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Brazil: Warnings Of Anti-inflation Program Failure

by John Neagle

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On Feb. 17, president of the Brazilian economists association (Ordem de Economistas Brasileiros), Roberto Macedo, said that the government's recently implemented anti-inflation program could fail since exporters refuse to exchange dollars for "cruzados novos" (new cruzados) at the official one-to-one exchange rate. He said that employers are aware of workers' real wage reductions, and expect more labor unrest, including strikes, as a result of the "Plano Verao" (Summer Plan). With respect to the government's layoff of public employees and denunciations of corruption, Macedo said they were "purely symbolic," but necessary. Macedo said the government lost credibility as a result of "exaggerated" price hikes preceding the implementation of the price freeze on Jan. 15. Next, he criticized Finance Minister Mailson da Nobrega for taking "false steps" in foreign debt negotiations, such as threatening creditor banks with a moratorium on service payments. Macedo predicted that the government will be forced to make new fiscal adjustments and redefine the social pact with workers and employers in order to salvage its economic program, known as the Plano Verao (Summer Plan). (Basic data from Notimex, 02/17/89)

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