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POLITICAL AND ECONOMIC CRISIS IN BRAZIL

Summary: This article examines the reasons and consequences of political and economic crisis in Brazil. A review of the past economic crises is presented. The analysis of the main trends of Brazil's economic policy is carried out .

Key words: economic crisis, wealth, investments, economic plan, political crisis.

ПОЛИТИЧЕСКИЙ И ЭКОНОМИЧЕСКИЙ КРИЗИС В БРАЗИЛИИ

Аннотация: статья исследует причины и последствия политического и экономического кризиса в Бразилии. В статье представлен обзор прошлых экономических кризисов. Выполнен анализ главных тенденций экономической политики Бразилии.

Ключевые слова: экономический кризис, богатство, инвестиции, план экономического развития, политический кризис.

The recent economic crisis in Brazil, occupying specially the period which took place in the first mandate of the now illegally out-thrown president of Brazil (victim of a state coup), Dilma Rousseff, could not have simply economic reasons. These reasons must also have been political ones.

With the aiming of sustaining an enlarged demand for consumption of goods, as part of a promised “vast domestic market”, Dilma and her economic team created the so-called “New Economic Matrix”. But, instead, it caused more inflation, less growth, worrying double deficits, a significant exchange devaluation, total budget chaos, along with an entire series of failed sectorial policies and overall degradation of economic governance. Such resultant crisis, thus created in Brazil itself, was to be blamed by the government as part of an inexistent international crisis [1].

For a better understanding of how this happened, and explain how Brazil underperformed in the context of the world economy, at a time when many emerging economies were growing twice or almost three times as fast as the advanced countries, we have to look at the larger picture, with a certain sense of the historical perspective, taking also in account the regional and international contexts, and the political and social implications of Brazil's economic policies implemented in recent times.

Economic crises are of course not a new thing in Brazil or any other country; Brazil has experienced some other crises during its development, though it is relatively a new country, and specially a new democracy. They started still in the Imperial times, and since 1929, with the crash of the north-American economy, with its peak in the desperate and young capitalist New York, the worst crisis of our recent economy has been registered. Other crises took place in the Brazilian economy, such as the one during the military dictatorship in the 70's, caused mostly by the international petroleum crisis; the 90's crisis, with the unprecedented government act of taking the population's money for itself, to pay its own national and international debts. At the most recent international crisis, started of course and again by the savage and uncontrolled capitalist EUA, in 2008, Brazil was, surprisingly not so much affected [3].

The government of her predecessor, Luís Inácio Lula da Silva, or simply Lula, was characterized by overall positive results after a bad start – in part caused by Market fears of an adventurous economic policy, in the hands of a formally "leftist" party. The fact is that there is a clear break of style and substance in economic policies from his first term in office to his second term. In his second term, Dilma Rousseff emerged as the new powerful cabinet head.

"Lulanomics" worked well along the Chinese bonanza years, up to the American housing and financial crises, when some Keynesian measures were taken to contain the reduced external demand and the changes in the foreign credit supply. Other measures, almost all in the public sector, were introduced. Supposed to be for a transitional period, they were maintained for a longer extension of time than required by the partial recovery of the world economy after 2010. Dilma's presidency, starting in 2011, represented the exacerbation of the worst kind of policies of the old school of ECLA's (the Economic Commission for Latin America of the UN) "developmentalism".

The government Lula had its consequences reflected first of all in the aggrandizement of the state; secondly in the over-stimulus of the demand side of the economy, combined to a total lack of care for its productive, infrastructure and against the basic requirements for a productivity growth, which in turn would have required a set of reforms – labor, taxation, social security, education, etc. These were never undertaken by Lula or Dilma [2].

But, as mentioned before, such recent crisis taking place mainly in the government of Dilma Rousseff did not take place only because of her and her economic counselors; on the contrary, it is a result of a chronic adding of problems in Brazil's economic management [1].

It is the result of many years of erroneous macroeconomic and sectorial policies during Lula's presidency, which shaped the two main features of PT's economic management: commoditization and deindustrialization, here two sides of the same coin. Over valuation of the Real – due to the huge inflow of dollars – and high prices in the domestic supply – taxed for an average rate of 40%, either in goods or in services – turned Brazil into a very expensive country, inducing the middle class to look to external markets to purchase many durable items.

The declining contribution of industry to national economic activity accelerated at a troubling pace in the final year of Lula's presidency and during Dilma Rousseff's entire first administration. The plunge in the trade surplus was catastrophic in the industrial section of the current transactions, although this situation did not create an immediate current account deficit. The floating exchange regime intervened to rebalance the disequilibrium. It became clear though that the bad results reflected in the main economic indicators were not a mere side effect of an alleged "international crisis", as announced by the government, but instead a consequence of its bad undertaken policies.

The dramatic, negative growth in 2015 (-3,8% of GDP), and the very bad prospects for 2016 and 2017, that is, from recession to depression, clearly point to the longest and the worst crisis in the Brazilian economic history since 1931. Over a five year period, we can estimate a loss, for the GDP, of about -10%, that is, Brazilians are becoming poor, and are due to stay in that condition for a while.

The public debt (around 70% of the GDP) does not seem to be very upsetting, taking into account the Maastricht criteria of national debt (60% of the GDP, also considering 170% for Greece and more than 270% for Japan), but the real question is not its absolute value, but its cost [3].

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