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**POLITICAL CRISIS DEFIES THE DEPLOYMENT OF A NECESSARY AND  
URGENT FISCAL POLICY**

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The political crisis in Brazil puts at stake the efforts for a correct, necessary and urgent fiscal policy. The government Temer, started in May 2016, chose an economic team training for command line ministries and autarchy, with the aim of prioritizing the economic policy, to take the country of great economic recession in which it is since 2015. But, the impacts of the political crisis should not be underestimated. The confusion binds the advancement of the economy and, worse than that can bring setbacks.

The fiscal abandon, popularly known as fiscal pedalling, led to the impeachment of president Dilma, in August 2015. This fact seemed to give a relief in the political field, so that his successor started the reforms that *"they put the country on track,"* according to the words of the presidente Temer. With political skill to deal with the Parliament, the president verbalized that his government would go down in history as one that promoted reforms needed, but until then postponed.

In December 2016 the National Congress approved the limitation of public spending – the PEC of the Ceiling of Spending – in the midst of the protests of whom believed, or used politically, it would reduce the resources for health and education. In force since January 2017, the measure affects the growth of part of federal spending to the rate of inflation during the past 20 years. The objective is to overcome the fiscal imbalance, which made the investors doubt the solvency of the government, froze the economy and put the country on the biggest recession in its history.

This PEC (Amendment to the Constitution Bill) is considered the main economic measures of the government feared, essential for the improvement of the fiscal framework and to the resumption of growth of the economy. But it does not solve everything alone!

To operate, it needs additional rules that limit the increasing spending without matching revenue. As an example, the current situation of the retirements and pensions. As an example, the current situation of the retirements and pensions, put as the target of the vaunted reform of welfare, placed as the most urgent, because if nothing is done, this account will reach 80% of primary expenditure of the Union in 2027, preventing the government to fulfill the other obligations.

At this juncture, 2017 would be the time of the retirement and pension reform. But as the poet Carlos Drumond de Andrade (1902-1987), in his poem: *"In the Middle of the Path Had a Stone"* For the government Temer, and consequently for the approval of the reforms proposed by the economic policy, this stone is a fact. This is what is popularly called Joesly's day, i.e. the audio that shows the conversation, nothing republican of the president of the Republic with the businessman Joesly Baptist of the group, JBS, published on 14.05.2017. A fact of great repercussion policy that dramatically changed the agenda of reforms.

When occurred, negotiations with the National Congress, around of the retirement and pension reform were in progress. It was then that appeared the two complaints lodged by the Public Proctor of the Republic, Rodrigo Janot, against the president of the Republic, by alleged spurious relations with the JBS. Here began the difficulties for routing and approval of this reform, because the priority has to be the non-approval of complaints by the Chamber of Deputies, avoiding a possible acceptance by the Superior Federal Court, causing the fall of President.

The rejection of complaints only ended in October, and then, in addition to the lost time, wear of the political capital of the president was eroding. The retirement and pension reform enters the agenda, but the organization of the parliamentary basis to support the government now is not the same as of April, and its adoption began to be uncertain, at least regarding the initial proposal, which foresaw a cut of federal government spending on average per year, of 2.9%. According to Tendências Consultoria, to the extent that the proposal is "dehydrating" of the original proposal, the percentage of expenditures will cut up: (a) with the approval of 75% will be 3.5%; b) with the approval of 60% will be 4.1%; c) without the reform will be 6%.

The result more somber seen by economists is that the Ceiling of Spending approved by the PEC can collapse. For the economist Fabio Klein of Tendências Consultoria, if reform does not come out, the social welfare spending will rise at around 5% per annum above inflation over the next two decades, consuming ever greater portion of the federal budget. In other words, in the second year in force, with a weak reform, which is that you draw, the overflow would be in 2019.

What makes it even more difficult to fulfill the limit of the Ceiling of Spending is the fact that it depends not only on the pension reform, but reorganization in government spending, that is, in any scenario the government will have to pass the scissors in other expenses, and improve the efficiency in the application.

Other countries also put a limit to the government spending , a practice that began in the decade of 1980. The majority foresee a review after three to four years. In Brazil, the term is ten years, and the brazilian version of the Ceiling of Spending reaches 63% of primary expenditure of the Union, compared to 75% in Finland, the second placed.

However, before the whole economic analysis which justifies the need of an austere fiscal policy so that Brazil will have a sustained economic growth, it has wide rejection of reforms, especially the Ceiling of Spending , by part of the population, as indicate studies in this respect. Why?

Some aspects deserve to be analyzed in order to understand this rejection and the country can adopt a fiscal policy that lead to sustained economic growth. Among other things it has: a) the systemic corruption and increasing existing in the country; b) the privileges of corporations that exist in the three powers of the Republic; c) the mismanagement of public affairs; d) the lack of transparency on the part of the public system in the planning, execution and accountability to society in projects and actions of the government in its three spheres; e) the strong patrimonial posture inculturated in Brazilian society, which rejects the politicians, but wants more State as being a safe haven; (f) the brazilian society still did not understand the economic and political liberalism

However, as a thread of hope, Brazil is experiencing a moment of breaking this paradigm. The start was given with the Real Plan in 1994, that to defeat inflation has made the brazilian understand the benefits of a low inflation, and that want to keep it, as a condition *sine qua non* for the process of national development.

Another aspect already with support of the Brazilian society is combating corruption. So different from the one that existed centuries of impunity to white-collar crimes, the trial of the mensalão, in 2012, began to show a small but new face of the efficiency of justice, expanded with the Washer Jet operation, from 2014, which has demonstrated to the country institutions increasingly welcomed, supported and encouraged by the population as the Public Proctor, the Federal Police and Revenue Service.

However, as the political process goes in the country, not only the rule of the Ceiling of Spending, which barely began, is in danger of collapsing, as the economic recovery. In 2018 there will be elections at federal and state level, it will be a great opportunity, if the electoral dispute, which allow the Brazilian voter if inform better the importance of a correct and efficient economic policy, in which fiscal policy, to manifest the respect that country wants to have. We wait, not forgetting that economics and politics are siameses sisters. .