From the IBPP Research Associates. Brazil: Rafael Raffaelli. Part I

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The economics crisis in Brazil is due to a failed wager proposed by Presidente Fernando Henrique Cardoso (FHC). He was elected to a first presidential term in 1994 based on the success of an anti-inflation plan called "Plano Real" that changed the name of the Brazilian currency from the "cruzeiro" to the "real". He was then Finance Minister in the government of former president Itamar Franco.

The plan was based on a parity between the dollar and the real and the hope that foreign capital would nurture and support this parity. The plan worked nicely for the four years of the first presidential term of FHC but was built to work for a short period and needed improvements to continue being effective.

Unfortunately, FHC discounted such economic issues and invested all his chips in getting re-elected—a goal that at the time was forbidden by the Brazilian constitution. As the Brazilian mass media have shown, FHC made a bargain with congressmen—paying for their support in the balloting to change the constitution. Instead of working for Brazil, FHC worked for himself and let the Brazilian debt increase in a dramatic way.

As the international crisis got worse with the Russian collapse, all FHC had to say was: "Brazil is not Russia". In the meantime, Itamar Franco had been elected governor of the state of Minas Gerais. Franco had been the mentor of FHC and was significantly responsible for FHC being nominated and then winning a first presidential term. As time went by, however, Franco became a critic of FHC's economic policy—especially the selling of Brazilian governmental enterprises to foreign investors.

The psychological effects of the crisis in the Brazilian population is still low, for the problems are not well understood by the majority of the ordinary people. However, there will be a profound impact if inflation returns in the immediate future as expected. (Keywords: Brazil, Raffaelli.)