Brazil: the effects of COVID-19 and recovery[1]

Luiz Carlos Bresser-Pereira

Abstract

This article analyses the effects of coronavirus disease (COVID-19) on Brazil's population and economy, including its high mortality rate per 100,000 inhabitants and its slow stabilization. A brief comparison is made with what is happening in a similar Latin American country, Argentina, where the results in terms of mortality per 100,000 inhabitants have been better, and in France, where the recovery has been more robust. The article also assesses the efficiency of expenditures and notes that the comparison is also not favourable for Brazil. Lastly, it addresses the problem of financing and argues that only Argentina resorted to treasury bond purchases by the central bank, the policy adopted in most rich countries that have their own currency and central bank (which France does not have).

Author

Luiz Carlos Bresser-Pereira is Professor Emeritus of the Getúlio Vargas Foundation. Email: luiz.bresser@fgv.br; website: www.bresserpereira.org.br.

I.   Introduction

Between the 1930s and the 1980s, Brazil grew at a satisfactory pace and industrialized under a developmentalist economic policy framework. In the 1970s, it made the mistake of falling into debt; and in the following decade it was engulfed by the great external debt crisis, which was compounded by high inertial inflation. Weakened by the crisis and under pressure from the North, which in 1980 had turned towards economic liberalism, between 1990 and 1992 Brazil implemented a policy of trade and financial liberalization, embarked upon a process of premature deindustrialization, and returned to being merely a commodity exporter. Since then, it has experienced a process of quasi-stagnation that was only interrupted for a period, in the 2000 decade, by the commodity boom. Between 1950 and 1980, in the context of developmentalist nationalism, income per capita grew vigorously at a rate of 3.5% per year. Since 1980, income per capita has grown by just 0.8% per year, compared to 1.5% per year in rich countries and 3.0% per year in developing countries over the same period. In 2014, the country entered a deep recession, followed by a very unsatisfactory recovery that confirmed the overall picture of quasi-stagnation.

It was with this economic backdrop that Brazil, like all other nation States, confronted the coronavirus disease pandemic (COVID-19) in early 2020. Some countries did better than others in terms of the number of deaths, unemployment, the increase in poverty, the loss of gross domestic product (GDP), and public debt. While it is difficult to rank countries according to their success or failure on these five criteria, it is possible to assert with some confidence that Brazil and the United States performed worse than China and New Zealand. It is also known that better outcomes were achieved the quicker the problem was addressed in each country; the more effective were the isolation or physical distancing measures; the more tests were performed, and the more diligent the follow-up of those infected and the tracing of their contacts; the stronger and more accurate the guidance given to the population on these measures by government; the greater the solidarity shown by the inhabitants of each country in confronting the pandemic and their cooperation with the government in adopting behaviours aimed at slowing the spread of the disease; the better the public health system was at the outset, and the greater the budget support it received when the pandemic broke out; the more the government spent, and the more effectively, to reduce the number of deaths, limit the rise in unemployment and business failures and reduce demand. Lastly, it also depended on how the emergency expenditures were financed: whether by government borrowing from the private sector, thereby increasing public debt; or through monetary financing (central bank purchases of bonds issued by the Treasury for pandemic-related expenditures).

This essay considers the case of Brazil and analyses its bad outcomes in managing the pandemic. It investigates the relationship between the weak growth of the Brazilian economy since 1980 and the very high number of deaths from COVID-19. Although it is impossible to say with certainty that such a relationship exists, one thing is certain: for a nation State to develop and to face the new problems that are continually arising, it must be united. However, the cohesion of the Brazilian nation, which had strengthened considerably in the 1980s with the construction of a coalition of popular-democratic classes and the approval of a social and developmentalist constitution, failed to return the country to the growth path that was interrupted in 1980. With the large-scale popular demonstrations of June 2013, it became clear that this unity was a thing of the past. To assess whether Brazil really failed to confront COVID-19, this article makes a brief comparison with Argentina and France.

II.   Public policies

The public policies adopted by the countries to deal with the pandemic were of three types: (i) health, to reduce the number of people infected and the number of deaths; (ii) fiscal, to guarantee a minimum income to the population; and to reduce unemployment, business failures and the loss of GDP caused by the health measures; and (iii) financial, to fund COVID-19-related expenses.

The health policies recommended by infectious disease experts and international health institutions, which proved effective include: closing the country's borders; banning international flights; putting the affected cities or regions into lockdown; conducting mass testing, tracing and isolating the contacts of individuals who test positive; mandatory use of masks; setting up new hospitals or emergency beds; providing sufficient respirators, along with free testing and treatment; giving the population guidance on individual behaviour; and banning or strictly limiting redundancies. These are the measures that were adopted in two countries that were very successful in dealing with the pandemic: a very large country, China; and a very small one, New Zealand.

The appropriate fiscal policy consisted of increasing public spending significantly, while ignoring concerns about the sharp increase in the public deficit. This entailed increasing public expenditure on: (i) the health sector, by increasing the number of hospital beds and the availability of medical teams and the medicines needed to treat the disease; (ii) an expansion of unemployment assistance; (iii) a basic income policy for the poorest; (iv) a policy of discouraging businesses from making employees redundant; and (v) various policies to help businesses avoid bankruptcy. More generally, the aim was to adopt a countercyclical policy of expanding public investment. These were the policies adopted in the countries that have confronted the pandemic most effectively in the economic domain.

III. Criteria and policies

Two countries were chosen for this comparison,: Argentina, because it is a middle-income country like Brazil, and, despite the serious problems it faces, it managed to avoid a large number of deaths; and France, because it is interesting to include a wealthy country in the comparison. A small group of indicators were chosen as criteria of success or failure in dealing with COVID-19: the number of deaths per 100,000 inhabitants, the rise in the unemployment rate, the increase in poverty or inequality, the rate of decrease in GDP and the value of the additional public spending combined with the loss of government income. The data obtained is presented in table 1. While not entirely comparable, they give a good idea of each country's performance.

Table 1
COVID-19 in Argentina, Brazil, and France

	Argentina	Brazil	France
Deaths per 100,000 inhabitants[a]	14.2	52.3	46.5
Rise in the unemployment rate *(percentage points)*	1.5[b]	2.3	-0.5
Increase in poverty or inequality	11.5%	-0.9%	0.0%
Rate of decline in gross domestic product (GDP)	-9.9%	-9.1%	-12.5%
Expenditure plus income loss *(percentage of GDP)*	6.7%	11.8%[c]	6.9%

Source: Prepared by the author, on the basis of World Health Organization (WHO), "WHO Coronavirus Disease (COVID-19) Dashboard", 2020 [online database] https://covid19.who.int/; Worldometers.info, "World Population", 2020 [online database] https://www.worldometers.info; Brazilian Independent Fiscal Institution, *Relatório de Acompanhamento Fiscal*, No. 43, 17 August 2020 [online] https://www2.senado.leg.br/bdsf/bitstream/handle/id/575506/RAF43_AGO2020.pdf; National Institute of Statistics and Censuses (INDEC), "Mercado de trabajo: tasas e indicadores socioeconómicos (EPH)", *Trabajo e Ingresos*, vol. 4, No. 3, June 2020; Organization for Economic Cooperation and Development (OECD), "Unemployment rate", 2020 [online database] https://data.oecd.org/unemp/unemployment-rate.htm; J. Cuaresma and others, "Poverty headcount ratio at $3.20/day", 2019 [online database] https://dashboards.sdgindex.org/explorer/sdg1_320pov; International Monetary Fund (IMF), "World Economic Outlook Update, June 2020", 2020a [online] https://www.imf.org/es/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020; IMF, "Policy responses to Covid-19", 2020b [online] https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

Note: Unless otherwise indicated, the data refer to the first two quarters of 2020.
[a] After an equal number of days for the three countries (151 days from the first death).
[b] Change in the unemployment rate between the fourth quarter of 2019 and the first quarter of 2020.
[c] According to the Brazilian Independent Fiscal Institution (2020), the execution of federal government expenditures and credits disbursed was 50.6%.

IV. Number of deaths per 100,000 population

The most important result is undoubtedly the number of deaths per 100,000 inhabitants. According to the official statistics that were used, the number of deaths in Brazil was higher than in France and much higher than in Argentina. However, the reported figure is definitely an underestimate. Paulo Lotufo, an epidemiologist from the University of São Paulo, has argued that deaths are being underestimated in every country. For example, The New England Journal of Medicine claims that the number of deaths caused by COVID-19 in Italy was 30% higher than the estimated figure, while in São Paulo, Brazil's most populous and wealthiest state, the number is likely to be 170% higher (Ruprecht, 2020). Calculations made by Imperial College London in June 2020, suggest that coronavirus deaths are three times higher than the reported statistics (Sousa Pinto, 2020).

The COVID-19 mortality rate has certainly been lower, the stronger the governments were in establishing the lockdown and quarantine measures, the larger the number of tests that were conducted, and the more effective the tracing of those infected and of their contacts, and the medical and hospital care provided. In addition, the time elapsing between the first verified case of infection in the country and the start of the disease containment policy was also a crucial variable. The fewer the number of days between the two events, the smaller the initial spread of the disease and, hence, the fewer the number of people infected. The number of deaths in Argentina was far less than in France because the Argentine government reacted more quickly than the French government. According to Natanson (2020), despite concerns expressed by provincial governors and mayors about the social consequences of a rigorous and strict shutdown, President Alberto Fernandez acted decisively and chose the apparently less popular path of adopting a strict isolation and quarantine regime. In France, as in the other main European countries, there was a longer delay, which can be explained by the fact that it was affected by coronavirus before Brazil and Argentina. However, once the French government adopted the necessary measures, it did so competently; and the number of deaths declined. The case of Brazil was very different. According to the epidemiologist, Paulo Lotufo, two thirds of the country's COVID-19 deaths and half of its cases could have been avoided if social distancing had been adopted more effectively from the outset (UOL, 2020).

Figure 1 shows the number of daily deaths caused by COVID-19 in the 151 days since the first fatality in each country. The 151-day period was chosen because, at the time of writing, it was the period that had elapsed since the start of the pandemic in Argentina (the last of the three countries to be affected by the disease). The graph shows that the best performing country was Argentina, where the Government's speed of response was crucial. As in many countries where COVID-19 manifested itself early, the French authorities were slow to act, and the disease spread; but thereafter it acted decisively by adopting the necessary policies, and the number of deaths dropped significantly. Brazil failed totally; and the number of deaths reached a peak 75 days after the first fatality because, unlike in France, the government proved unable to adopt policies to flatten the infection curve.

It cannot be said that the Federal Government, which had prime responsibility for the policy to be implemented, was slow to take steps to combat the virus, because, in reality, it did practically nothing other than obstruct the actions of the country's Unified Health System (SUS), and those of the governors and mayors. In practice, there was no policy to contain the pandemic until civil servants attached to SUS, along with the state governors and mayors, decided to start the lockdown policy on their own. In doing so, they faced criticism from the President, who insisted that the problem was not serious; that there was no point in stopping businesses and schools; and that it was sufficient to supply hospitals and public outpatient clinics with two medicines used for malaria (chloroquine and hydroxychloroquine), whose effectiveness against COVID-19 has not been proven thus far, and which have significant side effects. Studies show that these medicines do not work even when they are administered in the initial phase of the disease, as the Ministry of Health started to recommend at the President's direction. In

the midst of this dramatic pandemic scenario, the country has already changed its Minister of Health three times; and, at the time of writing (early September), the Ministry is being led on an interim basis by General Eduardo Pazuello, who is not a physician and has not had any close relationship with health policies in his career. The governors and mayors, on the other hand, acted basically correctly, but without the support they needed from the Federal Government. At the start of the pandemic, there was open conflict between the President and the main governors; but after less than two months, some of them —particularly the Governor of São Paulo, who was implementing an appropriate lockdown policy— yielded to pressure from businesspeople in commerce and restaurants and relaxed the policy.

Figure 1
Argentina, Brazil and France: mortality per million inhabitants
since the first death from COVID-19, 2020
(Number of persons)
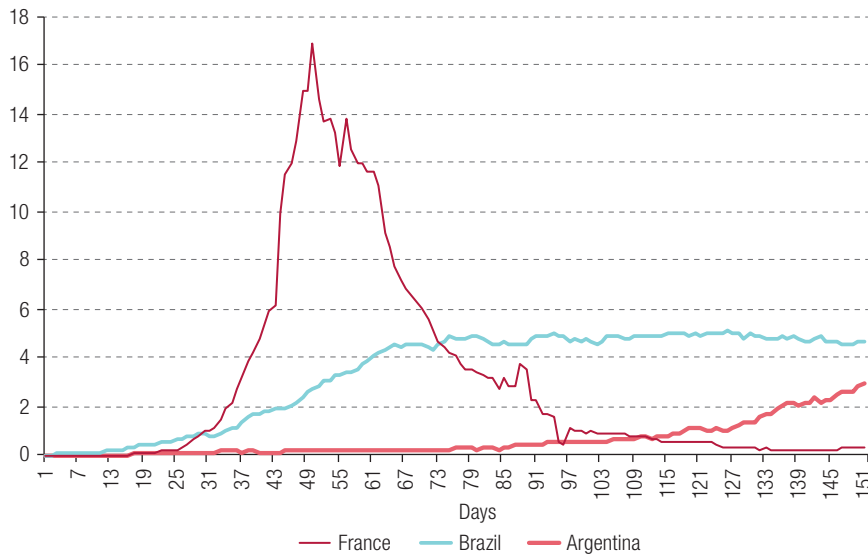
Source: World Health Organization (WHO), "WHO Coronavirus Disease (COVID-19) Dashboard", 2020 [online database] https://covid19.who.int/.
Note: Seven-day moving average since the first fatality.

V. Cost of health policies and economic protection

How much did the three countries studied spend on tackling the coronavirus, reducing the number of deaths, preventing hunger among the poorest, limiting the rise in unemployment and averting business failures? And how much did their tax revenues decline because of the lockdown and quarantine policies? How much did the countries invest in mitigating the effects of COVID-19, when increased spending and decreased revenues are added together? Surprisingly, table 1 shows that spending was highest in Brazil, where the Federal Government did not have a policy to contain the disease and support individuals and businesses. Brazil spent the equivalent of 11.8% of GDP, whereas Argentina spent 6.7% of GDP and France 6.9%. The explanation for this is simple: one month after the start of the pandemic, the Government proposed a monthly emergency assistance of R$ 200, starting in April, for informal workers, individual microentrepreneurs, self-employed workers and the unemployed. However, the National Congress rejected tripled this proposal, without it being clear —either to the Ministry of the Economy or to the National Congress— how many beneficiaries there would be (it turned out to be roughly 60 million). The benefit was maintained at the same value from April to August, before being cut by half for the period September–December. In December, total spending should be R$ 450 billion, which represents about 7% of GDP.

How efficient has that spending been? Although it is impossible to present a single measure of efficiency for each country, because the results are related not only to the drop in GDP, but also to the number of deaths, the rise in unemployment and the increase in inequality, it is not difficult to conclude that spending in Brazil was extremely inefficient. Although it was the country that spent the most, it also has the highest number of deaths per 100,000 inhabitants and the greatest increase in unemployment. Naturally, it performed better in relation to poverty, but this is explained by the size of the emergency aid that had not been planned by the government.

VI. The financing problem

How will the large COVID-19-related expenditures be financed? Contrary to the practice in most rich countries that have their own currency and central bank (*The Economist*, 2020) and also to what was done in Argentina,[2] where a never-declared but large proportion of these expenses is being financed by printing money, the other two countries in this analysis resorted to orthodox financing by increasing their borrowing from the private sector. In the author's opinion, this is a mistake that Brazil could have avoided. At the outbreak of the pandemic, the Brazilian National Congress approved Constitutional Amendment 106 (known as the "War Budget"), which instituted an extraordinary fiscal, financial and procurement regime to meet needs arising from the state of public calamity. This authorized a relaxation of the Fiscal Responsibility Law (Complementary Law 101/2000) and non-compliance with the "golden rule" for the budget, which states that borrowing cannot be used to finance current expenses. The proposed amendment included permission, granted on an exceptional basis to the Central Bank of Brazil, to purchase newly issued securities from the National Treasury Secretariat to finance COVID-19 related expenses; but this was not supported by the Government and was rejected by members of the National Congress. In the author's opinion, this was a mistake; governments that did not issue new money to finance themselves lost autonomy over the amount of COVID-19-related expenditure, while borrowing from the private sector meant an increase in public debt.

An important explanatory variable for specifying the value of each country's expenditures in relation to COVID-19 was probably the mode of financing chosen (sale of bonds issued by the Treasury either to the private sector or to the central bank). Countries that adopted monetary financing felt free to spend more, because even though this decision could generate a large public deficit, measured gross, the net public debt (defined as the Treasury's debt minus its debts to the central bank) would have remained constant.

Prior to the global financial crisis of 2008, there was a taboo on the policy of monetary financing by the central bank. This was shared even by economists who, on the one hand, considered the money supply as endogenous, and, on the other, denied the monetarist thesis that an increase in the money supply would cause accelerating inflation. However, following the 2008 crisis, the central banks of the rich countries implemented a policy of "quantitative easing", which involved purchasing private sector securities and new bonds issued by the Treasury, which, in this latter case, is monetary financing. The aims were to increase the money supply or liquidity of the economic system, to lower interest rates and thus encourage firms to invest or consumers to spend. In the event, the increase in investment and consumption was not forthcoming, and the economies of the rich countries have virtually stalled since 2008. Nonetheless, there was a probably unintended consequence (except in the case of Japan, in the author's opinion): namely the large reduction in the public debt of countries that officially issued money. The reduction in the United States public debt was relatively small, about 12%; and that may be why economists in that country did not pay much attention to it. In the case of Japan, which had

---

[2] Argentina financed itself from profits received from the Central Bank. See Congressional Budget Office (2020, p.5).

an enormous debt, the increase in the money supply through quantitative easing was equally huge and reduced that debt by 77%. Reducing the public debt was not the aim of the measure; but in the case of Japan quantitative easing was so great that it is hard to believe that the Japanese government did not also consider this fact when implementing it. Monetary financing does not objectively imply an increase in public debt, but that is not what "official" public accounting says. The fact that the treasury and the central bank are part of the same state apparatus was not taken into account, because international rules of public accounting do not allow this. As can be seen, not only economists, but also public accountants enjoy a fiction; a fiction which, in this case, would discourage "irresponsible" public spending, even if it did not cause inflation.

Monetary issuance does not cause inflation, even according to the quantity theory of money, because the amount of money actually in circulation in an economy is endogenous. It does not depend on the amount of money issued by the State, but on how much the government, businesses and families spend, and how much they borrow to make that expenditure. There are two ways to finance COVID-19-related expenses: the Treasury can sell its debt securities either to the private sector or to the central bank. In both scenarios, the increase in the amount of money is the same. If the expenditure financed in either way does not cause aggregate demand to exceed aggregate supply, it does not cause inflation to accelerate. This is what happened with quantitative easing, and it is also is happening now with COVID-19. In this case public expenditure increases; but it only partially compensates for the decline in private sector investment and consumption caused by the pandemic.

Moreover, the money supply is actually endogenous: the amount of money in circulation increases whenever here is an increase in spending, regardless of how it is financed; and an increase in the amount of money is not inflationary provided it does not bring the country closes to full employment. However, there is longstanding fear among that monetary financing of the government will cause inflation. This probably originated long ago, when "inflation" did not mean "price increases" but "uncontrolled expansions in the amount of money in the economy."[3] This myth was resurrected by monetarism. The basic argument of monetarism was that if central banks firmly controlled the money supply, inflation would be controlled. In the economic literature there is an identity, known as the equation of exchange ($MV = Yp$), in which M is the amount of money, V is the velocity of circulation or the number of times a monetary unit circulates in a year, Y is national income, and p is inflation. It is an identity because it starts from the definition of the velocity of circulation of money ($V = Yp / M$).

However, the monetarists transformed that identity into a theory (the quantity theory), by assuming that the velocity of money is constant and claiming that the increase in M causes an increase in inflation, p. Apparently, this theory is true because there is a close correlation between the money supply and inflation. However, firstly, V is not constant; the velocity of money is highly variable and changes with the business cycle.[4] Secondly, there is no reason to claim that an increase of M is the cause of an increase in p. It makes more sense to argue that it is an increase of inflation that requires the nominal money supply to increase, because the amount of money in an economy is endogenous (it is determined by the dynamics of the economic system itself). A functioning national economy needs a level of liquidity or quantity of money that is proportional to its GDP (to allow transactions to run smoothly).

When inflation increases or accelerates for some reason, the nominal money supply must increase to preserve the real amount of money or liquidity in the economy. To understand this, one can visualize the monetary liquidity needed by the system as the amount of lubricating oil that allows a machine to run smoothly, without friction. Thus, the nominal supply of money is endogenous and, given the real

---

[3] According to the Online Etymology Dictionary, the term "inflation" in the monetary sense of "enlargement of prices" (originally by an increase in the amount of money in circulation) was first recorded in 1838 in American English. See [online] https://www.etymonline.com/word/inflation#etymonline_v_6450.

[4] In the United States, the velocity of the M2 monetary aggregate during the Great Depression was 1.15 times. By 1964 it had risen to 1.67 and 1981 to 1.89. It peaked at 2.20 in 1997, before dropping to 1.25 in 2018 and 1.20 in 2020 (Federal Reserve Bank of St. Louis, 2020).

amount of money needed, it is inflation that requires it to increase and thus remain constant in real terms. While Keynes did not say this literally, he showed that the amount of money in an economy is endogenous. Here in Brazil, the author learned of the endogenous nature of money from Ignácio Rangel, who realized this by observing the Brazilian reality since the early 1960s.[5] Among Post-Keynesians, Basil Moore demonstrated the endogeneity of money theoretically in 1979.[6]

The theory of inertial inflation, as it developed in Brazil —the country that had the longest and most radical experience of this type of inflation— was definitively demonstrated and broadly defined in an article by Bresser-Pereira and Nakano (1984) on the accelerating, maintaining and sanctioning factors of inflation. An accelerating factor of inflation might be an episode of pressure from either supply or demand; but, in most cases, it is excess demand relative to supply. Formal and informal price indexation is the inertial or maintaining factor, which makes inflation resistant to the policies usually adopted to control it; and formal and informal indexation of the economy is the sanctioning factor, which keeps the real amount of money constant in an environment where inflation erodes the purchasing power of a given nominal amount of money.[7] As for the empirical rejection of monetarism, quantitative easing definitely showed that monetarism is meaningless. The central banks of the rich countries bought about US$ 15 trillion directly from the Treasury and the private sector without stoking inflation.

Countries that issued money to finance their COVID-19 expenditure had more freedom to spend than countries that could not do so, such as those in the eurozone, which do not have a currency of their own. While expenditure is very high in some countries, such as Australia, Canada and Japan (10.1%, 9.1% and 6.8% of GDP, respectively), in others, such as Italy and Spain, the amounts spent are relatively small (1.2% and 2.7% of GDP, respectively). The countries that are spending less are precisely those that made the big mistake of creating the euro and thus lost their monetary policy autonomy. This was clearly seen during the euro crisis of 2010–2015 and is apparently now being repeated in the COVID-19 crisis. Germany, whose expenditures amount to 6% of GDP, is an exception in this study; but it is well known that the fiscal accounts in that country are managed extremely rigorously with the aim of obtaining huge current account surpluses and keeping its industry competitive. The competency of its Chancellor, Angela Merkel, is also well known.

In the current case, in addition to increasing liquidity, bond purchases should not be aimed at reducing public debt, as was the case with quantitative easing, but instead at financing COVID-19-related expenditures without increasing the debt. According to projections made by the International Monetary Fund (IMF, 2020c), by the end of this year the public debt of the rich world will have increased from 106% to 122% of GDP. In Brazil, the public debt is expected to rise from 78% to 95% of GDP. The enormous public expenditures needed to compensate for the reduction in government revenues are bound to generate large fiscal deficits, and, if monetary financing is rejected, a considerable increase in public debt, in addition to a long period of time to pay off this debt once the crisis is over.

The fact that monetary financing of public expenditure does not cause inflation unless there is an excess of demand over supply does not mean that governments can spend at will. This limit is not always clear and there is no reason to take unnecessary risks. Only in special circumstances, such as the COVID-19 pandemic, is it reasonable to use this form of financing. None of the three countries analysed here is taking advantage of this possibility, however: France because it does not have its own currency; and Brazil and Argentina because they are afraid of inflation, which in this situation is not justified.

---

[5] See Rangel (1963).

[6] See Moore (1979).

[7] That is why, in their basic article on this theory, Bresser-Pereira and Nakano (1984) described the money supply as a sanctioning factor of inflation.

VII. Economic outcomes

Lastly, the results of this huge fiscal effort in the three countries are shown in table 1, which reports the three most important measures: the rise in unemployment, the increase in poverty and the contraction in GDP. The steepest rise in unemployment occurred in Brazil: the unemployment rate rose by 2.3 percentage points of the labour force, compared to an increase of 1.5 points in Argentina. In France, the data is surprising, since unemployment actually fell by 0.7 percentage points in the second quarter of the year. When this was announced, the National Institute of Statistics and Economic Studies (INSEE), which is responsible for the country's statistics, claimed that the result was misleading, because many unemployed people were not counted during the months of lockdown because they were not actively looking for work (INSEE, 2020). Nonetheless, INSEE ignores the fact that in France there were incentives for firms not to dismiss workers, while Brazil and Argentina failed in that respect. Although emergency aid in Brazil was extensive and significant, there was no public policy to protect employment. This poor employment performance was not unique to these two Latin American countries. According to a study by the Economic Commission for Latin America and the Caribbean published on 2 July (ECLAC, 2020), more than 2.7 million businesses can be expected to close in the next six months, and over 8.5 million formal jobs will be lost in the region because of the COVID-19 pandemic. The report assesses the impact and challenges faced by businesses during the pandemic; and it reports that more than one-third of formal employment and one quarter of the region's GDP are generated in sectors that are heavily affected by the current crisis. It also predicts that 2.6 million of the businesses that will have to close due to the crisis are microenterprises; 1.4 million of these belong to the commerce sector and 290,000 are in tourism, segments that have been disproportionately affected by the restrictions imposed by governments to prevent the spread of the new coronavirus.

Brazil performed best in relation to poverty, which decreased by 0.9% compared to no change in France and an increase of 11.5% in Argentina. The decrease in poverty in Brazil is directly related to the emergency aid, which was generous and provided on a very large scale. While the benefit in question was R$ 600, the *Bolsa Família* conditional transfer program can pay up to R$ 205 when there are five beneficiaries in the family. Moreover, although 50 million beneficiaries were expected, 66.9 million people actually benefited, whereas *Bolsa Família* serves 14.2 million.

Lastly, although there was a sharp drop in income in all three countries, the worst case was France, where the reduction in GDP for this year is estimated at 12.5%, as opposed to reductions of 9.1% in Brazil and 9.9% in Argentina. Although this greater reduction in France is understandable, because it was the country that spent the least to neutralize the negative effects of the pandemic, the figure contradicts the fact that the second quarter of the year did not see a rise in unemployment, but instead a slight fall. In Brazil, the 9.1% reduction in GDP forecast for 2020 is consistent with the sharp rise in unemployment.

VIII. Concluding remarks

In short, although Brazil spent more than France and Argentina relative to GDP, the outcome, in terms of mortality from COVID-19, was much worse than that of the other two countries. The fact that France underperformed Argentina stems from the Government's initial delay in taking action, whereas in Brazil's case was because, instead of a policy to combat the virus, the Federal Government implemented an anti-policy, which was only partially compensated for by decisions taken by the National Congress and the governors, and by the existence (since the transition to democracy) of a universal health system.

Nonetheless, Brazil was the country that spent the most in relation to COVID-19, mainly due to the extensive and generous emergency aid adopted by the National Congress. This was what made it possible to outperform Argentina on poverty and even reduce it slightly. Nonetheless, the fall in GDP in Brazil was only slightly less than in the other two countries analysed.

Bibliography

Brazilian Independent Fiscal Institution (2020), *Relatório de Acompanhamento Fiscal*, No. 43, 17 August [online] https://www2.senado.leg.br/bdsf/bitstream/handle/id/575506/RAF43_AGO2020.pdf.

Bresser-Pereira, L. and Y. Nakano (1984), "Accelerating, maintaining, and sanctioning factors of inflation", *Brazilian Journal of Political Economy*, vol. 4, No. 1.

Congressional Budget Office (2020), "Análisis de la ejecución presupuestaria de la Administración Nacional, junio 2020" [online] https://www.opc.gob.ar/informes/analisis-de-la-ejecucion-presupuestaria-de-la-administracion-nacional-junio-2020/.

ECLAC (Economic Commission for Latin America and the Caribbean) (2020), "Sectors and businesses facing COVID-19: emergency and reactivation", *COVID-19 Special Report*, No. 4, 2 July [online] https://repositorio.cepal.org/bitstream/handle/11362/45736/5/S2000437_en.pdf.

Federal Reserve Bank of St. Louis (2020), "Velocity of M2 Money Stock (M2V)" [online] https://fred.stlouisfed.org/series/M2V.

IMF (International Monetary Fund) (2020a), "World Economic Outlook Update, June 2020", June [online] https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020.

____(2020b), "Policy responses to Covid-19" [online] https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

____(2020c), "A crisis like no other, an uncertain recovery", *World Economic Outlook Update*, Washington, D.C., June.

INDEC (National Institute of Statistics and Censuses) (2020), "Mercado de trabajo: tasas e indicadores socioeconómicos (EPH)", *Trabajo e Ingresos*, vol. 4, No. 3, June.

INSEE (National Institute of Statistics and Economic Studies) (2020), "In Q2 2020, the labour market under the influence of containment", 13 August [online] https://www.insee.fr/en/statistiques/4642442#consulter.

Moore, B. (1979), "The endogenous money stock", *Journal of Post Keynesian Economics*, vol. 2, No. 1.

Natanson, J. (2020), "Argentina, el virus y el presidente", *Nueva Sociedad*, No. 287.

Rangel, I. (1963), *A inflação brasileira*, Rio de Janeiro, Tempo Brasileiro.

Ruprecht, T. (2020), "Entrevista: por que o número de mortes por coronavírus está subestimado", Veja Saúde, 1 May [online] https://saude.abril.com.br/medicina/entrevista-por-que-o-numero-de-mortes-por-coronavirus-esta-subestimado/.

Sousa Pinto, A. (2020), "Taxa de positivo em testes indica que epidemia esta subestimada no Brasil, diz OMS", *Folha de S. Paulo*, 23 June [online] https://www1.folha.uol.com.br/equilibrioesaude/2020/06/taxa-de-positivo-em-testes-indica-que-epidemia-esta-subestimada-no-brasil-diz-oms.shtml.

The Economist (2020), "Free money: when government spending knows no limits", 25 July [online] https://www.economist.com/weeklyedition/2020-07-25.

UOL (2020), "'Poderíamos ter tido um terço das mortes', diz professor da USP sobre covid", 29 May [online] https://noticias.uol.com.br/saude/ultimas-noticias/redacao/2020/05/29/entrevista-paulo-lotufo-professor-de-epidemiologia-da-usp.htm?cmpid=copiaecola&cmpid=copiaecola.