



Written by [Bob Adelman](#) on May 16, 2016

Brazil's Interim President Says "Trust Me," Installs Corrupt Bureaucrats

Upon taking over Brazil's presidency from disgraced former President Dilma Rousseff on Thursday, interim president Michel Temer (shown) [asked his skeptical citizenry to "trust" him](#), saying that his new administration would be Brazil's "salvation":



Trust me. Trust the values of our people and our ability to recuperate the economy.... It is essential to rebuild the credibility of the country abroad to attract new investments and get the economy growing again.... It is urgent to restore peace and unite Brazil. We must form a government that will save the nation.... It's urgent to seek the unity of Brazil. We urgently need a government of national salvation.

Even if he truly intended to do any of that, the challenges he faces almost defy description. Brazil's economy is suffering under the worst depression in decades, shrinking by four percent last year with similar shrinkage expected in 2016. Unemployment is in double digits, as is inflation. Exports have dwindled in light of the shrinkage of demand for cement, soy product, and iron ore from its primary customer, China.

Regulation of private business has relegated the country to near the bottom of the list of countries rated on ease of doing business. Its welfare-state programs are draining the government of precious revenues, as are increasing interest rates on the suffocating national debt. All three credit-rating agencies have cut their ratings on Brazil's sovereign debt to junk, with Moody's explaining in February that Brazil's credit metrics have deteriorated "materially" in the past few months and will worsen over the next three years.

Moody's also cut its rating on Petrobras, Brazil's state-owned oil company, to six levels below investment grade, expressing grave concerns that the government will be unable to keep the company afloat due to its own financial problems.

Government debt, which currently absorbs two-thirds of the country's economic output, has increased by nearly a third in just the past two years. Moody's expects it to reach 80 percent by 2018.

And Temer himself is no peach. Convicted of violating campaign-finance laws, he is barred from running for political office for eight years. He is under investigation for bribery and fraud in connection with the Operation Car Wash corruption investigation that has already ensnared dozens of top politicians in the country. He is accused of taking \$1.5 million in bribes from a company that received construction contracts from Petrobras, but Temer is calling them "campaign contributions."



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Temer, a 75-year-old college professor and “constitutional” lawyer, has been involved in Brazilian politics for decades, serving in the administration of former President Lula da Silva and then becoming Rousseff’s vice president in 2011. In building his new cabinet, Temer is going back to the “good old boy” network that he has profited from so handsomely for years. Half a dozen of his cabinet picks are under investigation under Operation Car Wash, including his new finance minister, who ran the country’s central bank under Lula for nearly a decade.

Other ministers appointed by Temer include a former executive at another government-controlled bank, and one already tainted by the Rousseff administration is being asked to occupy the same post — tourism minister — as he had before.

Temer touts a public approval rating almost as low as Rousseff’s, and there’s a motion to impeach him for charges similar to those that removed Rousseff from office.

Temer is likely to miss altogether an opportunity to restore Brazil to its former status as one of the BRICS countries. The list of remedies should begin with curtailing the power of the central government, and then be directed at repealing the minimum-wage laws that are causing unemployment for millions of Brazilians. It should remove the “scattershot” price controls Rousseff employed in 2012 in an attempt to keep prices under control and make the economy appear more attractive to outside investors.

Temer should also cut taxes — both personal and corporate — reduce labor regulations, and overturn other rules that have turned Brazil into one of the world’s most difficult places to operate a business. Temer should cancel the Olympic Games in August, citing the fact that public funding of such events costs the host country millions, which Brazil can ill afford. He should cancel current plans for the government to build 19 nuclear power plants and instead bid them out to private contractors.

He should demand that every agency head look at how government can do less, rather than more. Brazil has enormous natural resources which, under socialism, are being squandered to fulfill a political agenda rather than an economic one. The country’s main industries, despite being shackled almost into economic asphyxiation by government regulations, include textiles, shoes, chemicals, cement, lumber, iron ore, steel, aircraft, motor vehicles, and parts and other machinery and equipment. All that needs to happen is to let those industries breathe again and Temer’s touted “salvation” will take place. His motto should be “less, not more.”

None of this has any chance of happening, however, according to Mauro Rochlin, an economist who does see some of what is needed to revive Brazil:

All the things that [Temer] needs to cut are in very sensitive, essential areas. There is no other way around it. It will be up to Congress to make important changes in spending policies. They will have to allow [cuts] in public salaries and retirement [benefits], but the public sector is very sensitive and very mobilized [against such remedies].

What is certain to happen is the coming great Brazilian debt default. Investors will get stiffed, Moody’s projections will be validated, citizens will suffer more privation, and the country will continue its retrogression thanks to progressive policies that managed only to grow one thing: government.

Photo: AP Images

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.



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