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Brazil

New fiscal framework: a barrier to building the Brazil that the people need

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The National Leadership of the PSOL approved on the 15th, among other issues, a first critical position on the fiscal framework proposal presented by Haddad and Tebet to the press. [1]

Despite possible changes to the final text the matter was formally brought before the Brazilian National Congress last Tuesday. Initial information confirms the financial lines of the project which is already a concern for the entire party and a large part of Brazilian society.

The majority of the national leaders of the PSOL understand that "so far, the proposal is less rigid than the [previous] Expenditure Limits", but also identify the maintenance of a "logic of adjustment in public accounts" that legitimises a budgetary discourse of spending by restricting increases in investment. In summary, its most negative aspect is opposed to the strengthening of the rule of law. The new proposal foresees expenses being tied to a 70% revenue growth rate whilst still limited to real advances (limited by inflation) within the parameters of 0.6% to 2.5% per year. This enforcing of both a floor and ceiling for public investment, working with a totally unnecessary primary surplus target, yields to the pressures of the financial market, whereas the real need is to resume social investment by the state.

In practice, according to first projections, if this rule had been in force from the beginning of Lula's first government in 2003, around 8.8 billion reais [approximately USD1.76 billion] would not have been invested in Brazilian public services. There is a risk of structurally reducing the growth of health and education by at least 30%, with no room for manoeuvre for the work of government. This implies deleting the right to education and health from the Constitution in order to fit the budget within the new framework. This would be a very serious attack on basic social and constitutional rights. Even the budget of the BNDES (Banco Nacional de Desenvolvimento Econômico e Social, the National Bank for Economic and Social Development) and other public banks have been included within the new limitations proposed by the Treasury. These measures call into question the possibility of the government fulfilling its role in the construction of a Social State and a true Brazilian democracy.

In 100 days, the Lula government has faced a coup attempt and there is enormous weight from the right and the extreme right in society and in the National Congress. Obviously, this is PSOL's first concern, even when voting on the new fiscal framework. All the Bolsonaroista opposition wants is a government with its hands tied. The PSOL, on the contrary, wants to help open space for investment in health, education, infrastructure works, social programmes and reparation policies.

The problem in Brazil is not, as most of the press and the market celebrating the new proposal dream of, the "loss of control" of investments. On the contrary, the underlying problems are hunger, unemployment and precariousness, inflation and the cost of rent and food, environmental destruction, global warming, deindustrialisation and a possible global economic crisis. For this reason, Michel Temer's expenditure ceiling was successively perforated by Bolsonaro, with the support of a part of those who today defend the new Fiscal Framework and blackmail Lula and Haddad for the fiscal adjustment rules. For the same reason, the new framework will be an obstacle to the Lula government fulfilling its campaign promises. An obstacle to realising the Brazil that we want and that the Brazilian people need!

The big difference is that when Bolsonaro broke the spending ceiling to offer emergency aid, he did not suffer impeachment for breach of fiscal responsibility. This did not happen even when the former president defended military intervention and committed serious crimes during the pandemic crisis (everyone remembers the bribery

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related to the purchase of vaccines which then took months to be distributed as well as the lack of oxygen in Manaus state hospitals Intensive Care Units.) Meanwhile, Lula was unjustly imprisoned over an alleged triplex and pedalos in Atibaia, São Paulo state in a manifestly political and arbitrary process.

There is no doubt that if the Brazilian economy goes through difficulties and Lula has to break the new fiscal framework to get the country out of the crisis, the "market" and big media will not proffer the same affection they did to Bolsonaro and will question the legitimacy of the new government elected with 51% of the votes. It was like that with the accusation of "fiscal pedaling" against Dilma Rousseff. It was a very short time ago, let's not forget it!

This means that if the proposal does not undergo structural changes to unblock the path of public investment, the most correct thing is for the PSOL to vote against the fiscal framework proposal, which also tends to be approved by the vast majority of Congress that led to Arthur Lira's re-election. In the end, the PSOL has also assumed its political commitments to society: defending Lula's government from attacks, fighting the extreme right and also defending the constitutional rights of the majority of the Brazilian people whilst fighting in Congress and in the streets for its expansion.

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[1] Simone Nassar Tebet has been the Brazilian Minister of Planning and Budget since 1 January 2023 she is a member of the Brazilian Democratic Movement Party. Fernando Haddad has been the Brazilian Minister of Finance since 1 January 2023.