

NO TO RECESSIVE ECONOMIC POLICY OF MICHEL TEMER GOVERNMENT

Fernando Alcoforado *

Michel Temer Government prepared a Proposal of Amendment to the Constitution (PEC 241-2016) sent to Brazilian Congress intending to introduce a new tax regime in Brazil. The proposed measures set new ceiling for public spending which will have as limit the prior year spending adjusted for inflation and this fact will cause public health and education spending are frozen in real terms going to be only adjusted for inflation. The Federal Constitution establishes in 18% of federal taxes Union minimum investment into education, and 25% for the states, the Federal District and municipalities. In health, the costs are 15% of tax collection for municipalities and 12% for the states. As for the Union, as the Constitutional Amendment 86, enacted in March 2015, fixing the minimum health expenditure limit to 13.2% of net current tax collection in 2016, 13.7% in 2017, 14.1% in 2018 , 14.5% in 2019 and 15% in 2020.

The PEC 241-2016 deals with primary expenditure, ie excluding government spending with the payment of interest and amortization of public debt, real cause of the public deficit. The freezing of public spending will run for 20 years, with the possibility of revising the limit setting rule from the tenth year of operation. The makers of this PEC 241-2016 start from the premise that the Brazilian fiscal problem is a result of the rapid increase in primary public spending, ie social spending, health, education, civil service, etc. when in reality it results from the uncontrolled growth of public debt. With the PEC 241-2016, the Temer government intends to end the budget linkages provided in the Brazilian Constitution for health and education, the result of decades of struggles of Brazilian society. Under current rules in 2016 would be assigned a minimum spend on public health services in 13.7% of the Union's current net income. In education, the forecast is at least 18% of federal tax revenue, deducted constitutional transfers.

With the links during the period of the New Tax Regime, the minimum expense will be calculated by the previous year's expenditure adjusted by the IPCA, with no real increase in the areas of education and health. The power or authority to extrapolate the defined annual ceiling will be prevented from increasing personnel expenses in the following year. In other words, could not grant adjustment to civil servants or create positions that mean increased expenses. The proposal only allows hiring in the case of replacement of vacancies due to retirement or death servers. They may not be made public procurement. If this PEC 241-2016 is approved trend is that over the years, spending on education and health are reduced in proportion to the GDP, compared to the current percentage. The trajectory of greater access of the poor to public education and health services will be stopped. This will affect directly public services offered to the poorest who are already insufficient.

The PEC 241-2016 ignores the huge needs for investment in health and education that the country still has to meet the majority of the population. The PEC 241-2016 will mean great sacrifices for the poor in exchange for a supposed reduction of public debt. But it will be very difficult to reduce public debt simply by limiting the primary spending if there is no economic growth. Without economic growth and Brazil practicing the largest interest rates in the world, it is almost impossible to get debt reduction. The problem of the public deficit in Brazil is public debt because Brazil do the higher interest rates in the world and spent R\$ 500 billion to the payment of public debt in 2015. The PEC 241-2016, as well as other measures being gestated, aims to

ensure the maintenance of transfers of wealth from society to the financial system. For authors of PEC 241-2016 no matter if it means the disintegration of the national society.

In addition to undermining the interests of the vast majority of the population committing the education and health services, Michel Temer government tries to present as a solution to the financial crisis of the Brazilian state the pension reform arguing that the deficit of Social Security is huge and its structure unsustainable for years to come. It is a fallacy to justify the privatization of social security and care services, and allocate more resources to the financial sector. The social security deficit is a lie made true by performing accounting maneuvers that do not respect what the Brazilian Constitution stipulates. Correct, constitutionally, it is to consider the discussion on "Social Security System" and not on "Social Security" in which the latter is part of it.

By Art. 194 of the Brazilian Constitution, Social Security System comprises an integrated set of actions initiated by the public authorities and society to ensure the rights to health, social security and social assistance. The Social Security System gets surpluses every year, according to a survey by the National Association of Tax Auditors of the Federal Revenue of Brazil (ANFIP). Data indicate that between 2008 and 2014, the surplus of Social Security System are beyond R\$ 319 billion, distributed as follows: 2008, R\$ 63,213 billion; 2010 R\$ 53,828 billion; 2012, R\$ 82,690 billion; 2013 R\$ 76,214 billion; and 2014, R\$ 53,892 billion. It is important to note that Social Security is part of Social Security System. Therefore, reducing the discussion only to Social Security is to want to hide the surplus of Social Security System. It is important to note that the Brazilian Constitution (Art. 195), Social Security System is financed by all of society, directly and indirectly, under the law, with funds from the government, businesses and workers.

To complete its economic action, the Michel Temer government announced the fiscal target for 2017 that will have R\$ 139 billion deficit. For 2016, the deficit planned by the federal government is R\$ 170.5 billion, equivalent to just over 2.7% of GDP; given the target for 2017 would be 2.1% of GDP. It seems a great effort to reduce the damage, but it is still a disaster almost inevitable without a massive tax increase. The unfortunate is that while the Union budget intended 47% payment of interest and repayments of debt, education, health and work do not reach 4% each, culture receives 0.04% of the budget, citizenship rights 0.03% . There are over where to draw the country's wealth and transfer to the financial sector but to reduce spending on education, health and social security as recommended by the government Michel Temer. All this set of measures will not solve the economic and financial crisis of the government, and aggravate the economic crisis affecting the whole of Brazilian society whose solution will only come with the economic growth of the country. No Temer government measures points in this direction.

Given the sharp drop in household consumption and business, investment from the private sector and government, the current situation would be to demand that the main focus of action of Michel Temer government should be: 1) to increase investment in infrastructure to boost the economic growth of Brazil; 2) to audit the public debt to know its real value; and 3) to renegotiate with creditors to reduce the annual costs of the payment of the public debt to get availability of public resources for investment. The Brazilian Logistics and Supply Chain Institute published in September 2011 text under the heading *Infrastructure: current situation and planned investments* in which estimated the necessary investments in ports (R\$ 42.9 billion), railways (R\$ 130.8

billion) and roads (R\$ 811.7 billion), totaling R\$ 985.4 billion. Adding this value to the investments needed to waterways and inland ports (R\$ 10.9 billion), airports (R\$ 9.3 billion), energy sector (R\$ 293.9 billion), oil and gas (R\$ 75.3 billion), sanitation (R\$ 270 billion) and telecommunications (R\$ 19.7 billion) totaled R\$ 1,664.5 billion.

In turn, the health sector requires investments of R\$ 83 billion per year reported on the website <<http://noticias.r7.com/brasil/noticias/governo-precisa-investir-ao-menos-60-ama-is-para-melhorar-a-saude-no-brasil-20110921.html>>, the education sector needs investment of R\$ 16.9 billion / year for quality education in Brazil reported on the website <<http://agenciabrasil.ebc.com.br/noticia/2013-09-14/apesar-de-mais-altos-investimentos-em-educacao-ainda-sao-mal-distribuidos-aponta-ocde>> and the popular housing requires R\$ 160 billion to eliminate the housing deficit reported on the website <<http://www.cimentoitambe.com.br/deficit-habitacional-no-pais/>>. The total investment in economic infrastructure (energy, transport and communications) and social (education, health, sanitation and housing) corresponds to R\$ 1,924.4 billion, ie almost R\$ 2 trillion. As the federal government and the domestic private sector does not have the resources for investment would be important to attract foreign capital with the adoption of public service concession policy. This initiative is urgently needed without which the recession will deepen in Brazil.

* Fernando Alcoforado, member of the Bahia Academy of Education, engineer and doctor of Territorial Planning and Regional Development from the University of Barcelona, a university professor and consultant in strategic planning, business planning, regional planning and planning of energy systems, is the author of *Globalização* (Editora Nobel, São Paulo, 1997), *De Collor a FHC- O Brasil e a Nova (Des)ordem Mundial* (Editora Nobel, São Paulo, 1998), *Um Projeto para o Brasil* (Editora Nobel, São Paulo, 2000), *Os condicionantes do desenvolvimento do Estado da Bahia* (Tese de doutorado. Universidade de Barcelona, <http://www.tesisenred.net/handle/10803/1944>, 2003), *Globalização e Desenvolvimento* (Editora Nobel, São Paulo, 2006), *Bahia- Desenvolvimento do Século XVI ao Século XX e Objetivos Estratégicos na Era Contemporânea* (EGBA, Salvador, 2008), *The Necessary Conditions of the Economic and Social Development-The Case of the State of Bahia* (VDM Verlag Dr. Muller Aktiengesellschaft & Co. KG, Saarbrücken, Germany, 2010), *Aquecimento Global e Catástrofe Planetária* (P&A Gráfica e Editora, Salvador, 2010), *Amazônia Sustentável- Para o progresso do Brasil e combate ao aquecimento global* (Viena- Editora e Gráfica, Santa Cruz do Rio Pardo, São Paulo, 2011), *Os Fatores Condicionantes do Desenvolvimento Econômico e Social* (Editora CRV, Curitiba, 2012) and *Energia no Mundo e no Brasil- Energia e Mudança Climática Catastrófica no Século XXI* (Editora CRV, Curitiba, 2015).