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Covid-19 Pandemic, Social Mitigation and Taxation: The Open Veins of Inequality in Latin America

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The pandemic of Covid-19 has exposed the veins of inequality in Latin America. With a socioeconomic disaster looming, social emergency policies seemed inevitable. Yet while governments argue over the continuity of such policies and whether the fiscal rules in place should be respected, no sustainable response has come out. This essay problematises whether the pandemic could represent a critical juncture to forge ahead with political narratives that highlight tax exemptions and privileges enjoyed by the rich. We analyse the mitigation measures adopted by Argentina, Brazil, Chile and Uruguay and their repercussions on the debate surrounding progressive tax reforms to fund social schemes.

Keywords: economic elites, inequality, Latin America, pandemic, social mitigation, taxation.

Argentina, Brazil, Chile and Uruguay all share a common political trajectory: in the 2000s they all elected centre-left governments to power, which ran on a platform focused on reducing inequalities but failed to implement progressive taxation reforms that could fund social spending. They finished their mandates with high levels of debt, exacerbated by a fall in revenue and political instability, making way for the election of right-wing-governments that, with the exception of Argentina, are currently in charge of the political management of the pandemic.

Elected on an agenda of fiscal adjustments, liberal governments started a new phase of dismantling the already fragile social welfare state, making the possibility of redistributive projects even more remote. Nonetheless, in 2020, Covid-19 triggered a 'short circuit' in the austerity agenda, creating the need for unprecedented levels of public spending (Carvalho, 2020). With fiscal constraints, new sources of funding were looked at, setting in motion taxation reform projects, including the possibility of taxing the wealthiest in society.

Against such a backdrop, this article provides a comparative analysis of the measures adopted by these four countries to mitigate the impacts of the pandemic on the most vulnerable in society, as well as their repercussions on the debate surrounding financing and progressive reforms.

Social Mitigation during the Pandemic

All of these countries already had income transfer schemes and, during the pandemic, they adopted additional measures, as shown in Table 1.

Only Uruguay did not implement an emergency income programme, having doubled the value of existing benefits in the month of June (MDS, 2020). Argentina, Brazil, and Chile, on the other hand, set up emergency assistance with their own distinct characteristics. In Argentina, apart from increasing the value of existing benefits and changing the rules to include more beneficiaries, emergency support was set up (Decree no. 310/2020). By the end of August, three instalments had been paid, with the expectation that this would continue throughout the pandemic (Poder Ejecutivo Nacional, 2020a).

In Brazil, emergency assistance (Law no. 13.982) cannot be claimed with other benefits, such as *Seguro-desemprego* (unemployment insurance) and *Bolsa Família* (Family Fund). Those already entitled to the *Bolsa Família* were able to receive the higher value benefits, which for 95 percent of recipients meant emergency assistance. Initially predicted to last for three months, the scheme included additional instalments until August, and this is expected to be extended to the end of the year, albeit with reduced value (Atos do Poder Legislativo, 2020a).

In Chile, the scheme (Law no. 21.230) provided for three payments, with a gradual reduction in the value of the instalments: the first being 100 percent, the second 85 percent and the third 70 percent. A fourth instalment was included, but no further extension is expected. An additional criterion based on government parameters determining the percentage received according to the degree of economic vulnerability was added. At the end of June, a benefit for self-employed workers lasting up to three months was created (Ministerio de Desarrollo Social y Familia, 2020).

In addition, all of these countries created job retention schemes and formal worker income schemes. In Argentina, the *Programa de Asistencia de Emergencia al Trabajo y la Producción* (Emergency Assistance Scheme for Work and Production) (Decree no. 332/2020) reduces the contributions of employers, supplements wages, provide low-interest loans and increases access to unemployment insurance. Back in 2019, President Fernandez had suspended unjustified dismissals (Decree no. 624/2020) and this measure has been applied during the pandemic (Poder Ejecutivo Nacional, 2020d, 2020g).

In Brazil, the *Benefício Emergencial* (Emergency Benefit) (Law no. 14.020) complemented the wages of workers whose working hours had been reduced, but also stopped employers from dismissing workers for double the amount of time the benefit lasted for. Only workers in companies that adhered to the scheme were considered. The scheme lasted for four months and its extension is under discussion. Another measure adopted was the suspension of payments from the *Fundo de Garantia do Tempo de Serviços* (Length-of-Service Guarantee Fund) by employers (Atos do Poder Legislativo, 2020c).

In Uruguay, the *Subsídio Especial por Desempleo* (Special Unemployment Subsidy) (Decree no. 184/020) was created for workers whose activities had been partially suspended. The value of the subsidy is calculated based on the average monthly pay received by the worker in the last six months, and in proportion to the reduction in their working hours. The government also expanded the eligibility criteria for unemployment insurance (Ministerio de Trabajo y Seguridad Social, 2020).

Chile was the only country not to adopt schemes to compensate for the wages of formal workers, but measures were approved allowing for the suspension of work, without

Table 1. Economics Measures Taken by Countries

Measures/countries	Argentina	Brazil	Chile	Uruguay
Existing social programmes	Asignación Universal por Hijo Asignación por Embarazo para Protección Social Subsidio de Contención Familiar	Bolsa Família (BF)	Chile Solidario	Asignación Familiar Plan de Equidad Tarjeta Uruguai Social
Change in value	*Increased*	*Remained the same*	*Remained the same*	*Increased*
Emergency income transfer schemes	Ingresso Familiar de Emergencia	Auxílio Emergencial	Ingresso Familiar de Emergencia	–
Expected duration	*One month, extended for two months*	*Three months, extended for two months*	*Three months, extended for one month*	–
Value in Local currency and USD[a]	$ 10,000.00 (USD$ 135.64)	R$ 600.00/R$ 1,200.00[b] (USD$ 107.12/USD$ 214.23)	$25,000.00/$100,000.00[c] (USD$ 31.81/USD$ 127.23)	–
Job protection schemes	Programa de Asistencia de Emergencia al Trabajo y la Producción	Benefício Emergencial	–	Subsidio Especial por Desempleo
Expected duration	*One month, extended for three months*[d]	*Three months, extended for one/two months*[e]	–	*Three months, extended for one month*
Target population of new schemes	Formal and Informal workers between 18 and 65 years	Informal workers, Individual Microentrepreneurs (MEI), Self-employment and unemployment	Informal workers, Unemployed	Workers with fixed or variable monthly income, and workers in general business or commercial sectors
Complementary measures	Tarjeta Alimentaria	Programa Nacional de Alimentação Escolar	Alimentos para Chile	Canasta de Emergencia
Unemployment rate (fourth trimester 2019) %	8.9[f]	11.0[g]	7.0[h]	8.8[i]

Source: Information about schemes and complementary measures from official government sites.
[a] USD commercial exchange rate on 24 August 2020.
[b] The value of R$ 1,200.00 refers to families in which the woman is only person responsible for household expenditure.
[c] Value for each member of the household. The value received varies according to the group into which the family is classified.
[d] Companies in the tourism, entertainment, culture, health and sports sectors received the complementary wage up until December 2020.
[e] One-month extension for 50 percent reduction in the working day and wage and two months' suspended contracts.
[f] Instituto Nacional de Estadística y Censos, 2020.
[g] Instituto Brasileiro de Geografia e Estatística, 2020.
[h] INE Chile, 2020.
[i] INE Uruguay, 2020.

severing the relationship between employer and employee, and for the exceptional temporary flexibility of labour laws (Law no. 21.227). In addition, the government approved a measure allowing for the early withdrawal of 10 percent of pensions (Law no. 21.248) (Ministerio del Trabajo y Previsión Social, 2020a, 2020b).

These countries also implemented complementary measures to reduce costs for families. Argentina established price control policies (Resolution no. 100/2020) covering 2300 categories of energy, water, gas and transportation products and services, banning cuts to those services for up to 180 days for those who failed to pay their bills (Ministerio de Desarrollo Productivo, 2020). The government also froze rent (Decree no. 320/2020) and suspended mortgage foreclosures (Decree no. 319/2020) up to 30 September. In August, it also froze mobile phone and landline, internet and television fees paid up to December (Decree no. 620/2020), retaking control of the sector (Poder Ejecutivo Nacional, 2020b, 2020c, 2020f). In Brazil (Resolution 878), Chile (Law no. 21.249), and Uruguay (Decree no. 119/020) cuts to basic services were banned, but only Chile extended the measure. Furthermore, these countries all extended deadlines for tax payments and brought forward the reimbursement of income tax (Ministerio de Energía, 2020; Ministerio de Industria, Energía y Minería y Ministerio de Economía y Finanzas, 2020; Ministério de Minas e Energia/Agência Nacional de Energia Elétrica/Diretoria/ANEEL, 2020).

Finally, a policy common to all these countries was the distribution of food to vulnerable sectors of the population. In Argentina, delivery was achieved within an existing scheme of food cards (Decree no. 416/2006), which was expanded to include new families (Poder Ejecutivo Nacional, 2020e). In Brazil, the federal government authorised states and municipal governments to resort to funds from the *Programa Nacional de Alimentação Escolar* (National School Meals Programme) (Law no. 13.987) to distribute food to families of pupils in state schools (Atos do Poder Legislativo, 2020b).

Discussion

With a socioeconomic disaster looming, the extension and expansion of emergency measures seems inevitable. However, no government has yet put forward permanent solutions to sustain funding of measures that attempt to tackle inequality. Quite the opposite, there is reluctance to do so and an increase in rifts over the continuity of such schemes and whether (or not) the fiscal rules in place should be respected.

UNECLAC (The Economic Commission for Latin America and the Caribbean) projects an increase of 1 percent to 8 percent in the Gini coefficient of countries in the region, with inequality of income distribution expected to grow most in the larger economies like Argentina, Brazil and Chile (UNECLAC, 2020). According to Oxfam (2020), since the start of the lockdown, the wealth of the super-rich grew by 17 percent. That amount is equivalent to 38 percent of the total value of the stimulus packages implemented by governments in the region. Such a scenario shows the need for redistribution projects that could boost incomes for the poorest and avoid income becoming concentrated in the hands of the richest.

And yet only in Argentina were proposals for taxing the fortunes of the richest endorsed by the executive (Télam, 2020). Brazil, Chile and Uruguay continued their commitment to an agenda of economic austerity, and governments there showed no signs of interest in progressive tax reforms. The proposals announced in these countries focused mainly on the sale of government bonds, an increase in foreign debt, the continuation of privatisation and cuts in public spending, as well as a reduction of wages for public servants.

The first obstacle standing in the way of measures to tax the richest are the governments that are currently in power, who sympathise with the interests of the economic elites. The second obstacle lies in the dominant narrative in the region, which is that the tax structure of these countries is already high and that any increase in taxes could compromise investments. Through that narrative, as well as other structural and institutional advantages, millionaires have been able to maintain a structure with a high level of income concentration, delegating to the state the responsibility of balancing income distribution policies and fiscal sustainability without resorting to tax rises to the state.

However, the pandemic has exposed the veins of inequality in Latin America and is acting at a critical juncture that could break the silence on issues such as the tax exemptions and privileges enjoyed by the rich (Jiménez, 2015). It is worth remembering that, while on the one hand the elites resist tax rises, on the other hand, they are also sensitive to threats of social upheaval (Swann, 1988). For that reason, this is a good moment to forge ahead with the creation of political narratives that highlight tax distortions, linked to the need to fund social protection measures. Therefore, tackling the pandemic involves not only decisions related to budget allocation, but also a complex framework governing the relationship between the state, the market and society.

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