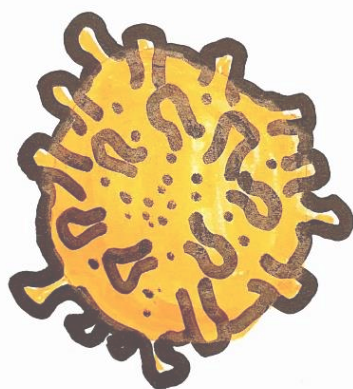


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Coronacrises in Brazil

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The first Covid-19 infection case was registered in Brazil during the Carnival causing a new sanitary problem and deepening other economic, political and moral problems already existing in our society.

The way Covid-19 arrived in Brazil is very illustrative of our social inequalities. The first cases were registered in rich neighborhoods as some of their residents returned from their holidays in Europe. But it has quickly spread to the poorest and most vulnerable population. The first death in Rio de Janeiro was of a maid that worked for a rich couple that got infected in Europe. The Pandemic evolved from the rich zones and from the big cities to their peripheries and smaller cities, affecting zones with deficient medical services.

The size and the diversity of Brazil require a central coordination to organize the sub-national efforts and to manage the distribution of the scarce medical resources among different regions. The central government response, besides denying the importance and the extent of the Pandemic, was rather insufficient: the federal government often boycotted sub-national governments' initiatives by discrediting local governments and by adopting contradictory policies. Consequently, there wasn't a unified strategy that would have benefited all regions of the country both in sanitary and economic terms.

More than this, misinformation has been a central element in the central government diversionist strategy. The confusion of directives, diagnostics and even of official numbers have reduced the public trust and compliance to the measures adopted by the local governments and encouraged the premature adoption of deconfinement measures. This purposely "confusing" strategy is present also in the external policy, creating unnecessary hostility towards important trade partners (notably, China) and institutions (WHO). This misinformation flows through official channels but also by the diffusion of Fake news and the adoption by the president and his relatives of a polarizing and authoritarian hate speech.

Still on the sanitary front, it's worth saying that the central government spent around 10% of the amount initially announced for the combat of the Covid-19 Pandemic and, also, didn't play a coordination role in a possible industrial reconversion, which could have increased the national supply of medical inputs and equipments. A good illustration of the Federal Government's lack of commitment to strategies adequately designed to cope with the Covid-19 Pandemics, is that the after two health Ministers resigned for disagreeing with the president's policies the position has been filled by an army general, as an interim ministry, since mid-May.

Despite government has repeatedly denied the severity of the pandemic in Brazil, the numbers show that Brazil may reach the first place in world's ranking of Covid-19 deaths and cases. By June 12th, Brazil showed the world's second-highest numbers of Covid-19 deaths and cases - the number of deaths surpassed 41,000 and the number of cases, 820,000. But the country is already the number one in both new daily cases and deaths, what evidences that the pandemic is far from being controlled in Brazil².

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² Data from Financial Times (<https://www.ft.com/content/a26fbf7e-48f8-11ea-aeb3-955839e06441>).

Moreover, the statistics in Brazil are certainly underestimated as the consequence of limited testing³ and of possible mistaken deaths notifications.

In economic terms, the sanitary crisis struck an, already, weak economy, after three years of low economic growth, facing a high unemployment rate and a growing (and high) informality in the labor market. The adoption by the federal government of economic measures in order to mitigate the impacts of the crises was slow and insufficient⁴. Both the measures concerning the enterprises and the workers didn't avoid the growth of the unemployment rate to 12,6% in April.

In fact, the employment survey for Brazil (PNAD, IBGE) shows a huge reduction of both occupation (-5,2%), total wages (-3,3%) and economic active population (-3,8%) in the last trimester (February to April 2020) related to the precedent trimester (Nov-Dec 2019/ January 2020). Moreover, 10 million formal workers – around 30% of total formal employment – were admitted on the wage reduction or job suspension program till the beginning of June⁵.

The negative impact of unemployment on income and poverty can be worsened by the fact that informal jobs, that usually are an alternative for formal employment retraction in Brazil, are at the present limited due to the confinement and economic recession. An important measure adopted by the Government was the concession of a three-month compensation for informal and self-employment workers corresponding to 2/3 of the minimum wage. Again, the protracted negotiation in Congress, both, the slow pace and the operational problems for the implementation of such income transfers, showed the inefficiency and lack of commitment of the government in adopting adequate measures to mitigate the Corona-crisis. From my point of view, the action (or lack of) from the federal government is a consequence of a myopic vision of the pandemic and its impact on the economy, reflecting its fiscal obsession which is revealed in its official discourse emphasizing the (wrong) opposition between health and economics. Additionally, government insists on the short-term character of the measures adopted during April and May and, for fiscal reasons, resists to consider the extension of them for a longer period, what should be included within the scope of a medium-term recovery plan.

The perspectives for the Brazilian economy are very pessimistic, with a long and strong recession in view. Inequalities tend to deepen as the job losses are expected mainly in the low-wage sectors and additional compensation measures are not foreseen.

Brazilian GDP may fall by 11% and 14 million occupations may disappear in 2020, according to the most pessimist (but quite realistic) estimation of the impact of Covid-19 on Brazilian economy (Dweck et al, 2020)⁶. In terms of employment, more than 70% of the occupations' losses come from the low wage sectors characterized by low social protection – such as some services (notably, wholesale and retail

³ In April 20th (last available data for Brazil), the number of tests by new confirmed case was of 2.27 in Brazil while this number was over 20 in Argentina and over 300 in Korea (Site Our World in Data, see <https://ourworldindata.org/coronavirus-testing>).

⁴ Brazilian measures (both revenue, expenditure and financial ones, till April 2020) corresponds to 10% of its GDP, according to IMF (2020). The spent of Brazil is lower than those of Advanced countries – notably Germany, Italy, Japan and UK, but exceeds the most of other developing and emerging economies. For now, the measures are expected to last about three months, which might compromise the (probably difficult) recovery of Brazilian economy.

⁵ See <https://g1.globo.com/economia/noticia/2020/06/10/10-milhoes-de-trabalhadores-formais-ja-tiveram-reducao-de-salario-ou-contrato-suspenso.ghtml>. For a more detailed analysis on the impact of Covid-19 on Brazilian labor market, see Augusto Junior, F. (2020).

⁶ An intermediate scenario predicts a decrease of 6,4% of the Brazilian GDP for 2020. The annual rate growth will probably be between these two scenarios. Our predictions are in line with those from other national and international institutions, such as CEPAL (2020), which predicts a GDP reduction of 5,2% and World Bank (2020) which predicts a retraction of 8%.

trade and other services⁷) and Construction. These workers are already facing difficulties in recovering their income – both in formal and informal sectors – but they are also more likely to be affected by the medium and long terms effects of technological changes and digital transformation. In terms of Production, Manufacturing responds for 40% of the national total gross production's decrease. Even after decades of losing relative importance in terms of Brazil's aggregate product, Manufacturing still remains an important sector for the economy operation because of its economic linkages. The productive specialization among manufacturing activities may also change (partially caused by the evolution of exports), with a reduction of more sophisticated activities, such as machine and equipment and transport equipment production. This deepening of a "regressive specialization" will impose dynamic restrictions to long term economic growth and development.

To worsen this scenario, the president has been betting on the strategy of radicalization adopting an authoritarian discourse towards and stimulating the political polarization in order to appease his supporters. This strategy is a response to his loss of popularity and inability to negotiate with the Justice, part of the Congress and Governors. His popularity has been diminishing since mid-2019, a trend that was reinforced by the way he is dealing with the Coronavirus crisis.

At the University, this dual, economic and medical, crisis has been felt very strongly. On one hand, public universities have been working hard in the daily combat of the coronavirus by developing and producing medicines, virus tests, medical equipment and other essential supplies and by giving medical and psychological assistance to the general population. On the other hand, budget constraints – a heritage from a draconian budget law voted two years ago and worsened by the current government fiscal obsession – make more difficult this complex effort. Concerning our main activity in university – teaching and teaching related activities – it's partially paralyzed because of material limitations faced by a considerable part of the students to adequately access remote education. Once again, up to the writing of this note there is no initiative from the Education ministry that would allow disadvantage students to overcome their accessibility problems. The only positive point we can see from this terrible scenario is that, despite recent demoralizing campaign against science, public universities and research centers since Bolsonaro became president, the fight against the Pandemic gave to our institutions more visibility, reinforcing the position as ally to the population during the health crisis. The same recognition seems to benefit the Brazilian public health system, which was affected negatively by years of low investment.

Briefly, the short and medium-term prospects for Brazil are awful in sanitary, socio-economic and political terms, all these dimensions reinforcing themselves and worsening the broad social impacts of the crisis. In fact, the country is seriously ill as inequalities and poverty are deepening and its democracy is under attack.

⁷ In this sector, domestic services and food are the most affected activities.

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