

Brazil's Congress Pushes Decades-Long Austerity Shock Therapy



Brasilia, October 13 (RHC)-- Unelected Brazilian President Michel Temer is a step closer to cementing his long-term austerity plan for the cash-strapped country as the lower house of Congress approved a constitutional reform that would freeze public spending for the next two decades.

Critics argue that the aggressively neo-liberal plan — known as PEC 241, the Portuguese acronym for Proposed Constitutional Amendment — dramatically undermines rights enshrined in the 1988 constitution, written in the early years of Brazil's transition to democracy following the fall of the military dictatorship in 1985.

Progressive economists often warn that austerity deepens an economic downturn rather than reverses it, by depleting consumers of buying power. Public disinvestment, is, in effect, anti-Keynesian, and is akin to turning off the engine of a plane already in free-fall.

With a population of more than 200 million, Brazil's income and wealth disparities are among the widest in the world, and the country is currently in the midst of its worst economic contraction since the Great Depression. The PEC 241's 20-year freeze on public spending will almost certainly produce an anemic

economy because it will starve a demand economy of the very oxygen it needs — consumer demand — to thrive.

The controversial amendment passed with ease in the lower house by a 366 to 111 vote in favor, with two abstentions, after a marathon nine-hour session. The measure still needs a second vote in the lower house, where it is expected to pass the super-majority threshold in a vote scheduled for October 24; if approved, it will be forwarded to the Senate for final approval.

A recent report by dozens of Brazilian economists, titled “Austerity and Recession: Public Finances and Fiscal Policy in Brazil,” refutes conventional arguments for tightening the purse strings, saying it is the wrong remedy for Brazil’s economy. The economists dubbed Temer’s policy “permanent austerity” and “shock therapy” and advocated progressive tax reform to shift the fiscal burden to fund programs instead of shrinking the state, as proposed by PEC 241.

The reform has also garnered criticism from Brazil’s top prosecutor. The Attorney General’s office said in a statement Friday that PEC241 is “unconstitutional,” arguing that the 20 year spending freeze will “limit, weaken and harm the performance of the judiciary and other institutions of the justice system” and should be scrapped.

International markets, however, have cheered the neoliberal advance, championed as a plan to cut back Brazil’s budget deficit. The PEC 241 proposes to cap public expenditure in line with inflation until 2037, raising concerns that the Draconian cuts will result in an unprecedented assault on public education, healthcare, social programs and criminal investigations into public malfeasance and corruption.

Critics have also argued that the PEC 241, a clear move to institutionalize neo-liberalism, provides the clearest evidence yet of the motivations behind the August 31st impeachment of former President Dilma Rousseff from office, which resulted in the installation of her vice-president, Temer, for the rest of her term.

Jandira Feghali, a member of Congress with the Communist Party of Brazil, characterized PEC 241 as the “second phase of the coup,” referencing the widespread condemnation of the Senate’s ouster of Rousseff –ostensibly on corruption charges– as a “parliamentary coup.”

In a speech to U.S. corporations last month in New York during his visit for the U.N. General Assembly, Temer explicitly stated that the reason for Rousseff’s removal was not that she committed budgetary crimes as her rivals charged. Rather, as reported by The Intercept, Temer revealed that Rousseff’s refusal to implement cuts to social programs and roll out a privatization plan as part of a broad neoliberal austerity agenda advocated by Temer and his allies was the real motivation for her ouster.

Analysts and social movements critical of Temer’s policies have argued that Rousseff’s impeachment was the first step in a multi-faceted “coup” targeting the popular Workers Party—known by its Portuguese acronym the PT— led by the country’s most popular politician, Rousseff’s mentor, and predecessor, Luiz Inacio Lula da Silva. The center-left party had won the last four presidential elections in Brazil, and more conservative political parties had virtually no chance of winning an electoral mandate to rollback the PT’s popular social programs.

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