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Pal 15-4 Brazil

Department of State

TELEGRAM

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ACTION ARA 16

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FM AMEMBASSY RIO DE JANEIRO
TO SECSTATE WASHDC 4909

UNCLAS RIO DE JANEIRO 12915

Pal 15-4 Brazil

*Rio 12915
10/21/68*

SUBJECT: GOB ACTIONS TO CONTAIN PUBLIC SECTOR

1. IN FOUR RELATED ACTIONS DURING THIS WEEK 14-18 OCTOBER GOB MOVED FORWARD ON GOALS OF IMPROVING THE OPERATING EFFICIENCY OF THE PUBLIC SECTOR AND REDUCING BURDEN ON THE PRIVATE SECTOR FROM AN EXCESSIVELY HIGH LEVEL OF PUBLIC EXPENDITURES.

2. ACTIONS TAKEN WERE: (A) A DECREE ASSURING FULL DISCLOSURE OF FEDERAL GOVERNMENT PERSONNEL EXPENDITURES, INCLUDING THE AUTAEQUIES, AND MAKING EACH MINISTER PERSONALLY RESPONSIBLE FOR MAINTAINING PERSONNEL CEILINGS FOR HIS MINISTRY AND ATTACHED ENTITIES (A-118); (B) A RESOLUTION, SUBMITTED TO SENATE FOR APPROVAL IN ACCORDANCE WITH ARTICLE 69 OF CONSTITUTION, PROHIBITING STATES AND MUNICIPALITIES FROM CONTRACTING DEBT FOR NEXT TWO YEARS OTHER THAN SHORT TERM BORROWING IN ANTICIPATION OF BUDGETED RECEIPTS; (C) AN IMPRESSIVE WEEK-LONG WELL PUBLICIZED CONFERENCE ATTENDED BY THE PRESIDENT AND TOP LEVEL FEDERA, STATE AND MUNICIPAL OFFICIALS AT THE MUSEUM OF MODERN ART OF ACHIEVEMENTS UNDER THE 1967 ADMINISTRATIVE REFORM LAW AND TASKS YET TO BE ACHIEVED, AND (D) PUBLIC STATEMENT BY MINISTER OF FINANCE DELFIM NETTO THAT GOB PLANS NO INCREASE IN TAX RATES DURING 1969.

3. COMMENT: ABOVE ACTIONS INDICATE DESIRE OF GOVERNMENT TO REDUCE ROLE OF PUBLIC SECTOR AND THEREBY FACILITATE PRIVATE SECTOR GROWTH. HOWEVER, THIS IS LONG-TERM EFFORT;

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MOST ONE CAN EXPECT FOR 1969 IS SLOWER GROWTH OF
PUBLIC SECTOR EXPENDITURES WITH SMALL DECLINE
RELATIVE TO GNP.
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