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THE CURRENT ECONOMIC POLICY WILL BE CORRECTED?

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Brazil since its independence in 1822, despite some serious but ephemeral economic discipline attempts have been living between improvisations and adventures, terribly aggravated from the late 1950, which, however, seemed to have reversed that trend with the monetary stabilization that occurred in 1994 with the Real Plan. Analyzing some of them proves this trend.

At the beginning of the Republic took place the animal saddle. This was a financial policy adopted by Rui Barbosa, Finance Minister in the provisional Government Republican (January 1889 to November 1891). This policy stimulated without limits on credit expansion with the creation of issuing banks (with no ballast pounds-gold, but government bonds), whose loans would have to be applied only in the financing of new industries, and in agriculture.

With credits, official assurances and a favorable psychological environment, the Rio de Janeiro stock exchange entered into intense activity and the policy of the Minister was popularly identified with the horses saddle before departure on the trail of the racetracks when the activity of the bettors if make frantic. Shares in quick and constant high made the fortune of a multitude of speculators, appearing numerous companies and even fictitious unfeasible.

The speculative investment in the stock market has become an end in itself and not what he imagined Rui Barbosa, hopeful view that money actually employed in

industrial productive activities. The result was a rampant inflationary spiral and bankruptcies. These negative effects were used politically by the malcontents of this policy, located mainly in coffee production and the importing firms, whose interests the Minister opposed, leading to the resignation. Brazil did not take the start for their industrialization and harmed the economy's main product, coffee. Noting that at the time there was not economic theory that founded with amplitude that policy, in which the Minister could predict the disaster that occurred, but common sense indicated that even having to boost the industry couldn't do it at the expense of considerable losses to the economy's main product, coffee.

With the strength of the Estado Novo (1937-1945), political regime founded by Getúlio Vargas, the domain of the State in the economy characterized the Brazil until the beginning of the Decade of 1990. Was the result of various circumstances, but also economic policies as the Government vision regarding the development. These circumstances and visions about the development included reactions to international economic crises, the desire to control the activities of foreign capital, especially in the sector of public services and the exploitation of natural resources, and the ambition to industrialize quickly a backward economy.

The wide presence of the State in the Brazilian economy was seen as necessary for the country to achieve a rapid economic development through industrialization with views to the import substitution of the years 1930 to 1960. During this period, the State-owned sector, predominantly in public services, heavy industry, export of natural resources and in the financial sector, complemented the national and multinational private sectors, i.e. complemented each participatory sector specializing in specific areas of the economy which had greatest comparative advantage. This Division of labor between sectors was becoming gradually institutionalized and, in fact, has come to be known among economists and economic policy makers as the "tripod" model of the structure of the types of company in Brazilian development process.

From the mid-1970, this model was being gradually replaced as the involvement of the State in the economy became increasingly negative force. When at the beginning of the year 1980, the crisis caused by external debt sparked a decade of low growth and investment (the "lost decade"), manifested a progressive consensus that one of the ways to make the Brazil of economic difficulty would be to privatize a large part of the economy. In the early 1990 the Brazil, during the administration of President Collor, adopted a large-scale privatization program as a key economic and political instrument to revitalize the economy, which coincided with the Washington consensus.

This was a seminar in November 1989 to identify policies that leading institutions of Washington, as the U.S. Treasury, the International Monetary Fund, the World Bank and the Inter-American Development Bank have agreed how to restore fundamental growth in Latin America, but that was popularized as the launch of liberal economic policy to favor globalization.

But the "lost decade" left a legacy quite heavy, high inflation with low economic growth, i.e. stagflation, so that the situation of the Brazilian economy before 1994 was critical. Between 1990 and 1994, the average growth of GDP was 1.3% per year, while annual inflation was 1,210%. Between 1986 and 1991, there were five distinct economic plans (Cruzado plan, Bresser, Verão, Collor I and Collor II). There was no confidence in the currency, either, in the institutions, because the rules of the game changed dramatically, overnight.

Successive attempts of freezing and price-fixing were made with tragic implications, since the poor quality of the products until the lack of supply. The image of "arrest" the bull in the pasture was tragic, as well as the empty shelves at the supermarkets was emblematic.

More traumatic was the Collor Plan, released on the same day of the inauguration of the new President and marked by the kidnapping of liquidity, as well as other heterodox measures, such as creating new taxes and freezing of goods and services. From that date, all financial applications 15.03.1990 over NCr \$ 50,000 were blocked for a period of 18 months.

In the Real Plan 01.07.1994 changed the configuration of the Brazilian economy of radical way, by giving the stabilization and restore confidence in the currency. Unequivocally, the Real plan has set a new standard for the Brazilian economy. The economic growth in 1994 was 5.9%; the industry went very well, and even better, with agricultural evolution of 55%, which earned him the reputation of "real green anchor". The biggest food supply helped so pronounced in controlling prices of basic products.

The success of the Real Plan, preceded by the successful application of Real Unit of Value (URV), had as its central and explicit elements of economic policy: floating exchange; primary surplus targets; inflation targeting system. This tripod has characterized the Governments of Fernando Henrique Cardoso (1995-2002) and also the first mandate of the Government of Luís Inácio Lula da Silva (2003-2006).

During this period, in addition to the macroeconomic fundamentals in execution, the country was favored by the commodities cycle, in which Brazil has as a big player

in the global agribusiness, in addition to the ores. In this cycle, the country can strengthen its external accounts and distribute income more intensely through social policies, but preserving the orthodoxy on macroeconomic management and good dialogue with the business community.

This trajectory would begin to change with the departure of Antonio Palocci, the Ministry of finance, on 27.03.2006 and the appointment of Guido Mantega to replace him. The new Minister, heterodox line and with the support of the President and of his own Workers' Party and other leftist parties that support the Government, had in the crisis of 2008, starting in the high-risk USA. mortgages, whose Apex is marked by breaking the Bank Lehman Brothers in September 15, 2008, the anchor point to change the economic policy.

Facing crisis as short wave, the Brazilian Government deliberately adopted a series of unorthodox measures and misaligned the previous macroeconomic tripod. These new measures became known as "new economic matrix". Roughly speaking, this new economic policy has proposed a new triad different and somewhat antagonistic to the previous one. Its characteristics are: pursuit of a low interest rate; search for a competitive exchange rate; increased participation of the State in the economy.

The new economic policy spurred the credit. The interest rate has been reduced dramatically and rapidly, in a vigorous incentive to credit. At the same time, consumer goods suffered incentives, such as IPI reduced to automobiles and household items of the white line, complemented by My House Better, granting credit of R\$ 5,000 to each beneficiary, for the purchase of furniture and appliances, with payment in up to 48 months.

This applied economic policy until this year of 2014 has run out, but was presented in the election campaign by the candidate, Dilma Rousseff, as correct, even with the country in a technical recession in the second half of this year, and that the return to an orthodox economic policy would mean starvation for the poor and profit to the financial system.

The exhaustion of economic policy can be understood from the three main principles of Economics: efficiency, equity and freedom. Economic theory has advanced towards had shown that the market is usually a good choice when we seek efficiency and freedom. The new economic matrix, unable to deliver efficiency and freedom, now also faces challenges to offer advances in terms of fairness. It is difficult,

therefore, in addition to purely ideological issues, reiterating the defense toward greater State participation in the Brazilian economy.

The consequences of the new economic matrix for the economy are: negligible growth; persistently high inflation; misfit in the external accounts; imbalance in public accounts, prompting the Government to pass in Congress, in December 04, a Law of Budget Guideline to renege on the fiscal goal that it itself had set for 2014, ridding the President of the penalties of the Law of Fiscal Responsibility, by failure to comply with the meta proposal; weakening of the industry; loss of force in the labor market.

Without their most forceful pillar, economic policy needs to be reviewed in its fullness. If she fails in the distributional issues, which depend on the growth of the economy with low inflation, nothing left.

The country needs a new driving force, rather than consumption, to push the economy necessarily associated with the investment. However, it will not be possible while the new economic matrix is underway.

After re-election, the President Dilma Rousseff indicates to his future Finance Minister, Economist Joaquim Levy, orthodox monetarist line of the Chicago school, home of the Nobel Prize in economics in 1976, Milton Friedman (1912-2006), one of the most prominent economists of the twentieth century, and one of the most influential theorists of economic liberalism. Have left the country to inquire if the current economic policy will be fixed or is it just a setting whose goal is the election of 2018? History will record whether the country has changed or will continue to fulfill its destiny to improvising and adventures, in economic policy, since 1822.