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## DISPROPORTIONAL WEIGHTS

Establishing measures to encourage consumption is easier than coming up with strategies to boost production. With this phrase we can better understand the meltdown of Brazil's economy in 2012 and its direct relationship with the choices made by the Federal Government: *The importance given to consumption was inversely exponential to that attributed to the productive sector.*

Consumption stimulus measures are part of the more-than-archaic arsenal that the government introduced to sustain the effects of the international crisis and protect the domestic economy. Simply, but seriously put, it is like: let's give money to the "mass", let credit flourish, reduce taxes (IPI – Excise Tax) on refrigerators, vehicles, etc. and, with this, resume economic growth.

It is hard to believe, but the technicians who conduct our economic policy did not see that this model is finished. It seems more rational to let the "mass" become indebted, but have their new refrigerator (financed in 18 installments) or car (paid over 60 months) than offer competitive conditions to the productive sector, which throughout the cycle will generate new jobs, cause an increase in income and, ultimately, ensure more sustainable consumption conditions for the population.

To show that this model no longer adds up, simply look at the latest delinquency indicators. Recent figures reported by Serasa show that consumer

delinquency increased 9.9% in September 2012 in relation to the same month a year ago.

And what would be the reason for not prioritizing the productive sector with such tenacity? The answers to this question are not exactly known, since from a political point of view the government has ample majority in Congress and Senate to approve projects, such as the long-awaited tax reform. Just like the pressure to reduce bank interest rates, the same effort should be made to reduce taxes.

But this is a much more arduous task, since it involves an ingredient that alters the entire Brazilian economy cake: public servant expenses are grandiose and will not retract in the short term. At the same time, we continue to see inefficient management in the main infrastructure programs.

In summary: to reduce the weight of taxes, the government must reduce public servant expenses and make their projects efficient, with an eye on reducing the weight of corruption.

It's no secret – and not at all complex – understanding this scenario. It is unacceptable, from a competitive and socioeconomic perspective, for Brazil to continue with a tax load of around 35% of GDP and continue stimulating the "mass" to commit their future income with credit lines that offer an infinite number of installments. There will come a time that the government will have to foot the bill! ■

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