# Should the administration reconsider its policies?

PRESIDENT ROUSSEFF IS EXTREMELY self-confident and energetic: Once she commits to a direction, she stays committed. She sincerely believes in government-led rather than private-sector-led growth. In contrast, she lacks the pragmatism of her predecessors Lula and Fernando Henrique Cardoso.

It is obvious that recovery remains shaky with key indicators uneven: Industrial output shrank more than expected in February, suggesting a long-expected rebound in the industry has yet to take place, and the stock exchange index fell 7.55% in the first quarter of 2013, its worst performance in 18 years. The IBRE Economic Outlook raises doubts about whether even the minimal recovery so far is sustainable. Should the president reconsider her administration policies?

Rousseff has remained immensely popular half way through her term in office. Unemployment was low and real wages continued to rise. Now Brazilians are holding on what they have rather than spending it. Not a promising sign for the economy.

When all aspects of the economy seem to be headed the wrong way, reconsidering policies is not only sensible, it is the right thing to do. The president is a straightforward and sensible person who puts the interests of the country first. She should reconsider some of her administration policies.

Everyone has an explanation about what the basic problem is with the Brazilian economy: a difficult business environment both globally and domestically, the Brazil cost, the inventory adjustment cycle, lagged positive effects of loose monetary policy. The newest is discussed in the cover story: activist short-term government policies to revive investment and growth have created uncertainty.

The cover story analyzes a new Barclays Bank study that found fixed investment in Brazil began dropping when the government began to intensify protectionist measures and favor some sectors over others with tax and other breaks. In the featured interview, Domingo Cavallo, former Minister of Economy of Argentina, comments, "Brazil has not moved fast enough on microeconomic reforms or on the fiscal, tax, and regulatory reforms that are essential to increase productivity. The good thing is that Brazil has maintained the direction of reforms made so far. The bad, or not so good, is that it has never made reforms fast enough."

At this point, government activism itself may have become part of the problem. Business confidence indicators are already down. If the economy continues to perform poorly and they worsen, unemployment could turn up abruptly, and incomes could turn down. Brazil certainly doesn't need more economic indicators going in the wrong direction.

When all aspects of the economy seem to be headed the wrong way, reconsidering policies is not only sensible, it is the right thing to do. The president is a straightforward and sensible person who puts the interests the country first. She should engage people that hold other views, and reconsider some of her administration policies. She has already moved a little in that direction by changing some of policies, notably by improving to some extent the attractiveness of infrastructure concessions for the private sector. However, much more remains to be done to mobilize private savings and investment.

In discussing the run-up to the elections in 2014, our political columnist said that even if economic winds might have seemed to favor Rousseff to a large extent, "It is easy to spot dark clouds on the horizon." We can feel the favorable winds dropping and see the dark clouds massing. Why can't the administration?