that reduces liabilities. There is tax avoidance and tax evasion. The rich, in particular, have a strong incentive to understate their taxable incomes. Those with wealth take steps to ensure that the return comes in the form of asset appreciation, typically taxed at lower rates or not at all. Those with high salaries seek to ensure that part of their remuneration comes in forms, such as fringe

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<sup>14</sup> The title of Oliver Stone’s 2010 film, a sequel to *Wall Street* (1987)

<sup>15</sup> [www.coaf.fazenda.gov.br](http://www.coaf.fazenda.gov.br)

benefits or stock options that receive favourable tax treatment. Both groups may make use of tax havens that allow income to be moved beyond the reach of the national tax net” (Atkinson and Piketty, 2010, p.668).

Another aspect to consider is the fact that, from the beginning of the 1990s, it became common practice to transfer resources from the business to the personal sphere. This could be done by legal means, or, more frequently, would involve corruption or criminal activities. A common example is that of import-export operations being overcharged or undercharged. The differences do not appear in the company’s accounting records – where their irregularity would be more easily detected – but paid into the personal accounts of the company’s managers or owners.

The exponential growth in the luxury goods market is one indicator of these operations. The possession of incalculable fortunes leads to lavish, extravagant and unlimited spending. In the Brazilian’s case, the market in ultimate luxuries goes hand in hand with the increase in the wealth of the richest 1%. According to a report by US consultants Bain & Company, entitled “Luxury, Demographics and Lifestyle in Brazil”, between 2003 and 2011, this market in property, motor vehicles, jewels, objects of art and other ostentatious goods, grew at an average of 20% per year<sup>16</sup>.

But these gross and ludicrous aspects of wealth are not the most important. Real wealth is discreet and inaccessible to the scrutiny of public opinion and scientific analysis. In any case, its arcane nature enables it to have two faces. When it is in its interests, it can be displayed in order to dazzle the ignorant majority and the holders of legitimate social positions; what are displayed are the symbols of power, not its true measure, and still less its origins. When it is necessary, it becomes opaque to public knowledge and resistant to fiscal control. Even the IBGE, in its ten-yearly census, encounters the impossibility of administering questionnaires to owners of large fortunes. Although filling in the questionnaires is obligatory by law, millionaires fail to perform this civic duty. As those who have studied this area confirm, identifying and quantifying such fortunes accurately is extremely difficult due to,

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<sup>16</sup> Quoted in the *Folha de São Paulo* Journal, Christmas edition, 25<sup>th</sup> December 2011, p. B5

among other things, the sacred mantra of banking secrecy, the existence of legal privileges and the incapacity and deficiencies of the state taxation apparatus (Alepin, 2004; Atkinson & Piketty, 2010; Medeiros, 2004; Pochmann, 2004). Multimillionaires have no interest in changing this situation and public officials are often hampered by the relations of power at the highest levels of government.

The arcane dimension of wealth should not deter social scientists from investigations. If economists are incapable of adequately analysing the phenomenon, the same should not be true of sociologists or political scientists and even anthropologists, more accustomed to examining complex aspects of contemporary societies like class relations, power structures, social capital and symbolic violence, all of which are directly related to scheming of domination and subservience. Nevertheless, this is not the case. Studies of the wealthy classes are few and far between and ignored in the scientific literature, or rather, are subject to equivocal and prejudiced considerations (Cattani, 2008a).

As one might expect, given that Brazil is among the ten most unequal societies in the world, independently of the ranking criteria used, a large number of social scientists are studying the multiple dimensions of this phenomenon in the country. The existence of tens of millions of poor and needy people *per se*, justifies investigation into the causes of poverty, the characteristics of vulnerable populations, and their economic, cultural and political behaviour. Birth and mortality rates, social mobility, forms of exclusion, electoral behaviour, sexual and reproductive behaviour, invisibility or overexposure: there is no aspect that has not been scrutinised by social workers, demographers, and sociologists. They are concerned above all to quantify the poor so as to draw up public policies for “combating poverty” while abstaining from proposing any measures which might reduce the privileges of the rich (Rocha, 2003; Schwartzman, 2004). The more exposed the lower classes, the easier it is for the rich to hide themselves and the relations between themselves and the poor.

It is estimated that 99% of studies on social structure and class positions are of the poorest sectors (Bordignon, 2004), adopting a quite mistaken theoretical and methodological approach. The “poverty pole” is understood as self-explanatory and self-referencing, while the “wealth pole” is completely ignored. Not only are the poor – the working classes, the lower strata – unequal,



they are accessible, and more than willing to take part in research projects, since they see them as a channel of communication for their grievances, and since the wealthiest groups are hostile to any kind of enquiry, the first become a happy hunting ground for researchers while the second are off-limits.

Finally, arcane wealth has a frightening effect on most social scientists. This is demonstrated by two major experts in this area, referring to the timidity of the social scientist:

“When sociologists work in lower middle or working class environments, they find that social relationships are tilted in their favour. In a research setting they find themselves in a dominant position, but this is different when they attempt to address [dominant social agents]. The upper classes know how to maintain their social position and to put sociologists in their place, with the exquisite politeness which is a fearsome weapon of class domination”. (Pinçon & Pinçon-Charlot, 2008, p.24).

Other epistemological obstacles – failure to understand class codes, embarrassment at lacking the appropriate *hexis*<sup>17</sup> or invocation of unfounded ethical problems – keep social scientists at a distance and prevent them from approaching the top of the social pyramid. The way in which this metaphor is used is one indicator of the theoretical and methodological deficiencies of the majority of studies. The image of the pyramid is often used to illustrate social structure, but the “classes” are merely slices with no relationship between them. This graphic representation betrays the common conception of classes as superimposed strata independent of each other, with the top of the pyramid seemingly disconnected from the base, floating in the air like an arcane entity, like totem and taboo.

## **BRAZIL’S RICH**

Analysis of the meaning and significance of the concentration and personalisation of wealth depends on objective information and the use of

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<sup>17</sup> *Hexis* (ἕξις) is a Greek word meaning class manners, posture and style that seem natural or innate.

theoretical frameworks and concepts, among them that of social class, one of the most controversial within the social sciences. Unlike the Weberian approach which is concerned with setting up innumerable classifications of class positions, we believe that what is most important is to look at individuals located within power relations, and, particularly, how they appropriate the social product, and how, despite being responsible for activities that are against the common good, they manage to achieve social legitimacy. Brazil's rich do not appear to fit the canonical definition of class which refers to identity, unity, cohesion, and collective attributes and existence based on relatively homogeneous circumstances. However, although they may have multifaceted origins and characteristics, they form a cohesive segment in terms of mobilising in defence of their own interests.

The work of Marcelo Neri serves, once again to show how the controversial aspects of classifications are deployed in public discourse. In the preface to *Back to the Country of the Future*, the author states that sociologists should not be concerned since he is not referring to "social classes" but to "economic strata" defined by the amount of money they have available (2012, p.27). Nevertheless, a few paragraphs later, Neri maintains that the "new middle class" is not defined by possessing, but in the dialectic between being and acting. This vague statement illustrates some of the difficulties encountered in capturing the specificities of a mass of individuals who have seen their income increase in recent years but who do not constitute a homogeneous and united segment.

The same problem occurs with the economic strata referred to earlier. "Class A", "upper class", "elites", "wealthy classes", "multimillionaires", HNWI's and now Ultra High Net Worth Individuals. None of these terms takes into account the plurality and complexity of the situations of those who have substantive wealth and economic power. If Neri's concept of the "new middle class" is imprecise, so equally is that of the "old class" referring to the well-offs, which serves merely as a name for a disparate group characterised by possession and control of vast quantities of money, capital and power. Despite having no academic refinement, the most appropriate term for these segments might be, simply, "The Rich".

In Brazil, since there is no rich lists equivalent to FORBES, it is very difficult to individually identify the multimillionaires, their origins, and their links with specific segments. For this reason the following considerations are generic, based on information in the national press, economic publications and a few empirical academic studies. The “Rich” form a flexible and permeable category composed in part by the “old class” associated with the control of major economic cycles and the exercise of power in different public fields: judicial, legislative and executive, at federal, state and municipal levels. The best historical study of the reproduction of patrimonial and oligarchic power aided by bureaucratic links to the State apparatus was carried out by Raimundo Faoro in his 1958 book *Os donos do poder (The Owners of Power)*. Almost forty years after the book first appeared, although in a somewhat prejudiced manner, the review *Carta Capital* published a report with the same title,<sup>18</sup> pointing out the continuing presence in contemporary political life of oligarchic family groups with more than 200 years of tradition. Similarly, Ricardo Costa de Oliveira (2001) drew up the genealogy of the ruling class in the State of Paraná and considered the paradigm state of capitalist modernity. Oliveira shows that the domination by a handful of families over local politics and economics that began in the 18th century is still obvious in oligarchic and clientelist forms in the 21st century. A similar situation can be seen in the “aristocracy” of the State of São Paulo, where coffee barons – slave owners and large landowners recycled in the industrial and financial spheres – give the lie to the much-vaunted efficiency, rationality and modernity of local capitalism, quite different, in their own view, from the patrimonialism, clientelism and archaism of other states (Martins, 1994 p. 12; RIEB, 1996)<sup>19</sup>.

It is a curious fact that there is very little detailed information on the personal aspects of inheritance in traditional families. The mainstream press is quick to praise the foresight of traditional capitalist multimillionaires in passing on their fortunes, but the heirs themselves seem not to exist. For the latter, fortunes seem to magically appear or to result from their own entrepreneurial

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<sup>18</sup> Carta Capital Review, August 1995, no. 13.

<sup>19</sup> Jessé Souza is one of the few Brazilian thinkers who has analysed this strategy of idealisation of the market and demonization of the present State, including in Faoro’s work. The idealisation of the market also makes it possible to justify the origin of fortunes with meritocratic arguments.

talents. But there is none of this restraint when it comes to proposals to increase inheritance taxes. At this, vehement protests erupt into public debate, with university professors, economics columnists and experts denouncing the proposed taxes as an assault on private property, a disincentive to investment, a menace to democracy and so forth. It is important to point out that Brazil has some of the lowest taxes on inheritances and legacies in the world, and that even so, there are numerous strategies for evading them. Bills proposing at least a minimal taxation of large fortunes have been blocked in the National Congress since 1988 and in various states recent changes in legislation have reduced progressive taxes, benefiting the heirs to large fortunes.

Commingling with established fortunes are the new rich who have benefited from the economic dynamism of the last decade, occasioned by the export of commodities and the growth in the internal market. The inclusion of tens of millions of poor people in the consumer market has opened up many business opportunities which have led to fortunes being created overnight. The spurious privatisation that occurred during Fernando Henrique Cardoso's two terms of office (1994-2002) had the same effect. State companies and strategic sectors were transferred at knock-down prices (Biondi, 1999) to businessmen people who were able to instantly multiply their profits. The paradigm case is that of Eike Batista, number 8 in the Forbes rich list in 2012, who saw his assets increase by almost £500 million *a year* over the last ten years.

Contemporary capitalism and the opportunities opened up by globalisation have also made it possible to accumulate fortunes in a very short time, through dot.com companies, internet trading, technological innovation, and so on, but it is the banks and financiers who were and continue to be the sector creating most opportunities to increase fortunes and the major nursery for new millionaires, either through privatisation (Alvim *et al.* 2001), or by the ability to appropriate profits from all spheres of production, from the State (through public debt), from companies and from individuals through extortionate profits. Speculative activities only reinforce this tendency and personal fortunes grow at electronic speed. In the absence of more reliable statistics, due to the fetish of banking secrecy and the shielding of Federal Revenue statistics on income tax payers, information appearing in the press, on websites and in

gossip magazines and those promoting luxury goods, gives indirect and partial indicators on the probable makeup of this segment.<sup>20</sup>

As a result, we have a multifaceted portrait of old and new wealth, exhibitionists and the discreet, illiterate millionaires and alumni of the best boarding schools, like Eton College in the UK or Le Rosey in Switzerland, uneducated billionaires and those with an MBA from FGV or doctorates from Harvard or Chicago (Cattani & Kieling, 2007). It confirms the principles of exclusivity and exception. The rich can be seen as a “class” when what is at issue is identity, cohesion, and collective attributes and existence with a relatively material basis. Identities as well as the possession of social and cultural capital are diverse; cohesion is always partial because in the sphere of the market they are what Marx called “a band of warring brothers”. Finally, the material bases of their fortunes are extremely dissimilar, ranging from latifundios using slave labour to international high tech companies. They join forces in defence of their common interests when faced with a threat from popular movements. On these occasions, the differences are smoothed out and all possible resources and stratagems are deployed to resist the demands of other sectors of society. As an example, let us take their support for the military coup d’état of 1964, the use of political vilification to hamper the election of progressive candidates, the rural manifestations against the Landless Workers’ Movement and injunctions from the National Congress aimed at blocking taxation of large fortunes and abolishing a 0.38% tax on banking transactions (CPMF). In all cases these cases, the activity was orchestrated by representatives: military figures, political spokespeople and above all, the mainstream media. The elites themselves are rarely at the forefront, even during demonstrations organised by the Cansei movement.<sup>21</sup>

From what we have seen so far, we can summarise as follows. Firstly, the truly rich and influential comprise no more than 0.3% of the active

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<sup>20</sup> For example: Carta Capital review ‘Ricos e ignorados’ (‘Rich and ignored’) São Paulo, nº 662, September 2011; Isto É “No maravilhoso mundo dos ricos” (‘The Wonderful World of the Rich’), nº 1937, December 2006; Platinium (Editora Três). Websites: [www.webluxo.com.br](http://www.webluxo.com.br); [www.gestaodoluxo.com.br](http://www.gestaodoluxo.com.br). There is also interesting information to be gleaned from the Miami Herald Journal, given that more than 10,000 Brazilians own property in Florida.

<sup>21</sup> Cansei (“I’ve had enough”), was an anti-government movement of São Paulo socialites and showbiz personalities, which peaked in 2007. See “A rebelião da elite” (The rebellion of the elite) in Carta Capital Review, São Paulo, nº 459 – August 2007. Its members are mainly uneducated and their “intellectual” inspiration was the work of Ayn Rand.

population, but their assets and incomes have continued to increase despite all political and economic vagaries, even at international level, and they hold almost half of all substantive wealth. Because of this they are able to take strategic decisions in the spheres of production and services that affect the entire population. This is the most important point of this analysis: the constant syphoning off of the fruits of social production by minority segments that has been going on throughout Brazil's history and to which the last thirty years have proved no exception. As the wealth accumulated by multimillionaires is not produced by some strange process of spontaneous generation, we need to look at the relationship between this fraction and the rest of the working population in terms of transfer of income and mechanisms of domination.

Secondly, the heterogeneous make-up of this stratum does not prevent us from analysing the specific behavioural and political manifestations of the extremely rich. Contrary to Marcelo Neri's observation on the poor, this study enables us to look at a less than bright side of the rich.

## **THE DARK SIDE OF THE RICH**

The dark side of the rich – whether the remnants of the old class or the *nouveaux riches* – evokes different phenomena: a suspect opacity of the origins of wealth, a failure of civil responsibility in paying taxes, illegitimate forms of so-called meritocracy and the emergence of new segments of the leisure class. The issue for discussion is the hidden aspect of wealth. By definition, once assets and incomes attain excessive levels, we are entering into uncharted territory accessible to few. Large corporations and fortunate individuals constantly make use of banking confidentiality, accounting strategies, tangled networks of holdings, trustees, and fake enterprises whose finances are administered by Swiss banks and passed through tax havens operated by the City of London Corporation (Shaxson, 2011). With the financial deregulation of the 1990s in the wave of neo-liberalism, the line between legal and illegal operations was blurred and fiscal malpractice became the norm. The *Sunday Times Rich List 2011* included three well-known Brazilian millionaires whose businesses operate in Brazil but who are resident in London in order to enjoy its

fiscal advantages. A more detailed list would name at least five multimillionaires from the financial sector who would certainly prevent publication of their identities. The same is true of famous sporting personalities, some of them considered national heroes, but whose income is taxed in Monaco.

Various forms of tax avoidance are carefully calculated by consultants specialised in “tax planning”. It is not exceptional for companies or individuals to have more lawyers and accountants than production engineers. The Brazilian legal system provides easy protection for great fortunes, giving them immunity from the basic rules that apply to small proprietors and poorer taxpayers. For example, measures put in place by the tax auditors of the Federal Treasury may be delayed for an indeterminate time, and there is the possibility of initiating administrative or judicial proceedings which enable the deadline for payment of taxes or fines to be extended for years until the debt is time-barred.

Over and over again, fiscal irresponsibility takes the form of a very simple stratagem. In order to evade tax on their individual earnings, executives, managers and self-employed professionals receive fringe benefits (first and second homes with cohorts of domestic employees, personal trainers, cars complete with drivers and so on. Luxury wedding celebrations for the heirs, for example, can be entered into the company books as “industrial costs”.

To this we may add privileges relating to payment of direct and indirect taxes: the poorest sectors of the population pay more, proportionately, twice as much as the more affluent<sup>22</sup> and even the direct tax on property is highly regressive (Carvalho Jr. 2009). These privileges were obtained gradually thanks to specific legislation proposed and promoted by proxies in the National Congress, deputies and senators, many of them with a personal interest in such tax advantages.

Finally, we should mention the ultimate tax injustice: the legal exemption of capital gains. An individual who receives, for instance, a salary of £1,000 a month automatically sees 6% taken away in the form of income tax. An investor who gains £10 million in capital gains as company dividends will not pay a penny (Tolentino Filho, 2011).

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<sup>22</sup> C.f. technical studies by the Sindicato Nacional dos Auditores Fiscais (National Syndicate of Tax Auditors): [www.sindifisco.org.br](http://www.sindifisco.org.br)

To summarise, apart from fraud, corruption and other illegalities there are incalculable legal, although immoral ways, of preserving and increasing incomes and assets, ways that are available only to the affluent classes. By definition these strategies and those who benefit from them remain sheltered from public knowledge and social scientific analysis.

This opacity is necessary in order to maintain the social legitimacy of millionaires. This legitimacy is not related to the concept of 'distinction' as developed by Pierre Bourdieu (1979). In societies like Brazil with great social mobility, the rich are not characterised by the refinement or good taste associated with the possessors of major cultural capital. Social recognition is based far more on manipulation of the idea of meritocracy. The enormous social gulfs, as well as the brutal differences between the richest segments and the impoverished mass, have been reproduced over many decades without giving rise to any revolt or even any popular outrage at this inequality and these flagrant injustices. This is nothing to do with popular apathy or conformity, but due to a long history of repression and ideological manipulation. The literature on obstacles to citizenship is extensive whereas ideological conditioning is a little-explored field of study. Patriarchalism, patrimonialism and elitism were the strategies adopted historically by the wealthy classes to constrain individuals and repress social movements, promoting the idea of "cidadania concedida" (conceded citizenship) in the 20th century: yet another oxymoron in Brazil's political vocabulary (Sales, 1994). For the social sciences, the great challenge still remains, to analyse how these authoritarian manifestations go hand-in-hand with classical liberal philosophy, and, more recently, with neo-liberal axioms; to examine how the belief in the self-made man, in the autonomy of the entrepreneurial subject, in the automatic reward for individual effort prevails in public opinion over the principles of solidarity and collective action.

The affluent classes are quick to promote a specific notion of meritocracy as a way of justifying different positions on the social scale. Previously, poverty was seen as a historical legacy. Today, it is explained by lack of education or lack of will, whereas wealth is always considered legitimate since it is the fruit of effort and "natural" intelligence (Reis, 1998). Convincing discursive strategies are essential in order to reinforce domination, and this involves labelling the subordinate (for example, the "dangerous classes", the



workshy etc.) and self-proclamation as “the productive classes”, described in positive terms such as talent, business ability, leadership and so on. Inheritance, unearned privilege, fraud, advantages obtained by the mere possession of great wealth, the dark side of the rich – these are never associated with positions at the top of the social scale.

Once legitimised in their class positions, rich Brazilians seek to increase their social legitimacy through philanthropic activities. At around the mid-1990s, old charitable and paternalists practices gave way to State-sponsored social initiatives. From then on, following international fads (Guilhot, 2006), eminent multimillionaires found an opportunity to cultivate favourable public opinion through involvement in the “third sector”. Inspired by the examples of Bill Gates, George Soros and James Wolfensohn, ruthless traders and speculators reinvented themselves as angelic boy scouts, thus managing to rebracket their corporate image or personal prestige. By supporting ecology or aid-focused NGOs, the same people responsible for the deforestation of Amazonia or the exploitation of vulnerable populations appeared as champions of the environment and worthy saviours of children and the aged. Referring to the robber barons of the end of the 19th century, Paul Lafargue, in *The Religion of Capital* (1887), was sarcastic about charitable practices: “Philanthropy means to steal wholesale, and give away retail” (cited in Guilhot, 2006, p. 20). Lafargue’s caustic ghost could not have imagined how wide a scope these practices have acquired in modern Brazil. Almost all money donated to charities and philanthropic causes is tax-deductible. These are private alms paid from public money on a discretionary basis. In the event that donations or voluntary work, for example with the old, are not sufficiently visible, they abandon the homes and the old people and go on to care for something more prestigious, like street children or endangered turtles.

My final observation relates to the emergence of an updated version of the *leisure class*. Although different from the decadent aristocracy of wealth of the United States at the end of the 19th century studied by Veblen (1899), old and new fortunes provide similarly bottomless returns, and continue to enjoy impunity, undisturbed by social (or academic) critiques. Lucky heirs and rentiers, equally parasitic, enjoy such a tranquil life that, at least at the moment, they feel no need to seek social recognition and legitimation. In January 2012,

one of the largest free TV channels put on a series of programmes called simply *Mulheres Ricas*<sup>23</sup> (Rich Women), in which female multimillionaires talked about their lives, their spending and their tastes. The exaggeration and grotesquery of all aspects of their economic and social lives was displayed for all to see. Uneducated, vulgar and reactionary, they revealed a facet of the self-proclaimed elites whose sole aim in life is the complete, intense and unlimited enjoyment of wealth. There are countless examples of the excessive and unabashed consumption and waste of social resources<sup>24</sup>, but no aesthetic judgment or moral opprobrium falls upon them. We need a more in-depth study of the relationship between the ways in which surplus is extracted, accumulated in the hands of the few and wasted through unbridled consumption. The analysis of the leisure class as the ultimate manifestation of inequality should be incorporated into the discussion of social justice now that it has been clearly proven that *equality is better for everyone*: it is better for democracy, better for people's quality of life, and also, for stability and economic growth (Wilkinson & Pickett, 2010).

The disproportionate concentration of personal income and other aspects of the 'dark side of the rich' have acted directly counter to social justice for a long time. The fact that the number of people living below the poverty line as well as in social distance is apparently shrinking does not resolve Brazil's paradoxical social imbalance, something that is not of great concern to the wealthy classes. What does concern them is the relationship between themselves and the rest of the population. What really matters is to maintain the power relations which ensure their domination and enforce subservience. It is interesting to note that the inscription on the Brazilian flag is the positivist slogan "Order and Progress". In Brazil, "order" has always been understood to mean that the positions held by the ruling class are immutable. 'Progress' is accepted to the extent that it does not challenge the *status quo* and does not remove the advantages and privileges of the ruling classes. This emblematic term 'order', conservative and retrograde, needs to be replaced by a more generous motto, more in keeping with advances in the civilisation process. *Equality and*

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<sup>23</sup> <http://www.band.com.br/mulheresricas/>

<sup>24</sup> Another example, worthy of a tropical Marie Antoinette, is given by Kaz (2009)

*Solidarity* would be a more appropriate slogan to stimulate the justice that can bring about democracy and freedom.

There are two challenges to be met here. The first is to document precisely the extent of fiscal, tax and redistributive injustice. There must be more detailed scientific studies to shed light on the darker aspects of wealth. True enlightenment will require a solid basis and not merely denunciation of specific and isolated cases. It will be essential to provide concrete proof of the favouritism, omissions and insufficiencies of the tax and contribution systems, to draw up an objective and irrefutable set of data and information, in order to mobilise public opinion against the privileges, impunity and anti-social avoidance of the tax system. Such objective information will make it possible to refute the false meritocracy of the self-proclaimed elites and to refute consecrated opinions – such as those proclaimed by Vilfredo Pareto (1848-1923) - that insists on the necessity and inevitability of hierarchical and autocratic power structures.

The second challenge is that of constructing legitimate and viable alternatives to this unequal and hierarchical structure. The French Revolution cut off the heads of certain parasitic aristocrats of the epoch, and however prophylactic this may have been, it was abandoned in favour of solutions involving less bloodshed. In order to bring about social justice, the wealthy classes must, as a minimum, pay taxes in the same proportion as other taxpayers, and for this there must be a redistributive taxation system which benefits everybody in exact proportion to their contribution to the common good. Obviously it will not be the old class, permanently renewed by the arrival of the new rich, and its proxies in Parliament who will take on responsibility for these tasks. Initiatives from the classic democratic institutions, political parties and trade unions, are essential but not sufficient. New kinds of civic mobilisation are needed to help build a fairer and more friendly society.

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