Mexico: A Progressive Government Dilemma - Reforming the Political System and Facing an Epidemic Like No Other

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Abstract

The political tsunami prompted by the 1 July 2018 presidential elections shacked Mexican economic and political arena. One year into taking office, the pandemic exploded, encouraging a disjointed political opposition taking advantage of it to demand changes to the government progressive distributive program. Our research shows: first, the government´s economic policies adequacy for combating the pandemic, second, the fast spread the infection across Mexico´s and the country's better results in health and economic indicators, than advanced countries; third, the solid political support for the president so far.

Keywords: *Government Policy, Public Health*

Jel Codes: *I1, I18, P48*

Özet

1 Temmuz 2018 cumhurbaşkanlığı seçimlerinin yol açtığı siyasi tsunami, Meksika'nın ekonomik ve siyasi arenasını sarstı. Başkan'ın göreve gelmesine bir yıl kala salgın patladı ve salgın, tutarsız siyasi muhalefeti, hükümetin ilerici dağıtım programında değişiklik talep etmek için bundan yararlanmaya teşvik etti. Araştırmamız , salgınla mücadele için hükümetin ekonomik politikalarının yeterli olduğunu, enfeksiyonun Meksika'ya hızla yayılmasına rağmen, ülkenin sağlık ve ekonomik göstergelerde gelişmiş ülkelere göre daha iyi sonuçlar elde ettiğini ve şimdiye kadar cumhurbaşkanına siyasi olarak desteklendiğini göstermektedir.

Anahtar Kelimeler: *Hükümet Politikaları, Kamu Sağlığı*

Jel Kodları: *I1, I18, P48*

1. Introduction

Throughout 2020, the world has revolved around the pandemic SARS-Cov2, Severe Acute Respiratory Syndrome, caused by the Covid 19. Its spread at a dizzying speed paralyzed all aspects of social reality, affecting the human psyche, social and economic structures and the relationships natural environment. The newness of the virus characteristics fed into uncertainty and distrust, while the intensity and lethalness of infection demanded immediate responses for which health services, vaccines nor treatments were prepared for. From the registration of the first case and the first death from coronavirus, it was necessary to find immediate responses, without space for planning, for individual or collective learning. The complex convergence of uncertainty, the severity of the disease, and problems in national health systems sent an SOS to revise the policies and management of national and international institutions, but also individual, familiar and collective traditions, those gears that permit social existence. In this scenario, it is worth to revisit Mexico's experiences, where the appearance of SARS-Cov2 coincided with the end of the first year of the Andrés Manuel López Obrador presidency, having been elected in a landslide electoral victory in July 2018 with a progressive program that promised instead wide redistributive programs, intuitional changes and actions to eradicate corruption, while guaranteeing an administration based on efficiency, clean politics.

Contrasting with previous ones todays pandemic is a singular, possible the first "truly global" event. It expanded across the entire planet and affected whole societies, its spread lived in real times across the planet due to the global information technologies, that connect the entire world in seconds. These same technologies favored the transmission of the virus between countries as well as technological clinical research (Milanovic 2020). The paradox, is that it imposes human isolation, suspending travel, closing schools and other centers of socializing and of work. Various elements distinguish this pandemic from others and from wars to which it is often compared in order to trace a route to recovery.

Similar differences emerge when comparing the pandemic to wars. With wars, the destruction of economic and social infrastructures where total or almost total, and even in countries that were not the central stages of the conflicts, production turned from civil

The current configuration of the economic model base on orthodox economic theory has make it easy the proliferation of the virus – the appropriation of wild spaces, buzzing air traffic, chronic underfunded public health, marginalization of the elderly, and structured ethnic and gender discrimination, and fragile supply chains.

For most countries, the pandemic has resulted in a crisis that they haven't managed to tackle correctly. Some of them delayed imposing the needed measures to contain the spread of the virus and almost all rush to suspend it when the number of cases or deaths decreased. Despite scientist call de attention to the fast mutation of the virus, no sufficient attention was pay, so the second or third wave arrived and the "inhuman suspension of Christmas" was declared six days before December 24. European countries have restrained social activities. Between the most deleterious cases are UK and USA, both with a high level of contagion and death rate. These countries had one common practice in particular: they pondered the economic outcome more than the social one. Besides, both have anemic health systems that have been severely underfunded throughout the years. Recently, Germany has been mentioned as the most successful developed country in administering the pandemic and its economic effects. The most successful cases are countries in the Asian region – China, Vietnam, Taiwan and South Korea among the most remarkable ones. These regions began a strict quarantine before most of other countries. Their citizens also demonstrated a strong commitment to policies following all the governmental regulations. On the other hand, countries with lower population density, such as the Eastern European countries, Iceland, and Norway have also implemented successful practices.

It is essential to understand how the pandemic has inflicted harm and pain in most broad sectors of the Latin American society and elsewhere, mostly because the enhancers of these shocks are endogenous and society-specific. Moreover, Latin America is affected by deep social, economic, gender and ethnic divisions, which would impair an already highly unequal distribution of the costs and benefits during the pandemics and its economic effects. Latin American countries are still suffering from the profound impact of the liberalization of the social security net. There was a drastic reduction in the provision of all public goods and social services, particularly social security, public health, and education. Due to these neoliberal reforms that tried to reduce costs and elevate the efficiency, there was liberalization of the health system. This was guided by market-oriented principles and micro-economic practices (as just-in-time supply elements). The aim was to force public health system to compete with private health providers. Most of the supply of medical resources relied on the supply chain which, for increase in profitability, adopted dangerous strategies for abating costs, such as practically eliminating stocks, or closing rural hospitals or the number of intensive care units. COVID-19 has proved the high social, economic and political costs of liberalizing and privatizing public services. For a suitable assessment of the short- and long-term impact of the coronavirus, it is necessary to acknowledge the contexts of every country. For this purpose, we review some of the most important and pressing issues exacerbating the effect of the pandemic in Mexico

goods to wartime production, stimulating the major economic growth the post-war period and demand for raw materials world-wide. Pandemics severely affect household and business finances so that many of these fall into bankruptcy; unemployment increases and human fatalities although high are far less than in the war. Given the urgency to reduce these effects, there is pressure for the new normal to resemble that of the pre-Covid times as much as possible. Structural change, significant technological changes take their time and their results are unpredictable. It is possible that only few activities change overnight, accelerating process that were already underway, such as online work, or online shopping. It is also possible that international business or academic events will not be restored, and less likely that international tourism will be reduced permanently. Along these lines, it is possible that energy transition into less- contaminating sources will intensify, given that this transition began in the mid-1990s, yet at the same time, in various Asian countries the rate of petroleum consumption is similar to that as in November of 2019.

Covid ended the confidence that mathematic models, econometrics and sophisticated modelling by supercomputers could predict: economic growth, pricing trends, human behavior, climatic cycles. Science finally replaced the oracles and overcame mankind's fear of the unknown, in first place, fear of the future. However, the world was living one of its most grave crises of recent times in the midst of intense uncertainty arising from the financial 2008 crisis, having not yet fully recovered from its effects. The coronavirus has affected people's lives in unimaginable areas. Predictive models infer possible routes for deciphering the factors that have been chosen as the most important to study. The probabilities estimates by the models were assumed as certainties, launching hopes for the "new normal", a concept that perhaps due to its emptiness has been uncritically accepted, without proposing the essence of this new state since no one yet knows when the pandemic will ended nor the magnitude of its economic, social and political damage. Calls for this new normality come from all fronts with everybody pushing his particular agenda, let it be for debasing fossil fuels to reduce discrimination and inequality to change the way capitalism has institutionalized under neoclassical economy, reveling its contradictions with democracy.

The recent approval and immediate availability of two vaccines, and the start of their application in the United Kingdom, China, Unites States, Russia, Argentina, Mexico, dispelled the uncertainty and for an instant reactivated the hope that the end of the pandemic was near, with the prompt beginning of the "new normal". The particularly quick development of the vaccines and certain fatigue of society gave momentum to see the end of social distancing, economic paralysis and renewed the trust in the capacity of leaders to guide society through the crisis. The restrictions placed on the United Kingdom, Europe and Mexico on the size of family reunions for Christmas holidays and the New Year´s Eve were a hard hit to this nascent illusion. Once again, non-essential businesses were shuttered and the story lived from last March repeated itself but in different conditions: we have a vaccine, and more experience in the management of the disease, hospitals are better stocked, but society is exhausted and less inclined to return to the previous stage.

Multiple accepted elements of the actual crisis provide guidelines for future strategies:

First: the *crisis in supply*, due to the instantaneous closure of activities evolved into a *crisis of demand*, dragging production and distribution and with these, transportation, incomes, and consumption. Essential activities are limited to the maximum possible and relatively less the non- essential ones creating a vicious circle which reveals the rhetorical dichotomy either on saving lives or on saving the economy: without life there is no economy, and without an economy, what is there for life?

Work and workers are the most affected, but to differing degree. Largely, labor rather than capital will suffer under the weight of the pandemic, and more so workers with the lowest incomes, independent of the essential character of the work they perform. What appears certain is that informal workers will have to carry a larger share of the burden. With the suspension of productive activities and consumption, the supply chain of goods and inputs --both national and imports—is cut, paralyzing international trade and dwindling prices, reducing remittances and further compressing the flow of international capital. The balance suggests an increase in inequality and poverty, with a deep drop in the share of wages to labor, and a concomitant rise in gains to capital, a panorama which will have deeper overtones across Latin America, Mexico included, further deepening the great social disparities.

2. Inescapable need to consider particular societal contexts

Worldwide, the response to the current pandemic has been shaped by the particular conditions existing in each country reflecting on one side, a general lack of resources in the health system including proper supply of antivirals and vaccines, testing, and care capacities. On the other hand, it has been proved how difficult it is to reach a good balance between policies aiming to preserve life and caring for people's health and these keeping the economy running and maintaining incomes. Equally hard is to suppress cultural traditions such as thanks Giving, Christmas and remembering diseased family members or rely on civil responsibility and human rights instead of compulsory restrictions and sanctions. On top of all that, the pandemics intensifies inequality and poverty recreating at a new scale the vicious circle: inequality, poverty and low economic growth. In any case, all countries face the need to solve an economic crisis induced by the protracted total close-down imposed to control the pandemic.

While it is possible to have some grasp of the immediate effects in society, it is not so in the long run. Once the shock impacted, there might be social, economic and even psychological hysteresis – a permanent, everlasting effect. In most of the scenarios, that means that the shock is going to be pervasive throughout generations. The pandemic may remain an open wound unless governments implement sound public policies dealing with all these pressing issues and the vaccines are freely disposable for all persons around the world. Today the worldwide free vaccine seems an unrealizable dream provided the run of rich countries to hoard them.

and how appropriate are the policies taken to confront it. Attention is put on some par-
ticular most relevant features. **First,** the new political scenario that emerged from the
unquestionable results from the undeniable victory of the Morena Movement in the last
presidential elections; **second**,the centrality of social justice in the agenda of the 'Fourth
Renovation' government[1]; **third**, the lackluster economic trajectory Mexico experienced
in since the structural reforms until 2018 lading. to multiple forms of inequality, such as
ethnic or gender inequality,[2] alongside staggering corruption and violence. To solve those
problems, the present administration fostered holistic government programmes accoun-
ting for sound responses to the pandemic. Since it aims to rescue the economy from a
forty years long stagnation, to reduce centennial inequality and poverty, López Obrador
strategy is an all-encompassing response to the economic impact of the pandemic.

The elections that shook Mexican establishment

The 1 July 2018 landslide win for Andres Manuel Lopez Obrador (AMLO) and his po-
litical party, the Movimiento de Regeneración Nacional ([National Regeneration Move-
ment] MORENA3 which won the majority in the Senate and Deputy Chambers giving
AMLO a clear mandate to implement the political agenda he has been fighting for at least
the last thirty years. Although he has the political power in hand, he faces opposition from
the biggest investors in mining, auto car industry, banking industries and traditional po-
litical parties. Criticism is directed against the sustainability of the social programmes
directed towards the lowest income social groups while refusing to contract new public
debt. Another critics attack some big infrastructure projects. Nevertheless, the total ap-
proval rate of AMLO is 68 per cent with a 51 per cent approval of how the government
has faced the pandemic. The opposition become more belligerent using the pandemic as
an opportunity to force AMLO to change his policies. After two years, opposition remains
weak, disoriented and divided by internal conflicts. The more organized resistance comes
from private sector organizations and poorly articulated social civil society groups that
campaigns for market-oriented public policies.

1   The other three renewing acts being: the Independency, the Benito Juarez Liberal revolution in the XIX
    Century and the Mexican Revolution in early XX Century)

2   Twenty five of Mexicans identified as indigenous and 2 per cent as African descendants. In 2015,
    around 10.3 per cent and 7 per cent of the indigenous and African-descendants did not have any edu-
    cation, for the rest of the population it was only 5 per cent. Similar gaps exists in social security and
    health services

3   Morena, is the colloquial, affectionate popular name given to the Virgen de Guadalupe referring per-
    haps that believe that the Virgen de Guadalupe helps specially the poor Mexicans. México is a religious
    society where Catholicism been the main doctrine.

The economic miracle that never happened

During 1982–2019, after forty years under the rules of structural reforms, liberalization programmes and NAFTA (The North American Free Trade Agreement), real per capita GDP grew at a mere was 0.7%, the lowest rate of growth since the start of the twentieth century, a deep fall compared with 1965–81 (Figure 1) with serious effects on income, employment generation and productivity growth. The abysmal drop in 2020 follow the down fall in 2019 and will intensify poverty and inequality a tendency to continue despite the recovery the IMF (2020) estimates for 2021 and even with the efforts of the president López Obrador to decrease both poverty and inequality.

Figure 1: Mexico: GDP (Gross Domestic Product) per capita growth rates, 1960–August 2021
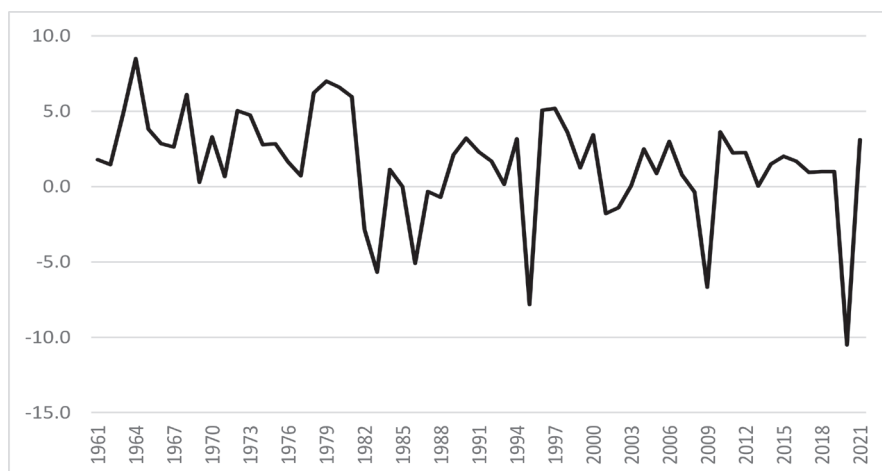
Source: *for 1961-2019 World Development Indicators 2020, acceded August 17/2020 at: https://databank.worldbank.org/source/world-development-indicators and for 2020 IMF (2020) "World Economic Outlook. June Update" available at https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020*

A powerful catalyst of inequality is the sustained decline of the labour income share in total national rent, a phenomenon registered all around the globe. In Mexico, the decline was one of the most severe in Latin America – a full 9.2 per cent fall which implies a sustained transference from wages to capital profits mainly to foreign private firms and from lower to higher wages (see Table 1). In the background, there is the deterioration of the labour market, the euphemism to the process of extracting an ever increasing share of the value work. The effect of liberalizing labour relations wiped out almost all labour protection norms.

Table 1: Functional Distribution of income in selected countries 1970-2019

| Share of wages as percentage of GDP (gross domestic product) 1970-2019															Labour income share
	1970	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Period variation
Canada	53.2	53.3	53.4	50.1	50.4	49.9	50.7	50.7	50.2	51.5	51.3	50.7	50.5	50.9	-2.3
United States	58.1	56.8	55.9	57	53.3	53.3	53.3	53.0	53.2	53.6	53.7	53.5	53.2	-	-4.9
Brazil	34.2	34.7	45.4	45.4	41.6	42.2	42.8	43.2	43.5	44.6	44.7	44.4	43.6**	-	9.4
Chile	42.7	38.1	33.8	39.8	36.1	37	38.7	38.4	38.3	38.3	38.9***	38.7***	39.4***	-	-3.3
Colombia	39	41.6	37.4	32.8	32.7	31.4	32.2	32.7	33.1	33.5	33.6	33.9	34.0*	-	-5.0
Mexico	35.7	36	29.5	29.7	27.6	27	27.1	27.9	27.4	27.3	26.6	26.0	26.1*	26.5*	-9.2

Source: *Own calculations based on: Source: For 1970-1990, Organization for Economic and Development Cooperation, OECDStatistics, acceded December 18th 2020 at: https://stats.oecd.org/index.aspx?queryid=60702*

*Provisional. ** Cuentas Nacinonales 2018 de la pagina official de la oficina de estadistica de Brasil consultado en https://www.ibge.gov.br/estatisticas/economicas/contas-nacionais/9052-sistema-de-contas-nacionais-brasil.html?=&t=downloads ***Banco central de Chile, Cuentas Nacionales, 2013-2019 https://si3.bcentral.cl/estadisticas/Principal1/enlaces/Informes/AnuariosCCNN/anuario_CCNN_2019.html

The fall of labour retributions implies a sustained transference from the Mexican lower wages to capital profits, worsening Mexican inequality and poverty, since labour income is the main or exclusive income for 75 per cent of all households. That is the outcome of the labour force, with only 5.1 per cent of employers, 70 per cent of employees and wage earners, 4.6 per cent do not perceive any wage, and 20 per cent are self-employed mainly in the service sector and some in micro and mini enterprises. A sustained deterioration of real minimum wage took place, from 340 in 1976 to 30 in 2019 (Figure 2). During the last 37 years, minimum wage was increased at a smaller rate that inflation, a trend mildly changed in 2018. In the two years under López Obrador a faster recuperation of the real value has taken place, nevertheless the 2021 real minimum wages only represents the 46% of the wage registered in 1980

Figure 2: Mexico: Real minimum wage Index 1970–2021*
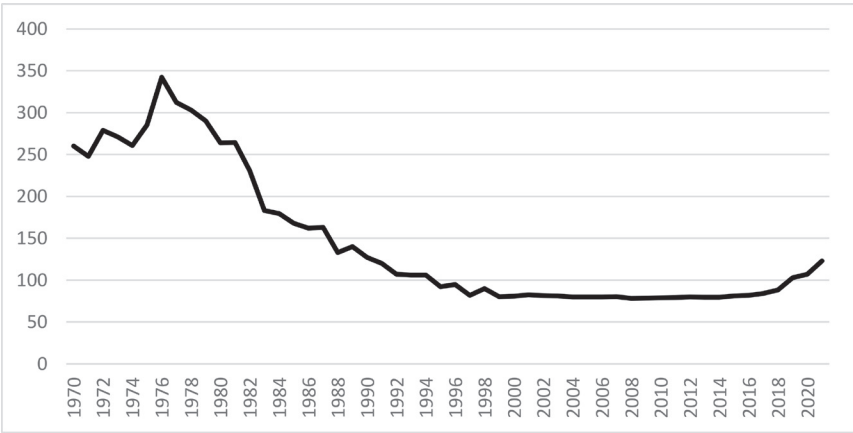
Source: *Own elaboration with data from Méxicomaxico, consulted December 22 at: http://www.mexicomaxico.org/Voto/SalMinInf.htm.*

*= *Minimun wage for 2021 aprobed in December 16 2020.*

Above 39 per cent of Mexican employees perceived up to a minimum wage (or US$ 5.6 a day). Nevertheless, today more people earn less than one minimum wage compared with what they did forty years ago. The wage distribution has a negative skew (see Table 2). The mean average income is $ 316 per month, and an income of $ 600 per month is considered middle income. In contrast, the wealthiest people have an income of $ 33,000 per month. Most formal workers earn less than 600 dollars per month and in need to work every day, whatever the conditions. The coronavirus crisis would made feasible for those at the top income groups to dictate over the poorer ones increasing economic and societal disparities.

**Table 2:** Mexico: Employment Structure by minimum wages (MW) perceived as percentage of total amount of workers

Year	At least one MW	More than 1 and at least 2 MW	More than 2 and at least 3 MW	More than 3 and at least 5 MW	More than 5 MW	No income
2017	15	27	20	13	5	6
2018	16	28	18	13	5	6
2019	19.86	31.57	18.06	8.93	3.61	6.0
2020*	22.64	35.74	15.56	6.71	2.77	5.3

*= *Up to June 2020*

Source: *INEGI (2020) Encuesta Ingreso y Gasto de los Hogares 2020 acceded June 12 2020 at https://www.inegi.org.mx/rnm/index.php/catalog/310/datafile/F34/V2020*

The above mentioned trends confirm the growing pauperization of the Mexican working class. Mexican labour responds to economic crisis by reducing income and not by increasing unemployment as in Chile, Argentina or Colombia. Even in the deepest crisis (1982, 1994, 2009, in Figure No. 1), unemployment reaches around 5 to 6 per cent of the economically active population and only for a few months (see Figure 3). With very low income, smaller savings capacity and non-existent unemployment insurance, unemployment has negative effects in the most vulnerable. Few people can afford unemployment and have to move to the informal economy even at the cost of a drastic reduction of income. It is the real reason why unemployment stays almost at the same level as before the covid shock.

Figure 3: Mexico: Unemployment trends 2005–2020, in percentages quarterly, of total Economic Active Popualtion
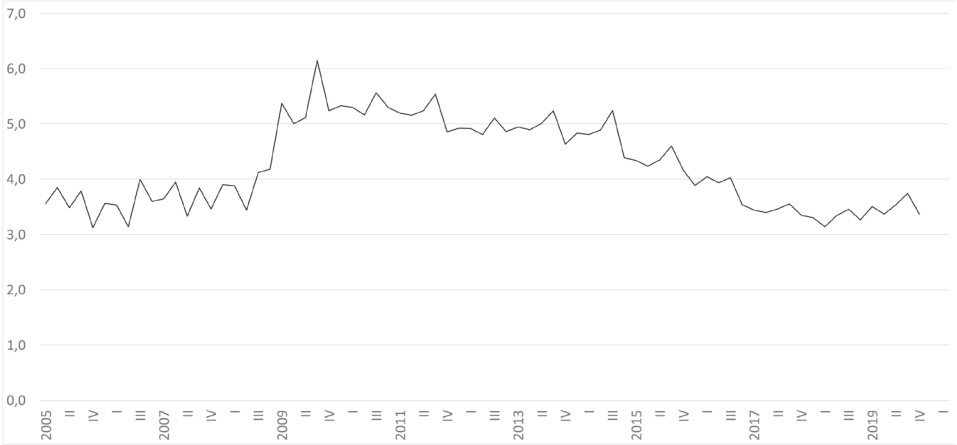
Source: *INEGI (2020), Encuesta Nacional de Ocupación y Empleo 2020, Acceded July 30 2020 at: https://www.inegi.org.mx/programas/enoe/15ymas/*

Another element distancing Mexico from other countries at similar level of development and from the United States and Canada, is the external index of its economy (the total trade of a country as per cent of its GDP). With an external coefficient of 80 per cent of the GDP (42.5 per cent of imports and 38 per cent of exports), the Mexican economy is 2.6 times more open to competition in domestic and external markets, than the American one.

Two major effects of this situation are worth mentioning: first, the high GDP propensity to import close to 5 per cent, meaning that a 1 per cent GDP increase would generate a 5 per cent increase in imports. Second, the disparate integration of the Mexican and the USA economies forces us to take a careful look at how asymmetrically Mexico's economy depends from the USA. While about 3.3 per cent of the GDP in the US is linked to trade with Mexico, in staggering contrast, 50 per cent of the Mexican GDP depends on trade with the US – a dependency 16.7 times higher than the other way around. All these characteristics of the Mexican economy have been attributed to the liberalization

and privatization processes instrumented since the mid-eighties last century, which were reinforced by the NAFTA and its substitute, the Mexican USA Canada Agreement, which entered in force July 2020.

Forty years of stagnating economy and untenable inequality.

Mexico has experienced forty years of lackluster economic performance and increasing concentration of wealth and income. In 2018, around 45 per cent of the Mexican population lived in poverty and 17 per cent in extreme poverty. All in all, 29 per cent cannot afford to cover their basic needs like health, education and proper nutrition, 37 per cent don't have enough income to afford a basic nutrition basket, and 56 per cent workers are in the informal sector.
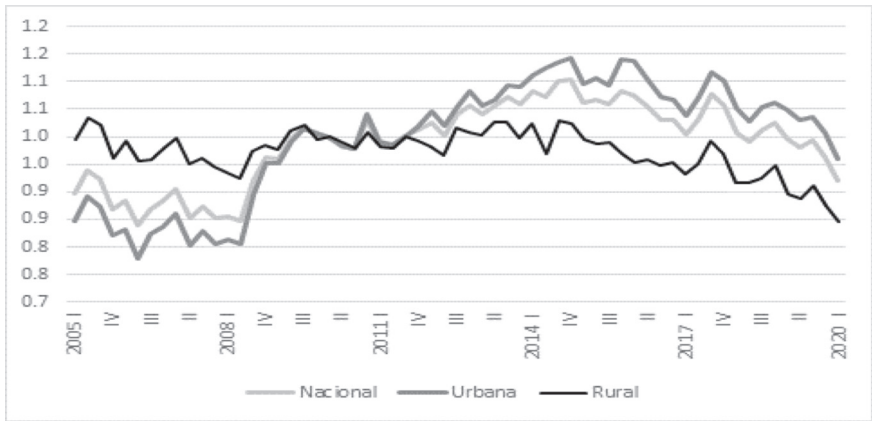
In Mexico, the value of the Gini income-concentration index revolved around 55 per cent, one of the highest in the region. The distribution of income by deciles reveals some features of the Mexican. In 2018, the income of the lowest decile (1.7 per cent) was slightly larger than one in some countries, while the share of the 10th decile (37.6 per cent) was somehow lower than Brazil and Colombia. At the same time, the Palma ratio which contrasts the income captured by the 5th and 9th deciles of distribution against the 10th that receive a lower proportion (51.8 per cent). This ratio indicates that the Mexican middle class is relatively less affluent and does not capture a larger share of the pie as in Argentina, Peru or Ecuador, and some developed countries, (Table 3).

Table 3: Income distribution for some Latin American countries. Deciles. 2018

	Income share by			Ratios		Realtive country Palma ratios***			
	Decile 1 (A)	Decile 10 (B)	Deciles 5 to 9 (C)	(B/A)	Palma (B/C)	Argentina	France	Canada	Island
Argentina*	1.8	29.9	55.20	16.61	0.54	1	1.15	1.31	1.38
Brazil	1	43	46.50	43.00	0.92	1.71	1.96	2.23	2.35
Bolivia	1.2	31.2	55.2	26.00	0.57	1.04	1.20	1.36	1.44
Colombia	1.2	40.9	47.90	34.08	0.85	1.58	1.81	2.06	2.17
Costa Rica	1.3	37.1	50.90	28.54	0.73	1.35	1.55	1.76	1.85
Ecuador	1.8	35.2	50.70	19.56	0.69	1.28	1.47	1.67	1.76
Mexico	1.7	37.6	48.80	22.12	0.77	1.42	1.64	1.86	1.96
Peru	1.7	32.7	53.10	19.24	0.62	1.14	1.31	1.48	1.56
Spain**	2.2	24.2	56.6	11.00	0.43	0.79	0.91	1.03	1.09
Canada**	2.9	23.2	55.9	8.00	0.42	0.77	0.88	1.00	1.05
France**	3.4	25	53.1	7.35	0.47	0.87	1.00	1.13	1.20
Island**	4.1	21.3	54.1	5.20	0.39	0.73	0.84	0.95	1.00
Sources: own elaboration based on:*https://data.worldbank.org/indicator/SI.DST.05TH.20									
**https://www.oecd.org/social/income-distribution-database.htm									
https://estadisticas.cepal.org/anuario_estadistico/anuario_2019/index.asp?anuario=2019&idioma=sp									
*** Each country Palma ratios relative to the Argentina, France, Canada and Island ratios									

Mexican income is less concentrated than capital and wealth. In 2014, 10 percent of Mexican population owned 63 per cent of total wealth, the top 1 per cent of the very rich accounted for more than the 37 per cent derived from the (CEPAL. 2010).This in part is explained by the high unparalleled concentration of financial assets where 80 per cent is owned by the richest 10 per cent. The Mexicans have suffered a sustained increase of the labour poverty index, from 0.8 in 2005 up to 1.1 in 2014–15, perpetuating the deep social divide. (Figure 4).

Figure 4: Mexico: Labour Poverty Index (ITLP) 2005- 2020

Source: *CONEVAL 2020, "Evaluacion de la Política Social, 2020. Accededed July 25th 2020 at https://www.coneval.org.mx/Evaluacion/IEPSM/Paginas/Consideraciones2020.aspxJune*

The Economic Program of the Fourth Transformation

Since 1 December 2018, AMLO has fostered a regime change program known as the *Fourth Renovation,* the president´s moral economics manifesto, the road map to guide all government actions aiming to mend the delicate social fabric destroyed by neoliberalism and restart economic growth (López Obrador, 2020). The first step was to reduce inequality and poverty via an array of income distributive programmes favouring the lowest income segments of the society. Second is fighting corruption and reducing the luxury of high government bureaucracy.[4] Third, procuring security and fighting impunity by acting on its social and economic causes. This package, translated into drastic reducing and reordering of public expenditure to finance his social programmes and infrastructure projects, while promising not to increase taxes or to impose new levies, not to contract new public debt in real terms, and to freeze petrol, gas, electricity and water tariffs. These actions would recuperate real wages and invigorate the demand of low-income social groups. Since campaigning, he insisted on eliminating corruption, tax evasion and fraud, public sector extra-high salaries and fighting drug organizations. With these resources, the government will have

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4   The first step was reduction of the presidential salary by a 50 per cent and requiring no civil servant to earn more than the president. In some cases, this resulted in cutting wages by more than two-thirds

enough solvency to finance its social programmes while maintaining fiscal discipline that is low taxation and fiscal deficit. While refusing to increase taxes, the government eliminated all tax reductions, exceptions and devolutions, which amounted to 3 per cent of the GDP and launched a tax recovery initiative, to induce big companies to pay several years' owed taxes. Fifteen large corporations owed overdue taxes for around 5 trillion pesos, i.e. 1.5 per cent the 2019 tax income. Three of them have already paid 3 trillion pesos.[5] In Mexico, large corporations only pay 2 per cent tax of their income. One of the most startling examples is the automobile industry. Due to the generous incentives given forty years ago, they receive tax returns equivalent to 150 per cent of the levies paid. In the two years in office, the government actions to fight corruption, eliminate tax evasion and public sector propaganda, registered fiscal savings for around 850 billion dollars, procuring resources to fund social programs.

Another driver of the recovery plan includes a severe government austerity plan. In AMLO's words, it is not acceptable for a poor society fragmented by deep inequality to have imposing, expensive, governments. Particularly, the top of public servants and like politicians have lived (still there are some of them) in extravagant luxury. This fearsome determination against corruption has created an uneasy atmosphere for the wealthiest in the country.

Amongst others, the following are some of the more relevant social programmes: i) universal pension for older people where 10 million person are entitled to receive a monthly transfer; ii) scholarships for 13 million low-income students attending public education system; iii) non-guarantee loans (a la palabra) for micro and mini industrial and commerce enterprises, with less than 10 workers; iv) Stipendium for youngsters between nineteen and twenty-nine years out of work and study: one million persons a year would be; v) young people sowing future: a programme for rural young people to work in small peasant agriculture; vi) Production for the well-being: For 2.8 million small and medium-size peasants, that is the 85 per cent of all agricultural producers, especially 657 thousand small producers of indigenous origin.; vi) Programme to support 0.42 and 0.17 million of coffee and sugarcane small producers; vii) Guarantee Price Programme for 2 million small producers of corn, beans, wheat for bread, rice and milk; viii) Welfare Universities Benito Juárez, thirty-one universities started activities in March 2019 with 100 schools. Priority was given to high-density population areas with high degree of social backwardness, marginalization and violence, such as Oaxaca, Mexico City, Veracruz, Chiapas and Guanajuato.

The abandonment of public sector social security and health services

An important element of AMLO's political agenda was to solve the effects on the provision of social services which were systematically and severely underfunded, the health system in particular. That is why, the president has visited near 300 hospitals interviewing

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5   In 2019, the tax authority collected 35 trillion owed taxes and expects in 2020 to collect around 70 trillion. If so, effective taxes could increase to 18 per cent of the GDP. For detailed comments on this topic, see González (2020)

doctors, nurses, paramedics, administration employees as well as the public about the state of the service. He found out at least 250 unfinished and abandoned hospitals, clinics and health units (the construction of some of them was suspended under financial pretences); additionally, 0.2 million thousand workers did not have formal contracts and the system was understaffed (at least, by another 0.2 million specialized personnel). Nevertheless, the amount of resources that this administration has considered so far for the health system is not enough to pay for accumulated deficits or to improve both the coverage and the quality of the service.

The Mexican health system is fragmented in seven main subsystems: IMSS (Mexican Institute of Social Security, covering all private-sector formal workers), ISSSTE (Social Security Institute of the Public Sector Workers), PEMEX (Social Security of Mexican Oil the State Oil Company), SEDENA (Social Security for the Arm Forces), SEMAR (Insurance service for navy services), SP (Popular Security) and IMSS Bienestar (IMSS Welfare). From these seven options just SP and IMSS Bienestar are available for people without formal employment or affiliation to any of the above mentioned systems. Besides these, people may opt to pay for a private social and medical insurance, an option extremely expensive and out of the reach of the big bulk of the population.

All in all, the resources allocated to these public services represents 2.5 per cent of Gross Domestic Product (Gobierno de Mexico 2020). This is half of what may be suitable to cover all the health services required by Mexican population. According to demographic and epidemiologic analysis, just to cover thirteen medical interventions like maternity care, infectious diseases, chronic diseases, preventive care, and health promoting services, etc. Mexico should invest at least 5 per cent of GDP in health services. So Mexico still has a long way to go

Since 2010, the public funding for IMSS increased from 44.4 per cent of the total health budget to 48.6 per cent in 2020. This was in sharp difference from the contraction of finances for other institutions as the Seguro Popular and Seguro para el Bienestar. Nevertheless, increases in public expenditure, even those for IMSS with a high share of budget, are small in per capita terms. In any case, there was a real reduction of total health public expenditure, from 2.8 per cent of GDP in 2010 to 2.5 per cent in 2020. This year's Forecasted National Budget for Expenses (PPEF) had a 19 per cent reduction in share for illness prevention, 6 per cent in share for diabetes and obesity, and 7.8 per cent in HIV programs. Once again, this shows the discrepancy between Mexican society's demography and effective public policies. Some caution is needed to understand the proper significance of such a decline. Dr López Gatell (the Health Deputy Secretary) commented that under the outsourcing system, private laboratories perform 70 per cent of the laboratory analysis the public systems require annually (Gatell, 2020). Also, the majority of all the acquisition of the medicines was outsourced to private firms, additionally, important shares of the budget were directed to non-essential administrative activities. By eliminating this intermediation, savings gave space for increases in basic public health expenditure, and disease prevention. Worldwide, Mexico presents some of the highest rates of diabetics, obesity, high tension and respiratory problems.

Nevertheless, for a per capita increase in heath expenditure per capita, demographic changes – morbidity, general growth and the ageing of the population – have to be considered. Expenditure has to grow at a higher rate than population in order to improve the system and to have the capacity needed to confront actual and future epidemics. Population dynamic was neglected when designing the strategies and resources to the health system. For example, life expectancy increased from 71.4 years in 1990 to 76.5 in 2020 and the proportion of people older than 65 years from 5 per cent to 9 per cent in the same period. But the number of years lost due to incapacity or early mortality increased, indicating perhaps a direct relation between age and morbidity rates. Mortality rates for people over 65 years increased from 2.5 to 4 per cent. This increase is due to higher incidence of both transmissible diseases, such as flues and of chronic diseases that are more expensive and longer lasting treatments. At the same time, in 2019 a severe scarcity of medical personal specialized in attending elder people was confirmed (ibid.)

In 2010, the gap in resources between social security systems for those in the formal sector (IMSS, ISSTE, PEMEX, Sedena and Semar) and those without security service (SP and IMSS Bienestar) was wider. Disparities between health services are also remarkable – IMSS Bienestar has ten times lesser resources that someone with access to Pemex, and four times lesser than those in IMSS. Besides, people in the lower income distribution are those who rely the most on the SP which has the most remarkable cut in budget while those form the higher income deciles have access to different private systems (Figure 5).

Figure 5: Affiliation to Social Security Systems, by deciles of income 2016
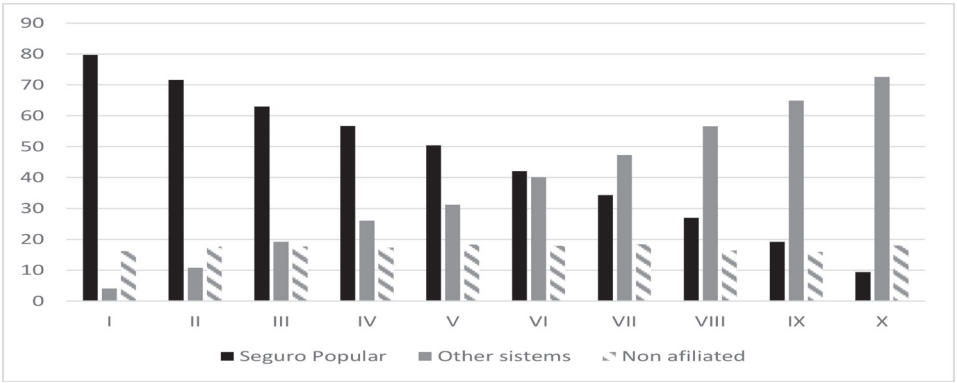
Source: *CONEVAL, 2020 "Own elaboration based on CONEVAL 2019, "Estudio Diagnóstico del Derecho a la Salud 2018" November 2018 at:, accessed 25 of June 2020, at: https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/Derechos_Sociales/Diag_derecho_Salud_2018.pdf, accede August 12 2020*

In 2020, the present administration modified the supply chain of medicines, transferring from subcontracted private companies to public sector entities the acquisition supply,

storage, logistic and transportation activities. This change was mainly to eliminate corruption and cronyism in these processes. Still, with a chronically underfunded health system there are raising doubts of the capability of the public sector to successfully achieve these goals. These processes are highly specialized and need a lot of special equipment and resources, characteristics that the public sector lacks. AMLO promised to deliver to everyone in need – all the required medicines, as well as social programmes fostering prevention and better health, especially for vulnerable sectors such as the indigenous population. Although this is necessary, it is a demanding task given the existing limited resources still affecting the public sector.

As part of the proposals of the current government levering resources in the population, the government is planning to create the Health Institute for Welfare (INSABI). This programme will be open for everyone, included those not covered by the formal security system. It si, by no means a sound and equalitarian proposal, provided that the government will fully finance its development. The way to guarantee its sustainability is to consider and take proper account of the Mexican demographic dynamic, the population growth and the changes in the demographic structure by age and the morbidity of the older population.

Has been the Official Response to the pandemic Effective?

Within the uncertainty of the coronavirus trends, the government has to reassure people that it is handling the crisis on behalf of the entire community, not of some few. Is the only way the people will follow instructions and the infection is under control. Sound and in time information and accurate accounting of the most relevant indicators is vital to produce the best strategies to control the epidemic. The fatality rate measures the total deaths divided by confirmed cases being the later one dependent on the number of tests. Total deaths are determined mainly by the demography of the country, the prevalence of existent illness, how far people live from hospitals and how well-equipped the hospitals are. After the pandemics Mexico experienced in the last 25 years, as the influenza flu A H1N1 in June 2009 or the HIV pandemic, epidemiological models predicting the spread of the virus were ready to be implemented for this new one as well as the record of the measures taken by the respective authorities. Since the beginning of January 2020, there was an urge for a policy response and time to prepare it until March when the first death was registered and the government suspended all activities at schools and universities, taken out of circulation around one third of total population. In contrast, some developed countries had a slower response and unprepared policies.

The present coronavirus crisis impacted more the poorest segments of population – that in major proportion are also those systematically discriminated, like indigenous and African-descendent communities. In Mexico, the health system has been underfunded since at least the 1980s. Regardless of this, there are people with access to three health insurance schemes, financed by public funds, depending on their type of work contract. On the

other hand, people are laboring in the informal sector, with no access to health and so-cial security protection; this creates a higher inequality in an already unequal society. Nevertheless, the Mexican health system is one of the latest safety nets of the now seve-rely undermined welfare state that was established around 1945 and further developed during 35 years. Until 1982 when the debt crisis erupted, Mexico had a progressive public education and health policies. The effort to consolidate and extend them was curtailed by the structural reforms and the neoliberal model which privatized these sectors and introduced a free-market criteria.

Mexico registered the first case of COVID-19 confirmed on 28 February; by 21 May (84 days later) there was a total of 56 thousand confirmed cases, that is 382 con-firmed cases per million. By December 21th, there was a drastic increase in confirmed cases; though compared with other countries like USA, UK, Spain, Italy, Mexico was doing better but not as well as India and China. These recent tends (December 21th 2020) seem to reveal Mexico has a lower incidence rates than other countries at dif-ferent rates of development and disparate political and ideological orientations (see Table 4).

Table 4: Mexico: Relative Rates of Coronavirus Incidence: Cases, Deaths and test per million inhabitants in December 21th 2020

	confirmed cases	deaths	fatality rate	test (17th december)
US	54486.601	964.838	17707.80699	681.61
Peru	30253.599	1125.293	37195.35607	41.792
Brazil	34172.183	881.123	25784.80507	n/d
Colombia	29834.531	799.483	26797.23622	109.66
Spain	38910.436	1053.582	27077.10709	425.541*
Argentina	34231.915	929.224	27144.96057	81.605**
UK	30634.857	997.525	32561.77158	688.969
Italy	32484.198	1144.755	35240.37526	407.459
Mexico	10283.772	919.844	89446.15605	22.944
France	38847.551	934.821	24063.81472	n/d
Canada	13759.812	380.105	27624.32003	340.733
Germany	18311.599	323.571	17670.23982	381.626***
Chile	30758.871	847.291	27546.2463	319.095

*10 december 2020. **15 december 2020. ***13 december 2020

Source: Own elaboration based on data from: https://github.com/owid/covid-19-data/tree/master/public/data

Mexico has higher rates than India, but lower than Chile, Peru and Brazil. Nevertheless, it is important to mention that Mexico only makes tests for patients receiving medical attention in hospitals (Figure 6).

**Figure 6:** Daily confirmed COVID-19 cases from first registered contagion until December 29th 2020.
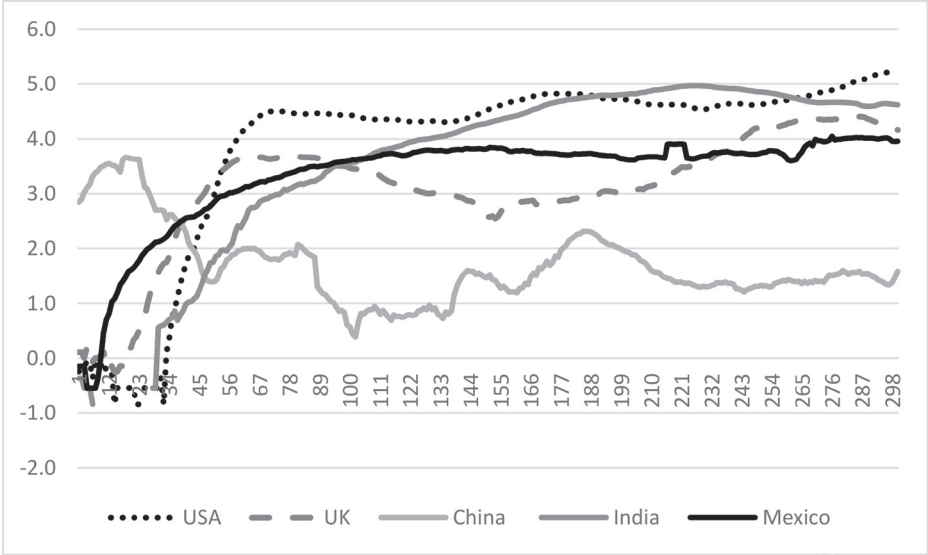
Source: *Own Elaboration based on: "Our World in Data, 2020" acceded January 2nd 2021 at: https://ourworldindata.org/coronavirus*

The COVID-19 spread around the country

So far, the distribution of cases across the thirty-two shows a high concentration in Ciudad de México and Estado de Mexico, the country most populated areas, which by December 17th accounted for the 31.6 per cent of all cumulated cases and 28 per cent of confirmed covid deaths. Less populated areas show lower contagion rates (Colima, Baja California Sur, Campeche, Nayarit, Tlaxcala, Aguascalientes, Zacatecas, Quintana Roo, Durango), or rather they are in an early stage of the pandemic (see Figure 7). The high rates registered in Tabasco and Veracruz, the Mexican states which have a relative low population density, lower income and high concentration of indigenous and African-descendent communities, seem to confirm that, as well, in Mexico the pandemics discriminate by ethnicity and income.

Figure 7 Mexican States: Concentration of Coronavirus Cases: Accumulated cases, Active cases and Total deaths in percentages. December 21th 2020.
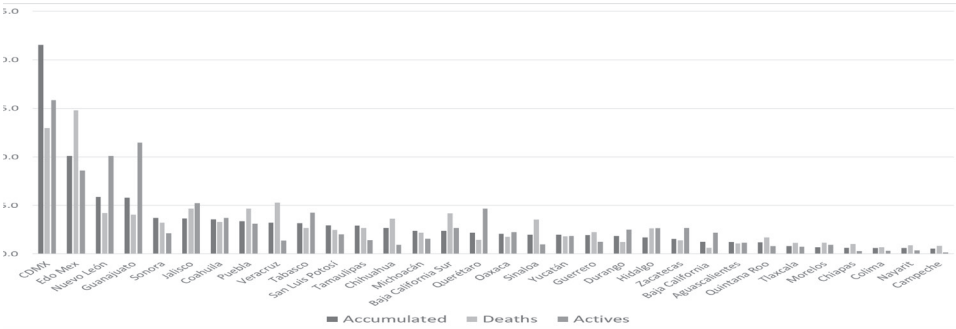
Source: *Own elaboration based on data available at: Instituto de Geografía UNAM, GITS and CIGA, UNAM.*

The discriminative impact by ethnicity and income is confirmed by the incidence by million persons, registered in December 21th in the thirty-two Mexican federal states (CIGA-UNAM 2020). While Mexico City is the one with the highest absolute numbers of active cases and total deaths, an interesting reordering is evident, attributable to the different weight of their respective populations and income levels. Nuevo Leon, a rich state with lesser population than Mexico State has lower proportion of cases, while five of the states where the bulk of indigenous and African-descendent population is concentrated (Puebla, Tabasco, Chiapas and Yucatan) are well above the national average.

If considering the fatality rates, or the quotient of active cases to deaths, Mexico City does not lead the table, and indication of having better medical infrastructure and relative mayor availability of intensive care units and mechanical respiratory equipment (CIGA-U-NAM 2020). It is surprising the high fatality rate in Nuevo Leon, the second richest state, after Mexico City. Some of the poorest states, with important indigenous communities seem to be doing far better than Nuevo Leon (Ibidem). This paradox is partially explain by cultural differences, different, more amicable relation with natural environment, and lower population density.

Mexico City's Municipalities, present great divergences in health (CIUDAD DE MÉXI-CO, 2020). While Iztapalapa has good infrastructure, with a rate of 1 clinic per 197 habitants, Cuajimalpa has only 1 clinic per 2,400 habitants. Again, those with the highest ratio of clinics and doctors are the ones with the highest rate of infection. Most probably, this may reflect, different population density and testing capacity.

Is Mexico controlling the epidemic contagion?

On 14 March 2020, i.e. 16 days after Mexico confirmed the first case of COVID-19 the Secretary of Education suspended activities in elementary and secondary schools effective from 20 March. By then universities and some firms had already moved to home-office

schemes and virtual lectures. These measures isolated forty million persons, one-third of the Mexican population. These preventive measures were taken sooner than in the USA and the UK. At the same time, the health ministry started the implementation of preventive measures with easily comprehensible instructions. As a first action, a daily conference at 7 pm was established, where the deputy health minister Hugo Lopez Gatell, a scientific with extensive experience in dealing with epidemiological presents, in a clear way, the daily number of confirmed cases, deaths, and answers any question regarding the pandemic in Mexico. The pandemic has spread all over the country and at different speed, in the intensity as depicted in figure 7.

Criticism has been directed from the outset of the pandemic towards the team of specialists dealing with the pandemic (physicians, epidemiologists, mathematicians and so on) as well to some government health policies. Critics concentrated on the speed and intensity of the pandemics spread, the ways of registering active cases and deaths, and why the government is not testing as the Chinese do. It is feasible to suggest that the way Mexico has approached the pandemic is correct given its national complexity. Nevertheless, there are some doubts about the ending of the quarantine measures. For some, it is too early, since the country is still showing an increasing trend in the curve. The opening was gradual, not uniform for the whole country depending on the traffic light signal established by the team of experts, that is, a scale of how high is the risk of infection given the number of cases in the country. The return of Ciudad de México, to red, after 5 and a half months being in orange light was a sever shock that undermined the confidence on the government. It might prove even more difficult to relay on civic compromise to respect the minimal rules of conduct as social distance or waring the mask. Additional measures to help unemployed and small and medium establishments will have to be immediately instrumented and a speed and complication free vaccination programme has to be developed. Mexico has dedicated around 1.7 billion dollars to acquire 400 million doses of vaccines from the USA, United Kingdom, Russia and China.

Mass vaccination program started December 22th and it is expected that, by March 2022 the entire Mexican population will be vaccinated. To guarantee that, the government has acquired 400 million doses to be universally and free of charge applied. The program is to be developed in stages accordingly the urgency and age. The first two months preference is given to medical staff and persons intensively exposed to danger of infection, as teachers. Elder people vaccination starts in February. The vaccination process has evolved smoothly.

As the economic response to pandemics' effects is concerned, AMLO suggests that the policies and programmes put in motion are adequate and only needs to be intensified and speeded up. He firmly opposed contracting debt or increasing debt in real terms, contrasting with policies of other countries. He observes that, given the disparity in capital accumulation that is driving the significant proportion of inequality in Mexico, those who possess most of the capital will be getting most of these fiscal budget funds. On the other hand, small and medium enterprises and entrepreneurs, which provide 52 per cent of the GDP and employ around 72 per cent of the working population, will be negatively affected

by the austerity and the lockdown policy if they don't receive financial support. The only available relief response is a credit of $ 400 (10 thousand pesos) available, initially until May and later extended by a few months more. Still most of these enterprises have been struggling since mid-March.

One of the central responses to the economic problems due to the coronavirus crisis is the unconditional, direct transfer programs, by directly transferring the resources to beneficiaries' savings accounts. Even before the crisis, the total amount of resources directed to these programs was about 3.00 per cent of GDP and for this year, 2020, there was an increase of 2.8 per cent and similar increases were budgeted for 2021. During the first ten months of the new government, there have been at least 20 million people receiving some economic transfer and by the end of 2020 80 per cent of poor households would receive financial support. Moreover, programmes like pensions for senior people (above 65 years of age), Benito Juarez scholarship for young students, scholarships for university students, and financial transfers for people with disabilities and social security for elderly people, are now guaranteed by the constitution, after a recent new law approved. In this way, these social programs are now permanent and will be hard for future administrations to overlook or erase them.

Although these unconditional transfers may prove to be the right policies, it is true that there is still a long way to go. Nevertheless, it is necessary to consider as well the severe inequality, poverty and less than mediocre economic growth Mexico experienced during the last four decades before the new government was inaugurated and the pandemic erupted in Mexico in March 2020. Accordingly to Oxfam Mexico (Oxfam, 2020), during 2020 only, 40 per cent of people living in poverty have received some kind of economic help. The ones that receive the biggest share of these social programs are children, teenagers and senior people; the most significant gap is for people between twenty and 59 years of age (ibid.). The main beneficiary of the unconditional-transfer programmes are the poorest segments of society, and some sections of informal workers, leaving out around 56 per cent of them. All in all, to reduce inequality and poverty, and controlling the effects of coronavirus, a more robust and extended net of social benefits, job-creating programmes should have to be put in place as soon as possible. For that, fiscal expenditure has to be extended far beyond savings from corruption and republican austerity, and trespassing the limits of the neoliberal fiscal discipline by increasing direct taxes and fiscal expenditure as to have a really progressive fiscal system. More CEPAL has noticed countries that contracted debt to manage the pandemic have not have better economic situation than Mexico and others that have not done that.

As the spread of the pandemic intensified in December, the health and economic strategies deployed by government are again under sever scrutiny and the credibility of the scientific and political leaders undermined. It is to be expected that vaccination program started December 23 will smoothly develop and deliver good results.

Mutis, Alicia Puyana (2020); "Mexico: A Progressive Government Dilemma. Reforming the political system and facing an epidemic like no other.", *Efil Journal*, Vol. 3, Iss. 12, p. 53-75

Conclusions

In Mexico, as elsewhere around the world, the transition to the liberal economic model worsened inequality and poverty. Curtailing human rights, reduced access to social services and public goods, and intensive decrease of labour protection were accepted as the way to 'put prices right', which in effect were mainly tools to reduce the power of labour force and to extract increasing share of the value it creates.

The coronavirus has highlighted the lethal effects of the Mexican embedded inequality. Even with timely response from the government, the idea of a total quarantine, like those measures in the developed world, are not feasible. A high share of labour informality and a chronically underfunded health system are the main drivers of this pressing situation. With a health system, the main goal of which is market oriented, the maneuverability to respond to the pandemic is small. The increase in contagion is highly correlated with a higher testing rate in Mexico in the last days; still, it is lower when compared with other countries.

The government fighting against inequality represents a struggle against years of inappropriate policies. Still, some measures championed by this government are not the most suitable for controlling covid19. Guided by austerity, there are budget reductions in areas such as prevention of chronical diseases and obesity. Besides, the direct transfer programme is insufficient and leave the majority of those working in the informal sector (people between twenty and 65 years of age) without an effective direct transfer programme. With these omissions once again, those in most need are unprotected and highly exposed to contagion.

The disruption caused by the COVID-19 crisis in Mexico once again demonstrates the fragility and vulnerability of a country with uneven distributed costs and resources. Although it is potentially transmittable to everyone, those with a lot of resources would easily overcome the problem or would be more resilient to this shock. It is necessary to implement policies that do account for all the heterogeneity and inequality fracturing Mexican society.

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