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Brazil: Major Business Leader Says Government Anti-inflation Program Disastrous

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On May 27, Einar Kok, director of the Sao Paulo State Industrial Federation (Federacao de Industrias do Estado de Sao Paulo-FIESP), asserted that the government's anti-inflation program has been disastrous, leading to most severe economic recession in the nation's history. Last weekend, the Brazilian Statistics and Geography Institute (IBGE) reported that GDP declined 6.87% between March 1990 and March 1991. Per capita income during the period was down 12% compared to 1985. Since President Fernando Collor de Mello was installed in March 1990, the Sao Paulo industrial sector has contracted by 13%, and 1 million workers have been dismissed. An estimated 6 million Brazilians are currently unemployed nation-wide. Kok said companies do not have opportunities to accumulate profits to invest in upgrading and cost reduction. Economic recovery, he added, at the moment would likely trigger inflation. According to an editorial by daily newspaper Folha de Sao Paulo (05/27/91), reality contrasts in a scandalous way with the triumphalist discourse that marked the presidential campaign, and pronouncements by Collor de Mello’s economic team since March last year. The Folha editorial stated that recession has not generated lasting economic stability, since the reduction of consumer price inflation to less than 10% per month was caused by artificial price controls. FIESP leader Carlos Uchoa Fagundes said the government's economic policy has caused tremendous disillusion among entrepreneurs. He pointed out that manufacturing employment in Sao Paulo has dropped to 1980 levels, or less than 2 million. GDP growth rates began to decline in early 1981, the beginning of a major recession. Economists say that since then, Brazil lost over $500 billion in economic output, described as the result of poor economic performance. Due to price controls decreed in February, the April inflation rate was about 7%, one of the lowest monthly rates in the past five years. (Basic data from EFE, 05/27/91)

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