

Financial inequality: the relationship between consumer taxes and social programs in the Argentine Republic in the period 2015-2019

Desigualdad financiera: la relación entre impuestos al consumo y programas sociales en la República Argentina en el periodo 2015-2019

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Abstract

Despite the implementation of several Conditional Money Transfer Programs (CMT) and the consequent reduction in poverty and indigence rates, without ignoring that said reduction has been controversial due to its low level of evaluation and control; as well as the effective increment in job placement of vulnerable population sectors, Argentina keeps having high levels of inequality. From a financial analysis aspect, this situation is largely due to the consolidation of a highly regressive detractive system, characterized by the imposition of indirect taxes that are levied on productive and intermediate activities and final consumer products without taking into account the effective tax capacity of the actual or incidental recipients of the tax. In a country like Argentina, which belongs to the most unequal continent in the world, it is essential to start being, and not seem; by this, we mean that the fiscal system structure must pursue and encourage the achievement of a structural middle class, starting by having in consideration the severe economic asymmetries, which occur both at a population level as well as at a regional geographic context. One of the main situations that countless families suffer is the lack of coordination of fiscal reforms that tend to the development and consolidation of a structural middle class through a progressive, inclusive and liable tax system.

Social development, Taxation, Tax system, Transfers, Degressivity

Resumen

A pesar de la implementación de diversos Programas de TMC y la consecuente reducción de los índices de pobreza e indigencia, sin soslayar que dicha reducción es discutida por su escaso nivel de evaluación y control; así como, el aumento efectivo de inserción laboral de sectores poblacionales vulnerables, Argentina continúa conservando altos niveles de desigualdad. Desde una vertiente de análisis financiera, esta situación se debe –en gran medida– a la consolidación de un sistema detractivo altamente regresivo, caracterizado por la imposición de tributos indirectos que gravan actividades productivas, intermedias y productos finales de consumo sin tener en cuenta la capacidad contributiva efectiva de los destinatarios reales o incidentales del tributo. En un país como Argentina, perteneciente al continente más desigual del mundo, es indispensable empezar a ser, y no parecer: la estructuración del sistema fiscal debe perseguir y alentar la consecución de una clase media estructural, tomando como punto de partida las agudas asimetrías económicas que se dan tanto a nivel poblacional como en un contexto geográfico regional. Una de las principales situaciones que sufren innumerables familias es la falta de articulación de reformas fiscales que tiendan al desarrollo y consolidación de una clase media estructural mediante un sistema impositivo progresivo, inclusivo y responsable.

Desarrollo social, Tributación, Sistema fiscal, Transferencias, Regresividad

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Introduction

Since the nineties and mainly after the 2001 crisis, the Argentine State, through several public policies implemented by the governments in turn, has established diverse Conditional Money Transfer Programs (hereinafter CMT), such as the Work Plan, the Unemployed Heads of Household Plan and the Families Program, this, in response to the major lack of jobs and the growing social exclusion problem. (Kliksberg y Novacovsky, 2016). The international economic crisis of 2008-2009 became a turning point moment for Argentina and the American continent, as many countries in the region did not choose austerity and adjustment to combat the crisis, but rather choose a greater presence of the State and the increase of social investment, with several public Budget items, to minimize the economic consequences of a generalized recession for the most vulnerable social classes (Rezzoagli and Cammarata, 2016).

In this scenario, this money transfers programs with or without auditing, but with marked social purpose, instrumented by sub-national entities or directly aimed at certain citizens as beneficiaries, were one of the most significant innovations in the entire continent, although with different implementation modalities in each country, either with or without a specific time frame for implementation and durability, with or without particular terms or conditions for its granting, with or without control mechanisms and evaluation of its results.

As an example of the above, in Argentina in 2009, the Universal Child Allowance was created by the Decree 1602/2009, having as a purpose the following objectives: a) improve the situation of minors and adolescents in situations of social vulnerability; b) inclusion of various sectors of the population; c) reduce poverty levels of the most vulnerable sectors of society.

With the implementation of this form of social protection (CMT), an attempt has been made to coordinate the containment and reduction of poverty rates with the fight against inequality and the promotion of social cohesion, expanding the scope of the traditional social security (Marinozzi, 2021).

Brazil and Mexico were the first countries in the region that implemented them, in the late 1980's and early 1990's, and to this date broad coverage has been achieved throughout Latin America, since Conditional Money Transfer Programs (CTM) are currently active in more than 20 countries and project their benefits on more than 130 million people, with an impact of 0.4% of GDP in Latin America (ECLAC, 2015).

Despite the creation of several CMT Programs and the consequent, although disputed, due to its low level of evaluation and control in many countries (Rezzoagli, 2016), reduction of poverty and indigence rating, and a real increase in development possibilities and insertion of vulnerable populations sectors in the labor market, Argentina continues to maintain high levels of inequality, as many countries on the American continent (Lustig, 2017).

From a financial analysis perspective, this situation is due -in great measure- to the consolidation of a highly regressive detractive system, characterized by the imposition of indirect taxes to productive and intermediate activities, and to final consumer products without considering the real economic capacity of the actual or incidental taxpayers. In Argentina, measurements of consumption trends shows that in the period 2016-2017, the consumption of basic food products for subsistence collapsed, which are acquired and requested by the lower and middle social strata, while luxury goods purchases grew considerably (Benjamin Openhayn Economic Development Studies Center, 2017).

In this way, according to the aforementioned measurements, it can be clearly seen how the consumption in the basic food products has decline in a very considerable way; however, the opposite has happened with sumptuous goods, which acquisition reflects great economic capacities, as can be seen, for example, in the sale of motorcycles and high-quality cars which grew very considerably in 2017 (Benjamin Openhayn Economic Development Studies Center, 2017: 3), which is an important indicator of the consolidation of highly differentiated and unequal social strata.

Despite the above, which indicate the decrease in the consumption of essential food products and family development in the low and medium population sectors, according to the Argentina's National Institute of Statistics and Censuses (NISC, 2017), poverty decrease from 30% to 28.6% in the first half of 2017 (general national average), which in principle would be contradictory with the previous measurements, however, in the Northeast and Northwest of Argentina, the poverty increased during this same period, which qualifies, only with these data, a decrease in the national average that is sustained in certain regions and not homogeneously throughout the national territory. Likewise, if the data provided in the analyzed report is carefully examined, indigence, on the other hand, returning to national parameters, grew from 4.2% to 6.1%, with high percentages in the Buenos Aires suburbs (NISC, 2017), therefore, the decrease in poverty in the national average, rather than being accompanied by an increase in the structural middle class, was due in part to the increase in indigence rates, since in similar percentages the decrease in one was, in the same temporal period according to the cited official data, accompanied by the increase of the other mentioned variable.

If this is contrasted with the information provided in October 2017 by NISC itself, regarding that the Gross National Product (GNP) increased 2.7% in the second quarter of that year compared to the same period of 2016, the recovery of the Argentina's economy would seem to be contradictory with the social reality, however the improvement in GNP, as a result of the reactivation of several key sectors of the economy, such as construction and the automobile industry, among others, do not necessarily imply an equitable and proportional access of the entire population to the increase in national wealth, but, and based on the previously mentioned consumption measurements and the decrease in poverty, but with the growth in indigence, leads to think that economic rise does not necessarily imply an equitable distribution of resources and population well-being, if not that it may be monopolized by specific groups or sectors of society and in very specific regions of Argentina.

In this last point, we consider that the detractive system is an important part of the current and historical problem, and its integral rethinking constitutes an inescapable challenge for the State. One of the main failings that consolidate these situations suffered by countless families is the lack of articulation of fiscal reforms that tend to the development and consolidation of a structural middle class through a progressive, inclusive and responsible tax system. This paper analyzes the relationship between Value Added Tax (VAT) and disposable income (DI), particularly of beneficiaries of Universal Child Allowance (UCA), trying to demonstrate that all or a large part of the amount of this CMT is consequently deducted through the VAT, subsuming all effort and implementation of equalization, through the financial system, fundamentally through the creation of CMT programs in population sectors of low resources.

This means, as analyzed in the development of this non-experimental, qualitative, scientific work, that was made through the analytical-deductive method, that the State deducts a similar amount and even greater than that assigned to CMT Programs in economically and socially vulnerable population sectors, which fosters a panorama in which the levels of inequality –horizontal and vertical– within the population are maintained and gradually increase steadily, while a discourse of financial redistribution that does not materially exist is sustained.

Therefore, we part from the **central hypothesis** of considering that, *in order to achieve horizontal and vertical levels of Equality, it is necessary, in addition to the establishment of CMT, in a complementary, punctual and specific way, the structuring of a progressive tax system that pursues and encourages Equality of Opportunities.*

As a disaggregated hypothesis, it is established that *the tax system with a marked regressive tendency, disarticulates and obstructs any effort that is intended to be made by the financial system and CMT programs.*

The tax system constitutes a true generator of inequality, because the tax pressure exerted on the productive sectors and those with less economic capacity is more intense, when an effective and correct fiscal diagram should absolutely tend to the contrary (García Guerrero, Rueda López, Luque González and Ceular-Villamandos, 2021).

Making the words of Num (2011) our own, because there is no other way to say it with greater force and simplicity: *taxes generate inequality* (p.1).

Therefore, the analysis of the *disposable income* -understood as the remaining income of a person after deducting current taxes - of beneficiaries of the Universal Child Allowance (as an exemplary reference) with respect to others who do not participate in this Conditional Money Transfer Program, it is important, because allows to measure the **tax pressure** that is exerted on these socially and economically vulnerable sectors, and consequently, be able to specify whether the tax system and, more specifically, VAT (as an exemplary tax), accompany the purposes advocated by the financial system through the establishment of CMT programs or, on the contrary, they constitute regressive and confiscatory taxes that perpetuate the structural inequalities of our society, nullifying any type of effect or potential of the aforementioned programs (which is the main objective of this research).

CMTs as an egalitarian policy: Special reference to the Universal Child Allowance (UCA)

It is through public interventions that the distribution determined by the exchange relations between individuals is redefined, namely, both through the detractive system with the implementation of fiscal obligations, mainly taxes, and Tax expenditure (such as fiscal stimuli), as well as, and fundamentally, by financial instruments such as subsidies and transfers, which are mechanisms that have a direct impact on the disposable income in people's homes (Valenzuela-Levi, 2021).

Also, a very important part of the State's distributive actions takes place through financial mechanisms other than transfers and subsidies, such as traditional expenditures on education and health, which do not directly affect the current disposable income of households, but have a very relevant impact delayed in time, because they promote human capacities and facilitate future insertion in the labor market.

The capacity for (re) distribution through the financial system it is very important to alter the levels of inequality in people access to resources. The distinction between elements or circumstances **exogenous to the individual** (not dependent) - such as social origin, place of birth, gender, possibility of access to education or health, among others - from those that individuals acquire through dependent actions (endogenous) throughout their life cycle - such as the effort at work and in studies -, it is essential to understand this principle of Equality in its matrix of horizontal development of opportunities (Gutiérrez and Castaño, 2021), because, although this distinction is certainly debatable in practice, the factors to be equalized between individuals should include only those that are exogenous and the endogenous differences resulting from the meritocratic parameters must be respected (Rezzoagli and Cammarata, 2016; Rezzoagli and Gamberg, 2015).

This recognition and identification of exogenous conditioning factors is important not only to diagram differentiated public policies that facilitate the development of opportunities of each individual in any part of the country in a federal context (as it is proclaimed by Argentina's Constitution, fundamentally in the Article 75, subsection 2 and 19), but also to value and control its implementation. Several countries have constitutional recognition of social rights, this is the case of Brazil, Colombia and Argentina, among others, being exemplary; however, only a few of them incorporate explicit guarantees of rights in their social protection policies and programs. Therefore, large gaps in access and coverage continue to exist for different groups of the population (Cecchini and Vargas, 2015).

In economic terms, CMTs are revealed as effective initiatives to encourage the general consumption levels of an economy (Macours et. Al., 2011), and constitute a clear example of counter-cyclical policies (Gutiérrez and Castaño, 2021), thus including sectors that otherwise could not participate - or at least not in the way that they do with the benefits obtained through this programs - in the purchasing bid for goods, so necessary in a recessive economic context. In the search for a fair economy, CMTs are instruments that seek to contribute to the classic Keynesian recipe of alleviating the ills of the recessive economy through a channeling of public resources that are deliberately destined to attack indigence and poverty, but also at the same time encouraging domestic economic activity and mainly domestic consumption.

CMT programs are part of the financial public policies, and at the same time, of the social policies that a State can carry out to face the aforementioned challenges (Cecchini and Martinez, 2011), which is why they cannot be analyzed apart from the socio-political and economic context that influences its design and implementation, since it is logical that it is not the same to implement CMTs in highly unequal regions than in regions that are homogeneous with respect to the horizontal "taking advantage" of opportunities (access to health, education, public services) or measure a low or medium Gini coefficient in relation to poverty, and/or have an adequate distribution of the geographic gross product and formal employment throughout the territory of the country in question. In these latter cases, necessarily the redistributive and solidarity policies within which CMTs are framed lose importance in the face of the need to articulate greater and better incentives for competition and fiscal co-responsibility.

Effectively promoting social inclusion and the fact of being able to take advantage of opportunities that arise, requires an initial understanding of the factors that work against it. We can basically mention two very important ones, such as social exclusion and poverty. Now, social exclusion describes a state in which individuals are unable to participate fully in economic, social, political and cultural life, as well as defines the process that leads to such a state. Participation in society and the possibility of taking advantage of development opportunities can be hampered when people lack real and effective access to material resources, including monetary income, employment, land, housing, or essential services such as education and healthcare. It is also frustrated when people have no voice, cannot exercise their rights, and do not have the same respect for their dignity.

Therefore, poverty is an important and perhaps the most significant dimension of exclusion, although not the only one (it can also occur due to a disability or a person's sexual orientation, without necessarily living in poverty). When it comes to helping poor people, it must be taken into consideration that this does not have to do only with a deficit of material resources but is also related to the context of decision-making (World Bank, 2015).

People who have to focus primarily on ensuring access to basic necessities such as food or clean water do not have the same capacities and the same energy to embark on a careful deliberation about their possibilities for growth, unlike those who have the basic needs covered. In this same matter, in the first years of a human being's life, malnutrition, called for that period of existence of the individual: child malnutrition, is particularly serious (although it is in all stages), because it always penetrates in areas where the self-esteem of its protagonists is fragile, and where the lack of hygiene consolidates human misery, since the undernourished arises in those places where there is NO drinking water, hot water, sewers and bathrooms, in short, when these elements that constitute INALIENABLE HUMAN RIGHTS does not exist.

"Well, in this environment of misery, where the absence of family parties, music, colors, joy or other festive realities stand out, discouragement and sadness make their way through the lack of respect for one's own body and its appearance (lack of hygiene and beauty), and also due to the lack of esteem for the home itself... In short, the parents of the undernourished cannot give their children joy if they don't have it (nobody gives what they don't have); So if we want to help them, we must provide them with hot water, hygiene, affection, understanding, love and education. And with the passing of time we will gather from them those same virtues; and little by little that other great evil that causes child malnutrition will be extinguished: citizen insecurity (who does not respect their body cannot respect that of others) and over time we will reap the same as we sow" (Albino, 2010: 34 and 35).

As can be inferred from the Considerations of the PEN Decree No. 1602/09, the importance of this CMT programs consists of granting a non-contributory benefit -similar to the one that received the children of formal or registered workers- to those boys, girls and adolescents residing in the Argentine Republic, who have no other family allowance provided by this law and belong to family groups that are unemployed or work in the informal economy. In this decree, it was established that the UCA program would be financed with resources from the National Agency of Social Security (ANSES) Sustainability Guarantee Fund.

The program began to be implemented during the first quarter of 2010 with the primary objective of equalizing the income of those children whose parents were not incorporated into the formal labor market, and therefore did not receive the child allowance stipulated in the contributory family allowance regime (MECON, 2009). The UCA, like other similar policies previously mentioned in the region, acquires the quality of focusing on direct money transfers, specifically for minors, and transferable to the responsible adults. In mid-April 2011, the creation of the Universal Pregnancy Allowance (UPA) was announced. The main objective of the program is to reduce infant mortality, having as beneficiaries' pregnant women from week 12 of the gestation period, who must comply with all prenatal controls required by the public health system.

Likewise, the UCA's own conditionality - which allows the monthly benefit stipend to be charged - consists of the annual presentation of the PS Book Form. 1.47 or also called "Minor's Social Security, Health and Education Book", a document signed by educational and health institutions, in which it is certified that the minor - the true recipient of the benefit - regularly attends educational establishments and possesses all the vaccines required by the Official Vaccination Calendar, prepared by the Ministry of Health of the Nation, otherwise the payment of 20% - accumulated month by month - of the benefit is canceled, and the total monthly payment of the stipend is suspended until satisfaction of conditionality.

It is important in this analytical area to make some clarifications: a) only 20% of the amount of the stipend is subject to the aforementioned condition, which is accumulated month by month until the date of submission of the PS 1.47 Book Form. Once the presentation is completed, the accumulated money is paid in full; b) The remaining 80% has the legal nature of a Direct Transfer –without any conditionality, whose payment is made month by month. However, the non-presentation of the Book Form, culminates with suspension of payment of the benefit until the situation is regularized. Since its implementation, different reports and studies have highlighted the positive impact of the UCA to reduce the poverty and indigence rates in our State, as well as the levels of school dropouts and child labor (ILO, 2015).

Despite the positive effects that this Program has generated on the economy in general and in the Household Disposable Income in particular, various criticisms that have been raised about it must be highlighted. To this end, we will review the main debates and questions that legal and economic dogmatics have raged around UCA from its creation to the present:

a. Universality

It is one of the points that generates the greatest questions and that, at the same time, produces severe difficulties for its study. The main question: Is the UCA a truly universal program? Does it reach each and every one of its beneficiaries? And this is where the difficulties begin: the absence of official statistics does not allow us to accurately determine the number of beneficiaries- under 18 years of age - residing in Argentina (Lo Vuolo, 2011), as well as determining the percentage of the population that receives –or not- protection of some kind. There are reports that conclude that between 18 and 28% of those under 18 years of age do not perceive any benefit (Lozano and Raffo, 2010), in contrast to other studies that estimate a level of lack of protection close to 2% (Bertranou, 2010).

In a legal-institutional context, where equal opportunities is a constitutional mandate that seeks to guarantee the same starting point for the entire population, measures must be taken to: a) determine whether the benefit is capable of reaching all its addressee; b) if this question is answered in a negative way, the reasons why this benefit does not reach its beneficiaries and who are the most affected groups must be specified; c) act accordingly with the studies carried out.

b. The so-called “*punitive conditionality*”.

Another of the great discussions advocated by dogmatics is related to the alleged *punitive conditionality* that the UCA holds. As previously established, to access the 20% of the TMC program stipend, the PS 1.47 Book Form must be submitted annually. The non-presentation or the presentation extemporaneous or late, eliminates the right to collect the remaining percentage of the benefit.

About that, a sector of the doctrine considers totally inadmissible that a right that is intended to be universal is subject to punitive conditions, mainly for the following reasons: a) the minor - who is the legal recipient of the benefit - is not the one who bears the burden to present this form, but rather its representatives, therefore it does not seem appropriate to subordinate the right to a benefit that is not fulfilled by its recipient; b) Conditionality is not a characteristic of universal rights: *“Far from establishing children's rights, conditionality is a mechanism that limits personal autonomy, establishing relationships of subordination and social control that open the door for the use of programs for political purposes”* (Lo Vuolo, 2011: p. 221).

On the other hand, another academic sector considers that the conditions are fundamental for the validation and operation of the program: *“if the conditions does not exist, the income transfer programs in general –and the UCA in particular– could be criticized on some basis as policies of a “clientelist” nature, as they would not guarantee the increase of the future capacities of the recipients ”* (Kliksberg and Novacovsky, 2016: p. 23).

Likewise, the establishment of this conditionalities is supported by the beneficiaries, who see it as an obligation-benefit (Mazzola, 2011), that is, as a benefit earned in exchange for an effort, which consolidates a certain social legitimation of conditionality (Kliksberg and Novacovsky, 2016).

c. The creation methodology.

Certain academic sectors question the fact that the UCA is regulated by a National Executive Power decree, because of the margin of discretion available to the political leadership on duty to introduce modifications - and even eliminate it - without facing any parliamentary debate.

d. Lack of official statistics by public institutions

This is perhaps one of the biggest deficits that the UCA program fosters. A review of the existing empirical studies reveals that in their majority to measure the impact of the UCA they carry out simulations, recognizing that there are limitations to this, since the only information available comes from the Permanent Household Survey (PHS-NISC).

However, this instrument does not identify who are the recipients of the Assignment (Mecon, 2009; Gasparini and Cruces, 2010; Bertranou and Maurizio, 2012) and at the same time, for some years, the quality of information of this survey produced by NISC, is questioned due to the changes made in the methodology, particularly in the sample design (Lidemboim, 2011; ECLAC, 2012).

The lack of official statistics, or rather, of reliable official statistics, make it difficult to know with certainty the impact that UCA have had on the population, that is, the precise level at which they have contributed -or not- to reduce indigence and poverty.

Finally, it is important to observe in this type of program, that money circulates the same as any other object or good (water, electricity, gas, etc.) generating tangible possibilities to reduce poverty and social exclusion, although also, from a use distorted and discretionary, it can act by ratifying and even deepening social differences and inequalities. The money transferred to the recipients, generally low-income people, presents previous or subsequent conditions regarding its distribution and enjoyment, typical of evaluations and moral judgments carried out by groups in dissimilar positions in the social field, and therefore, with different appreciation schemes, economic and cultural dispositions and practices.

As long as the selection of beneficiaries remains limited to the population living in chronic poverty, it is unlikely that increasing coverage will become a problem. Structural poverty varies little over time and requires long-term interventions. The long-term objective of this CMT is to ensure that the children are sane, healthy and achieve over the years a sufficiently high school level to allow them to escape from poverty through employment, eliminating the need for that the next generation receive welfare. The beneficiary households will “graduate” from the program when their children finish secondary school (middle school) and have secured a decent job.

These programs in national or total quantitative terms were and are considered very positive by different international organizations (UN, WB, ECLAC) based on the results they produced, but the lack of coordination of subnational governments with the central government, provides us with qualitative regional situations. (problematic) of urgent solution.

Thus, with respect to the national average, there is clearly a reduction in poverty and indigence levels through the use of this type of policies; however, in front of this important achievement we can glimpse the uneven effectiveness that had and has in relation to each región of the country.

Ultimately, the creation parameters and the foundations that accompany the development and implementation of the UCA are consistent and acceptable by experts as policies for equalization and elimination of exogenous conditioning factors that limit individual development potential. Obviously, it has numerous criticisms and challenges both in implementation and in evaluation and control, as we have stated previously. Now, beyond these questions, in the next point we will analyze how the tax system, with special reference to the Value Added Tax (VAT), not only enervates the economic effects of the program, endangering its continuity in the beneficiaries, but also increases inequality and class separation.

Regressive Taxation: The being behind the seeming

Taking as a basis that in Argentina CMT programs and subsidies are financed from a tax system that requires an urgent reformist reengineering, since it collects according to an unequal logic, which discourages productive capital and generates ever-deeper gaps in society (see Rezzoagli and Gamberg, 2015), is that we can begin to develop the contradictory logic between a detractive system that causes, materially in this transfer of private resources to the public sphere, social cracks, and from whose collection result the funds that are subsequently used in programs and subsidies that have the purpose of trying to correct said inequities (which is canceled in its reparative potential by the following tax effect), a situation that is reproduced in each fiscal period.

Therefore, one of the key elements for the proper functioning of these financial programs, beyond the coordination and adequate articulation of the State, is the need to promote a tax reform that accompanies social objectives throughout the country, taking into consideration regional differences and needs (ECLAC, 2015).

The tax structure in Argentina, as in the countries of the continent, does not present characteristics of progressivity, quite the contrary, it is defined markedly regressive (ECLAC, 2016: 7-9), and it is important to highlight that there has been no attempt (real political intention) to modify this structural situation historically. We are not unaware that the notion of progressivity and confiscatory nature present severe practical problems when it comes to setting their limits, even more if in recent decades on the continent there has persisted a palpable abandonment of strengthening and perfecting direct taxes and a constant increase in consumption taxation.

A progressive system in the tax collection area is especially beneficial for countries where wealth is concentrated and where there is a palpable economic inequality, as is the case in the countries of our continent (Jiménez, Gómez Sabaini and Podestá, 2010), considered the most unequal continent of the world (ECLAC, 2016); so the improvement of the collection through income taxes and idle and unproductive assets (personal property, real estate, taxes on sumptuous items, transfer of properties, inheritances, among others) would be recommended.

On the contrary, in countries with a greater distribution of wealth (for example, reduced or moderate inequality gap and concentration of wealth, following parameters of the Gini Coefficient) it is advisable, since there is a strong structural middle class, to lighten direct taxation and establish aliquots proportional in income and mainly in consumption.

Paradoxically, in many Latin American countries, we do the opposite. Proof of this is the strengthening of taxes on goods and services, which have been a constant in recent decades, widening inequality gaps.

Taking the analysis carried out by Gómez Sabaini and Morán (2016) in Latin America, about half of the average amount of tax resources corresponds to taxes on financial and capital transactions; another important portion corresponds to recurring taxes on real estate, and the rest, mainly includes taxes on wealth or net worth; On the other hand, among the OECD countries the property tax predominates, then transactional taxes are located and, far behind, taxes on inheritance, bequests and donations (widely disseminated), as well as taxes levied on wealth net or assets (p.19).

Following this line of analysis, and taking into consideration the distribution of the tax burden by regions and group of countries, differences can be seen that are very important between said regions or groups of countries (De Cesare, 2012), and as in Argentina and others countries of the continent, we are literally moving away from normative effectiveness, which calls for **deep reflection** and awareness of the importance of adequate tax collection and the exercise of effective pressure to combat the systemic reproduction of poverty; thus, consumption taxes "represent more than 50% of the tax burden in Latin America on average, while these taxes represent 31.7% in OECD member countries" (p.7). These data, translated into simple words, mean, among other things, that the final consumer in our region has much more tax burden on their purchases than in the OECD countries, in addition to obviously significantly increasing the value of final products, with all direct and indirect effects that can be outsourced throughout the production process, job creation and local and international competitiveness.

For ECLAC (2016) in Latin America, the Gini coefficient barely drops 3 percentage points after taxes and public monetary transfers, that is, the economic inequality among the population of Latin America without State intervention and with State intervention is only three percentage points less in the latter case. This contrasts markedly with the results of the countries of the Organization for Economic Cooperation and Development (OECD), where, on the other hand, this indicator decreases 17 points after direct fiscal and financial action, that is, after State intervention to through taxes and transfers. We must understand that this is not just a simple numerical differentiation, but that this percentage difference marks a material abyss that translates into well-being, equality, poverty reduction, and ultimately, effective development of human rights.

Traditionalist tax doctrines have considered that taxes and tributes in general constitute mere financing tools of the States, through which they can fulfill their constitutionally established purposes, in other words, taxes and the detractive system in general, for the classical doctrine, constitutes a tool to provide resources to the State and then, with these resources, begin to develop public policies.

For this dogmatics, the State has certain public needs, and in order to perform them it must have a certain financing, in other words, it must collect resources (Villegas, 1999), exercising its power of empire against those administered and establishing different taxes -taxes, rates, contributions, among others-.

In fact, the most prominent positions of specialists in state capacities and regional development show that there are 3 (three) aspects or dimensions of analysis in these processes: *hardware, software and orgware*, a scheme that is considered flexible to analyze quantitative and qualitative variations and weaknesses. of state capacities (Fernández, Guemes, Magnín and Vigil, 2006). Therefore, tax resources, as well as financial ones, constitute the state hardware, which put into operation the other 2 dimensions, although with relevance of whether they are endogenous or exogenous; software is formed by human resources and orgware is made up of organizational resources (such as organizational capacity and decision-making capacity).

Although the financing of the State is of transcendental importance, these positions have little developed the true potential of the tax system, relegating it to a merely collecting function and supplying resources.

Despite this, in recent years, the importance of other functions or roles of the detractive system began to emerge, as is the case of the distributive function of income in Colombia, the expression of Serrano and Garzón (2015) is correct when they establish that: *"the need to collect taxes is none other than to achieve an adequate redistribution of national wealth in a proportional manner among all citizens"* (p. 111). Similarly, Juan Pablo Jiménez (2014) states that *"public interventions redefine the distribution generated by the economic market through instruments such as taxes and transfers, mechanisms that have a direct impact on the distribution of household disposable income [...] and it is of major importance to alter the levels of inequality in the access to resources of the households"* (p. 25).

The collection system is not only important as an instrument to give resources to the State, but it constitutes a public policy in itself, it is not neutral and its effects impact on the social structure and in the entire surrounding state scaffolding and public and private action.

So, increasing tax revenue is key for public investment in reducing the region's historical gaps, such as markedly segregated access to quality public goods in the fields of education, health, transportation and infrastructure, but the way of obtaining these resources is equally important, due to the externalizable effects that the transfer of private wealth to the public sphere causes directly and indirectly, rather than the resource itself (result of the collection process). The public finances of Latin American countries, where we highlight the Argentine case, have traditionally been characterized by the perpetuation of a tax system whose central axis is the collection of consumption taxes and a tax policy with little or no distributional impact.

In many countries on the continent, the tax system relies mainly on consumption taxes, which are more oppressive for low- and middle-income groups (Rezzoagli and Gamberg, 2015). In addition, the region's tax systems tend to be more oriented towards labor income (either dependent or self-employed but considered captive) than capital gains or wealth accumulation, and often lack taxes on real estate and inheritance (or at least effective compliance), so that the concentration of wealth that is fundamentally idle or unproductive increases, which is even higher than the concentration of income.

Over the last few years, the Argentine political leadership has tried, through the financial system, to alleviate the social inequalities of our population by establishing a few CMT programs (solidarity or clientelistic). However, the public spending, that is not accompanied by income (re) distributive measures from the tax system ends up consolidating structural inequalities, with all the detrimental consequences that this entails for the population. *"While a society has greater social inequalities, the less opportunity it will have to survive without violence, without access for all citizens to health, education, drinking water, in short, to all the basic needs that the man to live with dignity needs"* (Serrano and Garzón, 2014: 111).

Starting in the 1990s, with the phenomena of economic opening, immediate effects were generated in State regulation, among them, the reduction of tariffs, the weakening of many economic sectors, privatizations of public companies and reforms of the pension systems.

As a consequence, there was a growing need for the State to generate income that will replace what was lost by the generalized reduction of tariffs. Indeed, according to studies carried out on fiscal evolution (Bello and Jiménez, 2009), it is highlighted that since the date indicated above, in Latin America a greater concentration of tax revenues has deepened, mainly in VAT, to which Gómez Sabaini and Morán (2016) call *"the great collector"* (p. 7), throughout the continent, and secondarily in the Income Tax.

Fiscal decisionism and strengthening of VAT

In Argentina, as in many developing countries, there is a tax system based mainly on indirect taxes (Felices, Guardarucci and Puig, 2016) focused on taxing the consumption of the population. Among these, the one that currently has the highest prevalence is the Value Added or Added Tax (VAT), which is regulated by law 23,349, sanctioned on 8/7/86, however, it came into force as of its approval by decree 280/97, published in the Official Gazette on 3/26/97, replacing the first VAT law No. 20,631 of 1973. Said law 23,349, since its creation, has had innumerable modifications that continue to be made to this date. It is the most generalized tax in Argentina, since it is present in practically all transactions for the purchase and sale of goods and services, it has a general rate (21%) and a differential treatment for some goods and services, -such as bread and milk- have a differential rate of 10.5% and some services -such as telecommunications- have a 27% rate.

The VAT scheme within the Argentine tax system generates severely regressive effects with respect to per capita family income. Although, the establishment of a uniform rate for all taxpayers would conceptually imply the conception of a proportional tax, it materially configures the projection of a regressive tax since, by not taking as an objective parameter the taxable capacity of the legal recipient of the tax, this generates in practice, a higher fiscal pressure or tax burden on the persons with the lowest income of the deciles (from now on population sectors). In other words, VAT is charged to everyone equally; so that the fee paid is not related to the economic capacity of a taxpayer.

Num (2016) establishes that *“the total of taxes on consumption doubles what is collected for profits, and places Argentina above the average for Latin America, evasion is high and difficult to combat. If evasion falls to the levels it reaches in Chile, for example, the general rate of 21% could be lowered by between 6 and 8 percentage points”*(p. 1). In this context, a subject with less economic capacity (for example, in a situation of poverty and dependent on CMT) compared to one who does enjoy a good economic level, will pay exactly the same amount of money for the tax, and obviously for the first individual, the effects on the personal economy are more severe.

In the most vulnerable group of this "proportional" tax are the beneficiaries of Conditional Money Transfer programs, where the continuity of this logic persists: the beneficiaries of financial help turn out to be those who are most affected by the regressive nature of the tax. That is why we consider it essential to keep this panorama of reality in mind when projecting possible changes in the structure of the tax itself, or regarding qualifying differential situations for different subjects (principle of Equality).

To mitigate the adverse effects that are generated on the trajectory of household consumption, some countries implement tax structures that minimize the regressivity of the tax based on the classification of goods into consumption groups: each of them has a differential rate taxing to a lesser extent those basic necessities, and to a greater extent luxury goods.

Based on these premises, we can classify VAT as a highly regressive tax that mainly affects people with lower income in the population.

Disposable Income

As mentioned above, in the design and configuration of the Value Added Tax it is essential to consider not only the taxable capacity of the subjects obliged to pay, but also to broaden the focus of analysis to include disposable income.

We consider this concept to be of crucial importance since, if it is not taken into consideration, it generates serious deterioration in people's purchasing power and saving capacity.

This disposable income, from the point of view of economic theory and taking the conceptualization of the System of National Accounts of the Argentine Republic in 2016, is the maximum amount that a household or other unit can afford to spend on consumer goods or services during the accounting period, without having to finance their expenses by reducing their money, having other financial or non-financial assets or increasing their liabilities.

Camelo (1998) refers to disposable personal income as the sum of primary income (compensation of employees, business income and property income) plus secondary income from current transfers minus expenses for: a- Taxes on income and wealth, including fines, b- Contributions to social security systems, including by self-employed workers, c- Transfers to non-profit institutions, to other households, to the government, etc., d- Interest and land rent, e- Donations and transfers to other households, the government or non-profit institutions serving households.

For interpretive purposes, the concepts of "adjusted disposable income" and "household savings" deserve mention. Regarding the first one, we say that it is obtained by adding disposable income plus social transfers in non-monetary aid, while the second one is the difference between disposable income and consumption expenditure, or between adjusted disposable income and actual consumption (defined as the sum of consumer spending plus the value of social transfers in monetary aid).

Considering that our unit of analysis is the household, it becomes necessary to contemplate what is understood by this term and how the variables of income and taxes are estimated, thus, the number of people who jointly occupy a living place or part of it and consume under the same budget can be understood as a household. The information is collected from the estimation of the mentioned variables at the individual level, to later consolidate it at the household level, using the individual-household link presented in the surveys. Likewise, it represents units of analysis defined in such a way that they are useful, not only for the measurement of income but also for studies on the well-being and consumption of the population.

In a family, this income is considered as the sum of the income of its members and depends on the number of members that make it up (household size) and on their characteristics such as their age, sex and level of education. For the household, the most important characteristics are those of the greatest contributor, the head of the household, and the spouse.

Once these concepts are defined, and knowing how necessary a VAT reform is, because in Argentina it has a marked regressive effect, it is pertinent to emphasize the fact that not only it is necessary to consider the taxable capacity in terms of “what a person earns” before tax expenses are deducted, but it also deserves fundamental importance to be considered at the time of the configuration and design of a certain tax - in our case VAT - the disposable income of taxpayers.

Conclusions

Although the strengthening of the VAT in Argentina is framed by structural endogenous failures of the Administrations and government entities, such as the low operational capacity and structural inefficiency, fundamentally of the tax administrations and local governments (such as, for example, the updating of a cadastre registry, systems and reliable databases) coupled with the circumstances of clientelist federalism where political arrangements prevail over economic efficiency and nobody assumes a political cost, the situation of perpetuation of inequalities and privileges requires immediate and decisive actions.

The VAT is the greatest tax collector in Argentina, and it appears that only the result of the process matters and is sufficient for the decisional actors of public affairs (political interest to maintain competitiveness and electoral legitimacy), since in recent years there is not even a real intention to at least try to lower the rates of tax evasion, what could happen with the implementation of coherent and comprehensive reforms, since without these, the Administrations move within their own parameters and rules which does not allow a change in the situation.

In any case, and although evasion could be reduced, and therefore the same or similar tax resources could be obtained by lowering the rate valid until today (due to the consequent increase in taxed activities), we would continue to propose a form of taxation typical of countries that have low or moderate inequality of social classes and purchasing power.

In a country like Argentina, belonging to the most unequal continent in the world, it is essential to begin to be, and not to seem: As there are sharp asymmetries between the rich and poor social classes, it is impossible that the fiscal sacrifice in a consumption tax scheme does not result in a perpetuation of these inequalities; Since the vulnerable sectors are those who receive the most tax incidence, different is the case of other countries and regions that have characteristics different from those mentioned above and where a fiscal scheme of this nature can be justified taking into consideration the economic capacities that comprise it (countries with a main structural middle class, where the tax sacrifice is homogeneous).

Undoubtedly, and as it was demonstrated in the present study, the perpetuation of these taxes affect with greater implication and severity the vulnerable population sectors, regardless of whether from the financial system, governments in turn have claim to help with grants and CMT programs. The case of the CMT Universal Child Allowance is paradigmatic (leaving aside structural issues such as who pays the subsidy, or who articulates and faces the costs of the conditionalities that the beneficiaries must prove), since if the purpose is to break intergenerationally with the scourge of poverty through health care for children and education to enable healthy and trained young adults to enter the labor market, then the economic resources should serve to guarantee at least access to an adequate diet that enhances the capacities that the State seeks to promote in each child and young beneficiary; However, as the measurements of consumption in the last years show and we have analyzed in the introduction of this paper, the possibilities of a quality diet in these population sectors are increasingly restrictive, and the reduction of consumption as the need for looking for cheaper alternative products (generic brands) and even the flat and simple substitution of products of basic need to face costs (stop buying milk for example) should be reflected in the fact that the State should not remove taxes that financially grants for the achievement of purposes that are a “seem”, but in this way never a “being”.

Taking in consideration the tax burden analyzed in this scientific study, we can conclude that a structural change is necessarily required. However, in a country of patches, where the tax sharing system should have ended in 1996 and replaced by a convention law and where there is justification to contradict the letter of the Constitution with respect to the own and concurrent powers of the different governments in tax matters, an immediate solution, which could be given through a legislative patch or, better still, a presidential decree, should be, and considering that there is certainty that the total of this CMT is entirely disbursed by its beneficiaries in basic consumption, the granting of an additional amount of money equivalent to the average that is taxed to the State in terms of consumption taxes (mainly in VAT, but also regional governments should contemplate the return of an average amount to the Gross Income Tax) so that with this situation these beneficiaries are considered a group incentivized by tax credits or tax refunds, because formally they cannot be exempt subjects as they are not registered responsible. It is time to start BEING, to fight against inequality and social exclusion.

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