From the Editors

THE GOVERNMENT HAS MADE a major move toward long-term fiscal sustainability in a package of measures, announced just before President Rousseff's second term began. It considerably tightened eligibility for Social Security and federal civil servant pension benefits for surviving spouses, unemployment insurance, and salary bonuses. The new economic team has also signaled that privileges and tax exemptions will be curtailed and taxes raised. Finally, on January 8, the government announced budget cuts worth US$8.4 billion in 2015. It appears that to improve credibility the government is determined to substantially increase the fiscal primary surplus of the consolidated public sector credibility.

That will not be easy. Federal government spending has been ballooning mostly because of surges in social spending, which the president is reluctant to cut. Meanwhile, the world economic outlook is not favorable, and investigations of corruption at state-owned oil company Petrobras that involve politicians could gridlock Congress, making it even harder for government to manage the economy (see the cover story, p.8).

In this month's interview (p.14), Armando Castelar, IBRE coordinator of Applied Economic Research, calls not only for government fiscal discipline but also for a clear vision of how to restart growth. That requires, he says, a positive agenda for, e.g., streamlining taxes and bureaucracy and accelerating concessions; he expects up to two years of difficult economic adjustment.

Among long-term pro-growth policies are improving the quality of education in general and expanding vocational training opportunities. Today more Brazilians are more educated than 10 years ago, but the quality of education has not progressed as fast as access to schools. These issues were discussed at the seminar on "Finance and Management of Education in Brazil," organized by the Brazilian Institute of Economics, are reported on p.24.