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Brazil Terminates Anti-inflation Plan

by John Neagle

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On June 15, Finance Minister Mailson da Nobrega said the government had lost the battle against its "expectations," in reference to the failure of the anti-inflation program known as the Plano Verao (Summer Plan). The minister introduced a new monetary correction instrument, the national treasury bond, which indexes financial operations daily in accordance with inflation. The bond is a new version of the national treasury obligation (OTN), an instrument abolished in January under the Plano Verao. Next, daily devaluations of the new cruzado have been reintroduced to ensure that the exchange rate reflects domestic inflation. Official sources told the Jornal do Brasil on June 13 that inflation for the month of June could reach 20%. On the same day, the Getulio Vargas Foundation (FGV, Rio de Janeiro) reported that between May 21 and May 31, average prices for clothing and footwear rose 32.54%, compared to the April 21-May 20 period. The anti-inflation plan was the third of President Jose Sarney's four-year-old administration. Previous attempts in 1986 and 1987 were also labeled failures. Inflation last year totaled 934%. President Sarney said on June 13 that his administration had been unable to maintain a state apparatus capable of offering responses to the needs of Brazil's poor. (Basic data from Folha de Sao Paulo, Jornal do Brasil, 06/14/89; Reuters, 06/18/89)

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