

## The BRAZILIAN ECONOMY

### Economy, politics, and policy issues

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Caixa Economica Federal, the federal government savings bank, has helped to boost the Brazilian economy in the acute crisis that started in the United States in 2008, and it is sticking with its policies: in the 12 months ending in July, it expanded by 60% its total loans — almost triple average credit growth in the national financial system (20.8%) for the same period. Maria Fernanda Ramos Coelho, CEO of Caixa, says that is a new record for real estate financing, from R\$23.3 billion [US\$ 13.7 billion] in 2008 to approximately R\$38.8 billion [US\$22.8 billion] in 2009, an increase of 66.5%. Even with increased loans, however, Caixa has reduced its interest rate by a third, and at about 2%, defaults on housing loans are modest.

International Monetary Fund Senior Economist Evan Tanner explains that in response to the financial crisis, US consumers have to save more. For him, the beneficial effects of new savings will be cumulative. By saving more, families and businesses rebuild their wealth, which will be key to restarting investment in physical capital. Tanner notes that historically in the United States there has been a close connection between equity and capital expenditures. This connection has been described by Ben Bernanke, chairman of the US central bank, as a “financial accelerator.”

The fight against cartels in Brazil seems to have taken a new course. According to Luis Fernando Schuartz, FGV professor, by signing the Declaration of Brasilia on October 8, the Ministry of Justice established a broad network of cooperation between government agencies for implementing the policy, forming a National Strategy to Combat Cartels (Enacc). 