

# To be up to the moment

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**This is not the time to attack the government or to try to destabilize it. We must join forces in order to cope with another economic crisis**

Brazil experiences a deep political crisis, whose main cause is the Operation Car Wash and whose second cause is president Dilma Rousseff's loss of support in society due to the economy's poor results and the Workers' Party involvement in the PETROBRAS scandal.

We are also going through an acute economic crisis, which did not lead to the country's bankruptcy, as in the last two crises, but which threatens Brazilian society with a long and painful recession.

The causes of the economic crisis are the violent drop in the price of the commodities exported by Brazil in 2014 and the strong fiscal expansion. In a country that no longer accepts fiscal irresponsibility, the economic crisis combined with the political crisis produced a serious crisis of confidence and a decrease in investments.

Both crises are, therefore, associated: the political crisis worsens the economic one and is fueled by it.

Faced with this double crisis, the president did what she could and should do: she radically changed her economic policy and delegated its elaboration and execution to two competent economists, Joaquim Levy (Finance Ministry) and Nelson Barbosa (Planning Ministry). At the same time, she handed over the political coordination to the Vice-President, Michel Temer, a capable and experienced politician.

Although I am not as pessimistic as most of the economists regarding the cyclic recovery of Brazilian economy, the government is in fact experiencing serious difficulties in making the necessary fiscal adjustment.

Brazilian Budget is irrationally rigid due to constitutionally earmarked funds; representatives from both the PMDB [*Party of the Brazilian Democratic Movement*] and the opposition have voted for irresponsible projects, such as the "fator previdenciário" [*a mathematical formula that reduces the benefits of early retirement*] and the increase in wages of the Judiciary's public servants; and the opposition keeps insisting on impeachment, although there is no legal basis for it.

In this difficult setting, the Central Bank, by raising the interest rate and by willing to keep it at a very high level, does not admit that there is no need to deepen the recession. Unemployment has already increased and wages have started to fall, which means that the inevitable wage adjustment will lead to the deceleration of inflation.

On the other hand, the government was forced to reduce this year's primary surplus target, because the decrease in tax revenue made it unfeasible. But it extended the adjustment period to 2016, which means that we will not have a

strong demand for some time. Why continue to raise interest rates, thus brutally encumbering the government's fiscal account?

Today we see a fragile government being attacked by the Central Bank, by the opposition and by the president of the Chamber of Deputies, Eduardo Cunha, whose purpose is to sabotage the Operation Car Wash, which is threatening him, and to boost impeachment proceedings, thus imagining to gain more power.

Now, this is not the time to attack the government. Let alone to attempt to destabilize it. This is not election time. It is a moment when we must join forces to respond to an economic crisis.

What we need today is a temporary political agreement. As professor Marcos Nobre remarked in an article in the newspaper "Valor Econômico", the agreement should include only two items: to support the Operation Car Wash and to reject the idea of impeachment, unless new and serious facts appear.

We have excellent politicians who know that politics is the art of compromise and who feel responsible for the country's destiny.

Major crises are times when major politicians assert themselves, because they set aside short-term election issues and think about the country. Brazil is experiencing a time of profound political restructuring, and Brazilians will recognize those who had been up to the moment.