

Nº 307

ISSN 0104-8910

***THE BRAZILIAN 1994 STABILIZATION PLAN: AN
ANALYTICAL VIEW***

Eduardo Felipe Ohana

Julho de 1997

THE BRAZILIAN 1994 STABILIZATION
PLAN: AN ANALYTICAL VIEW

Eduardo Felipe Ohana
Prof. EPGE/FGV - Brasília

199709 97

339.5 036b



1000078923

THE BRAZILIAN 1994 STABILIZATION PLAN: AN ANALYTICAL VIEW

Eduardo Felipe Ohana

ABSTRACT

The Real Plan has succeeded in stabilizing the Brazilian inflation. The consumer price inflation has been reduced from 11260 percent per year, in June 1994, to an estimate of 8 percent in 1997. The lower inflation resulted in a remarkable income distribution, and in an increased private consumption.

The Plan managed to control the inflationary effects of the increased demand with some traditional measures: A more liberalized economy, a moving (and overvalued) exchange rate band, high interest rate differentials, and a tight domestic credit policy.

The government has, so far, failed to accomplish the fiscal adjustment. The price stabilization has largely depended on the current account deficit. However, macroeconomic indicators do not present reasons for concern about the current account sustainability, in the medium-run.

The economy may be trapped in a low-growth vicious cycle, represented by a stop-and-go trend, due to the two-way endogeneity between domestic saving and growth.

Economic growth depends on policies to increase the public sector saving, to secure the privatization of the State enterprises, and to promote investments.

The major problem for the government action is, as always, in the political sphere. Approximately 80 percent of the Central Government net revenue are allocated to the social sectors. Consequently, the fiscal reform will have to deal with the problem of re-designing the public sector's intervention in the social area. Most probably, it will be inevitable to cut the social area budget. This is politically unpleasant.

THE BRAZILIAN 1994 STABILIZATION PLAN: AN ANALYTICAL VIEW*

E. Felipe Ohana**

Introduction

The Brazilian stabilization plan - - Real Plan (The Plan) - - launched in July 1994 introduced a new monetary regime based on the elimination of the widespread price indexation and on the exchange rate as a nominal anchor¹.

The inflation rate was sharply reduced. The rate decreased from 11260 percent in June 1994 (consumer price, at annual basis) to 24,6 percent in August. As expected, the relative prices of most non-tradable goods increased after the Plan. However, as of December 1996, the housing price were the only one to sustain a remarkable 74 percent increase, compared to June 1994. All other prices have returned to their previous level, with an important exception for food products, with a decrease of 16 percent.

The Plan's main instruments are a moving exchange rate band, a relatively high interest rate and a tight domestic credit policy. Since January 1996, the exchange rate band has been devalued according to the government's inflation target. The devaluation policy ceased to be a backward looking instrument for relative price corrections, to condition the inflationary expectations.

* Preliminary version. Presented at The Colosio Foundation workshop - Economic strategies for the new millennium: Globalization with social justice - in Mexico City, May 1997.

** Economist of The Getulio Vargas Foundation, in Brasilia.

¹ The economy material balance condition is given by

(1) $A(r) - S_x = O$, where $A(r)$ is the domestic absorption as a function of the real interest rate, and $A' < 0$; S_x is the external saving; and O is total domestic supply.

The monetary equilibrium can be described by

(2) $M_s = P [a(O) - b(r)]$, where M_s is the nominal money supply, P the price level and (a) and (b) are the parameters of the demand for money function.

Solving both equilibrium equations for (r), and after some algebraic manipulations, one finds the following price equation:

(3) $P = M_s / [(O/A) + a(O)]$

The following hypothesis are suitable for the before-plan Brazilian economy:

$M_s = L(Pt-1)$, meaning that the money supply is endogenously given by the monetary correction.

$O = h E(P)$, $h' < 0$. Inflationary expectations spells uncertainty, affecting the productive investments level.

$A = j E(P)$, $j' > 0$, inflationary expectations stimulates the aggregate speculative demand in the good market.

$a(O) = \text{zero}$. There is no transaction demand for money, for all savings accounts are perfectly liquid.

Substituting these hypothesis into equation (3), results

(4) $P = L(Pt-1) / E(P)$, $E' < 0$. Therefore, the inflation rate is given by

(5) $P^* = L^* - (-E^*(P))$

This is the basic equation behind a nominal anchor-based stabilization plan. It is fundamental for the success of the plan to recuperate the control over the money supply, as well as to revert the inflationary expectation.

The exchange rate role is sustainable as long as the balance of payments permits it. Accordingly, the development of the Plan's strategy depends on the domestic absorption level, specially on the public deficit. As of the first quarter of 1977, the government has not been able to control its deficit and the implementation of the fundamental reforms has been very sluggish.

Under these circumstances, the interest rate and the domestic credit policies have been the major instruments to control the excess demand that could lead to a disturbing exchange rate devaluation. Besides the problems caused by a high domestic interest rate in an open economy (e.g. the Flemming-Mundell model), the rate differential signalizes a macroeconomic disequilibrium, in lieu of the inflation rate.

The questions to be addressed in this note refer to the risk for the Brazilian economy to overcome the transition period between a high inflation-high interest scenario and another with inflation and interest rates at the international levels.

Major developments of the Real Plan

In 1993, after three major stabilization experiences (Cruzado, Summer, and Collor plans), some ideas were widely accepted:

- i) Price freezing should not be tried due to the national "institution" of the monetary correction.
- ii) The Central Bank had lost the control over the money supply. Therefore, an orthodox monetary policy would encompass a politically unsustainable sacrifice ratio.
- iii) Inflation followed from indexation, making the money supply demand determined, and from price expectations.
- iv) The fiscal deficit was big enough to block any stabilization attempt. Therefore, the fiscal adjustment should precede or be the core of the stabilization program.
- v) The Central Bank could not endure a foreign exchange shortage, during stabilization.

The Plan's structure was consistent with all the above items, but the fourth. The program reversed the logic of the fourth item. Since no political agreements could be reached about the fiscal policy during the inflationary period, the policy-makers decided to take the risk of an excess demand that, as expected, would follow after the stabilization, due to the inflation tax cut. The reasoning for this strategy was that a lower inflation would enhance the government credibility to impose the needed fiscal adjustments.

To circumvent the excess demand problem, the following precautions were taken:

- i) Seventeen billion dollars foreign exchange reserves build up between June 1993 and June 1994;
- ii) the nominal import tariffs were reduced from an average of 24 percent to 16 percent, in 1994 (which was reversed later, in march 1995);

- iii) a high domestic real interest rate to curb consumption and stimulate the capital inflow, and;
- iv) a sharp exchange rate overvaluation to augment the aggregate supply (imports).

As a consequence, in the last quarter of 1994, average monthly imports have gone up to \$ 3.9 billion from a previous nine month average of \$ 2.3 billion. Foreign exchange reserves decreased from \$ 40.8 billion in September to \$ 32.3 billion in March 1995.

This scenario, along with the December 1994 Mexican Peso crisis, led to the introduction of the exchange rate bands and to the announcement of the first exchange rate devaluation. At the same time, a very tight credit policy curbed private consumption, and started a recession that lasted for three quarters.²

It is safe to say that the Mexican crisis set the benchmark for the Plan's strategy, forcing the Government to smooth the anchorage process. The trade-off of a more active exchange rate policy has been the stop-and-go pattern of the economy, which led analysts to argue that the Plan is in a non-growth trap.

However, foreign investors appreciated the orthodox movement of the economic policy, and the foreign capital inflow recovered as early as the second quarter of 1995.

Table 1
Brazil: Net Foreign Capital Inflows

(Millions of USD)

Quarters	Investment	Financing	Currency loans	Total
1994.III	715	-695	330	350
1994.IV	1682	348	2061	4091
1995.I	-2864	-863	-519	-4246
1995.II	2129	-823	2659	4965
1995.III	4972	566	4396	9934
1995.IV	1985	25	2577	4587
1996.I	3138	-649	1149	3638
1996.II	4214	-418	4818	8614
1996.III	2592	-772	2272	4092

Source: Boletim do Banco Central/ Central Bank

² The movements of the exchange rate band were as follows:

Date	Central Bank Communiqué	Band (R\$/US\$)
Mar/3/95	4479 (first band)	0.86 - 0.90
Mar/5/95	Correction of the first band	0.86 - 0.98
Mar/10/95	4492	0.88 - 0.93
Jur/22/95	4645	0.91 - 0.99
Jan/30/96	4987	0.97 - 1.06
Feb/18/97	5505	1.05 - 1.14

In 1995, the exchange rate policy started recuperating the exchange rate parity level. In 1996, the policy changed. The exchange rate became the official estimator of the future (or expected) inflation, in an attempt to reduce the price dispersion and the level of the current inflation. In January 1996, when the market inflationary expectation was running at 15 percent, the government announced a devaluation rate of 7,0 percent. At the end of the year, consumer prices increased only 9.1 percent.

Table 2
Brazil: GDP Growth and Inflation Rates
(Accumulated percentage in each quarter and annual average)

Period	GDP	Inflation	Annual Growth	Annual Inflation
1994 III	0.04	11.3	n.a	n.a.
1994 IV	-0.03	7.7	4.4	929.3
1995 I	0.3	4.11	n.a.	n.a.
1995 II	5.6	7.5	n.a.	n.a.
1995 III	-4.3	4.4	n.a.	n.a.
1995 IV	-1.2	4.5	2.7	22.0
1996 I	-2.0	2.7	n.a.	n.a.
1996 II	10.2	3.7	n.a.	n.a.
1996 III	0.0	1.7	n.a.	n.a.
1996 IV	-1.4	1.1	2.8	9.1

Source: IPEA/Planning Ministry and Conjuntura Economica/ Getulio Vargas Foundation.

In March 1997, consumer prices are increasing at an annual rate of 10.1 percent, and the expectation for the whole year is less than 7.0 percent. The announced exchange rate band implies a devaluation of 7.0 percent for the year, and the interest rate differential is at 12.0 percent. In January, the foreign exchange reserve level was at \$ 58.0 billions, down from \$59.2 billion in November 1996. The GDP growth rate is estimated in 3 - 3.5 percent for 1997.

This scenario leads to the conclusion that the Government has a reasonable control over the money supply (monetary correction has been for all purposes eliminated), and that the stabilization-growth trade-off depends on the outcomes from the foreign sector and on the behavior of domestic savings.

The major macroeconomic question is: How big can the current account (foreign saving) and the public sector deficit be for a desired output growth rate? It is not an easy question to deal with. The literature has not found yet an explanation for the current account sustainability. Australia's foreign saving, between 1990 - 1994, averaged 4.0 percent of GDP, Chile (1979-81) 8.6 percent, Ireland (1984-1986) 12 percent, Israel (1982-1984) 7.0 percent, Korea (1977-79) 7.0 percent, and Mexico (1991-1993) 7.0 percent. Razin and Milesi-Ferreti (1996) concluded that a persistent current account deficits for, say, 3-4

years is not per se a sufficiently informative indicator of sustainability. They argue that sustainability is associated with the exchange rate policy and some structural factors, such as the level and the composition of external liabilities, the degree of openness and the composition of trade, the level of savings and investment. The very nature of these factors turns the analysis into a very difficult task.

The Real Plan and the external scenario

Current account imbalances are viewed as a sign of weakness, pointing to a scenario of crisis ahead. The question is a little bit more delicate when an open economy operates under a fixed exchange rate or, as in the case of Brazil, the exchange rate has an additional function of controlling inflation. Under these circumstances, according to the theory, the behavior of the foreign exchange reserves is the most important indicator of an approaching problem.

Table 3

Brazil: External Sector Scenario

Quarters	Parity Exc Rate-USD 1988=100	Total Ext. Debt USD Mi.	Public sector	Private sector	Foreign Reserves	Comm. Banks assets	Net Ext. Debt	NED/GDP (perc.)	F.R./ M4 (perc.)
		[1]	[1.1]	[1.2]	[2]	[3]	[1-2-3]		
1993.4		145726	90613	55133	32211	8424	105091	23,9	5,6
1994.1	77,07								
1994.2	78,67								
1994.3	66,43								
1994.4	59,57	148295	87330	60695	38806	15035	94454	16,7	13,3
1995.1	60,13								
1995.2	62,90								
1995.3	63,73								
1995.4	65,57	159256	87455	71801	51840	8834	98582	13,7	18,5
1996.1	66,13								
1996.2	66,80	166741	84769	81972	59997	9904	96840	12,9	18,4
1996.3	66,33								
1996.4	67,10				59039				

Sources: Boletim de Conjuntura/IPEA and Boletim do Banco Central.

Table 3 shows that the level of foreign reserves is increasing throughout the period, in spite of the oscillation that took place in the first quarter of 1995 and in the last one of 1996 (not shown). Accordingly, no sign of external problem is envisaged. The parity

exchange rate, after the strong overvaluation throughout the last semester of 1994, has been steadily devaluated, meeting, therefore, one of the Milesi-Ferreti-Razin recommendation to avoid policy inconsistencies. The question of how far should devaluation go depends on several structural factors, besides the results of the commercial balance. The main structural factors are: the productive sector modernization, the expectations about the international interest rate level, the structure of imports, and the export trend³. It is a complex structural equation to solve, and the easiest way to do it is through its reduced form: the behavior of the foreign exchange reserves. As long as no reserve reductions take place, the exchange rate is in equilibrium, given the interest rate differential, the tariff level, and the GDP growth rate. This, apparently, has been the government's approach.

A significant part of the Latin American economists, and some of their foreign colleagues, became paranoid about external shocks, and have defended prudent exchange rate policies. They argue that the current account deficit is a sign of economic vulnerability to external shocks. Therefore, policy-makers should not take a chance and adjust the relative prices to increase exports, reduce imports, and avoid a recession.

However, devaluation-cum-growth requires some idle capacity, which is seldom the case when the economy faces balance of payment problems, and an appropriate elasticity condition. More often than not, net export responsiveness is sluggish, domestic absorption is relatively high, and the economy operates near full-employment. Under these circumstances, an exchange rate devaluation must be followed by a set of restrictive monetary and fiscal policies to prevent inflationary pressures. In the short-run, it results in a recession. Therefore, the devaluation strategy seems to imply that a certain short-run recession is preferable to an uncertain recession, of unknown proportions, in the future. It is a hard choice.

The Real Plan and the macroeconomic equilibrium

The literature on growth financing asserts that the output growth can be, ex-ante, constrained either by a shortage of fiscal resources, by insufficient private savings, or by the foreign exchange gap.⁴ Ex-post, however, supply is always equal demand, and the adjustment is obtained through the so-called forced-savings, that is, the inflation tax that reduces the private sector disposable income.

The 1994 stabilization has caused two major expansive effects over the domestic aggregate demand. It has sharply reduced the inflation tax, which was mainly levied on the poorer individuals, those with no access to financial protection against inflation, and with the highest average propensity to consume out of disposable income. On the other hand, since all tax liabilities were price indexed, inflation offered the Government the

³ Exports increased steadily from \$ 38.6 billions in 1993 to \$ 47.7 billions in 1996

⁴ See Taylor, L. 1994

reverse of the *Tanzi effect*: the higher the inflation rate, the lower the real value of the nominal government expenditures.

The increase in the private consumption is also explained by a higher household debt to income ratio. The credible end of the high inflation rates helped the households to perceive that their real permanent income had risen, and therefore to adjust (increase) their debt to income ratio.⁵

Table 4
Financial System Loans

balances in billions of USD

Period	Public Sector	Industry	Commerce	Individuals
Jul 94	31.9	33.6	13.2	6.9
Dec. 94	32.3	33.3	15.3	12.7
Jun. 95	41.2	45.2	22.5	14.7
Sep. 95	32.6	48.6	25.0	14.6
Dec. 95	36.8	52.9	27.4	15.6
Mar.96	51.6	55.3	29.1	15.6
Jun. 96	54.1	58.1	30.4	16.1
Oct. 96	62.8	61.6	32.3	20.7

Source: Boletim do Banco Central/ Central Bank.

Table 4 shows that, during the Plan first six months, loans to households increased 84 percent, without parallel in any other sector. The \$ 15.0 billion outstanding balance level was kept reasonably constant until the second semester of 1996, when municipal elections took place. In the third quarter (last data available), loans to individuals increased 28 percent, again without any parallel in the period.

The ex-post GNP identity shows that, in 1995, private saving increased six percentage points of the GNP. There are no studies to explain such a remarkable shift in the private saving, but a well-educated guess would point to a Ricardian effect of 1.5 -2.0 percentage points of the GNP, leaving the remaining four percentage points to be explained by the marginal recession that took place throughout the year and by the

⁵ If households are forward-looking, not credit constrained and temporary income fluctuations do not change permanent income much, consumption would respond only marginally to income fluctuation. But households, particularly poorer ones in developing countries, tend to be credit-constrained and therefore respond strongly to any income fluctuation. Household's perception of its permanent income is affected by current shocks, with no evident distinction made between current and permanent income flows. (Klaus Schmidt-Hebbel, Luis Servén, and Andrés Solimano - 1994)

domestic credit policy. Given the experience of short-run consumption smoothing along the cycles, the main part of the saving shift must have come from the credit policy.

The development of the *ex-post* GNP identity is as follows:

Table 5
Brazil: GNP Identity^{6,7}

(As a Percentage of GNP)

Year	Private savings	(Infl. Tax + Gov. savings =) Gov. Operational Surplus **	Priv. Invest.	Current Acc. (external savings)
1993	10.87	(3.27-3.01) 0.26	11.27	-0.14
1994	10.81	(1.61-0.29) 1.32	12.43	-0.3
1995	16.81	(0.33-5.19) - 4.86	14.46	-2.51
1996	14.97	(0.22-4.22) -4.0	14.32	-3.35
1997*	14.55	(0.2-4.05) -3.85	14.5	-3.8

Source: Boletim de Conjuntura/IPEA, Nota para Imprensa/Central Bank.

* = estimate. ** = Minus sign indicates deficit

In 1994, the average inflation rate was still very high, and the effect of the Plan shows up in the following year. The operational public deficit, from 1995 on, reflects the losses of the inflation tax, and of the positive Tanzi effect. Without fiscal adjustments, the deficit stabilized at the 4 percent level. The distributive effect of stabilization caused private consumption to increase in 1994. In 1995, the strong restrictive credit policy and the recession pushed consumption down, which helped to ease the current account deficit. In 1996, an election year, the credit restrictions were eased. Consumption increased some two percentage points, along with income. As a result, the current account deficit worsened to an all time high of 3.35 percent of GNP. Estimates for 1997 show no major changes.

The private savings have been strongly sensitive to the domestic credit policy, which gives the Government some safe grounds to control the current account deficit. Since the Ricardian effect is weak, the low-growth trap depends on the public sector surplus, to finance both public and private investments.⁸

⁶ Table 3 represents the GNP identity:

(1) $GNP = Y = C + I + G + X - M$, the traditional material balance.

(2) $C = c(Y_d) - \pi$, Private consumption is a function of the disposable income less the inflation tax (forced saving). Substituting (2) back into (1).

(3) $Y_d(1-c) + [\pi + (T - G - I_g)] = I_p + (X - M)$, where I_g stands for government investment, and I_p private investment. Therefore, table 3 columns stand for the following identity:

(4) $S_p + [S_g] = I_p + (current\ account)$. Where S_p is private saving, and S_g is the public sector operational deficit (or surplus).

⁷ Inflation Tax calculated as $P = Monetary\ base \cdot \ln(1+p)$, where p is the inflation rate of each previous month. Private savings is calculated as residual.

⁸ Recent studies for developing countries reject the Ricardian notion in its pure form, but conclude that some offsetting of public saving by private savers occurs. Coefficients for a sample of OECD and LDC

Privatization plays a fundamental role in the solution to the low growth trap. It reduces the need for fiscal resources to finance complementary investments, and the growth restraint becomes restricted to the total domestic savings. The resource allocation process becomes more efficient since it is less costly to have the public sector financing the private sector than otherwise.

The income distribution associated with the Real Plan has emphasized the need for positive public sector savings.

Table 6

Indicators of Income Distribution After the Real Plan

(October 1994 = 100)

Period	Real earnings of the poorest 10 percent of the population	Real earnings of the richest 10 percent	Industrial real wage in Sao Paulo
Oct. 93	n.a.	129	88.5
Oct 94	100	100	100
Oct 95	130.1	97.6	107.5
Oct 96	120	94.3	118.8

Sources: SEP-SEADE/DIEESE and Boletim de Conjuntura/IPEA.

Table 6 shows a remarkable increase in the wage earner's purchasing power, and in the real earnings of the poorest 10 percent, due mainly to the sharp inflation tax cut.

The studies on saving determinants did not reach any useful conclusion for policy-makers. From the growth viewpoint, however, the main conclusion is that causality between saving and growth runs both ways. Thus, as long as income is distributed from high savers to those with a high average propensity to consume, the economy may be trapped in the low saving-low growth vicious cycle.

With the domestic saving rate at the 12-13 percent level, and given the state-of-the-arts in technology, the sustainable medium-run (2-3 years) growth rate, in Brazil, is not expected to exceed 4 - 5 percent per year, assuming a sustainable foreign saving rate of 3 percent. As policy-makers tend to play on the safe side of stability, an average estimate for the growth rate would be 3 percent per year. As long as the 3 percent target is politically feasible, the lack of the fiscal reform would not be binding.

countries vary between 0.43 and 0.53, depending on the model used. (Klaus Schmidt -Hebbel, Luis Servén, and Andres Solimano - 1994)

To break the vicious cycle, the public sector saving is the most important policy variable, but the political content of the fiscal adjustment is the real binding constraint. Accordingly, the more social the nature of the government expenditures, the harder it is to cut the budget. The data on the Central Government's expenditures for 1995 reveal that 79 percent of the net revenue is allocated to social sectors.

Table 7

Brazil: Central Government Net Revenue and Expenditures in Social Sectors- 1995
(Millions of Reais)

Revenue		
Gross Revenue	86 287	
Earmarked revenue	-24 577	
Primary surplus	- 3 297	
Contributions to social security	38 103	
Others of social security	406	
Total net revenue	96 922	
Expenditures in social sectors		Of Which Labor
Education	6 283	3 257
Nutrition	788	0.7
Health	11 921	2 467
Sanitation	397	2.5
Social security	34 623	1 219
Social assistance	1 059	34
Employment generation	2 097	1.6
Land reform	1 053	9.1
Housing	767	93.0
Training	33	6.0
Benefits to public servants	16 381	14 823
Total expenditures	76 212	21 912.9
Expenditures/ net revenue (perc.)	78.6	22.6
Expenditures/GDP (perc.)	11.6	3.3

Source: Secretary of Treasury/Ministry of Finance, Ministry of Social security, and Research Institute of the Planning Ministry - IPEA.

Table 7 gives a hint of the difficulties behind the fiscal policy. The overall tax burden in 1995 was 26.8 percent of the GDP, of which 17.8 percent belonged to the Central Government. Since the tax burden is extremely concentrated, any attempt to increase it would generate more distortions than revenue.

In 1995, the government wage bill was around R\$ 36.0 billions, of which R\$ 14.8 billions were paid to the retired government employees. Therefore, the operational wage bill to total net revenue ratio is 0.22 (the gross ratio is 37 percent). The gross figure for the

industrial countries is around 10 percent of the total expenditures plus lending, which, according to a rough estimate, would be equivalent to 20-25 percent of their net revenue.

To bring the Brazilian figures to the international standards, the operational wage bill to net revenue ratio would have to be 10 percent, given that the retired employees' wage bill represents 15 percent of the net revenue. In this scenario, the wage bill cut would represent 1.76 percent of the GDP, or 44 percent of the 1995 public sector deficit. This strategy would require a significant improvement in the government employees' productivity, implying a substantial resource allocation to training and institutional building.

The feasible wage bill cut would be 1 percent of GDP. That would still leave some 2.5 - 3 percent of the GDP to be adjusted, should the government intend to work on a balanced budget basis. A greater part of this adjustment would have to come from the social sectors.

One of the biggest problem in the Brazilian economy is the need to design a new role for the public sector in the social areas. Considering that, in the medium-run, no major improvement should be expected in the government efficiency, to speak of fiscal reform in Brazil, means cutting social sector expenditures (also to finance training and institutional building).

The increase in the national saving is a necessary, but not a sufficient condition for economic growth. The determinants of saving are not the same of investments. In an open economy, savers may invest in foreign countries. A high national saving rate does not, necessarily, imply a high economic growth rate, but can result in a positive current account. This result may not be the country's first priority under a stabilization plan that have to deal with the above mentioned growth restrictions.

The public sector investment (Central Government, States, and municipalities) has been cut from 3.47 percentage points of GNP, in 1993, to 2.8 in 1994, 2.4 in 1995, and to 2.27 in 1996. Since the state enterprises are not included, privatization is not linked to these facts. One can say that, under pressure, the government tends to cut expenditures where they are politically less sensitive. Since the public investment crowding-in effect is significant in LDCs, the cuts imply a reduction in total investment. Accordingly, without an appropriate investment performance, any improvement in the government saving (and in national saving) results in the pre-payment of the country's external debt.

The Real Plan has, so far, succeeded in the stabilization front, and the GDP stop-and-go trend can be politically sustained as long as the inflation threat is kept alive. As the stabilization becomes credible, the demand for growth will force the government to deal with the two most complicated problems: The public sector role in the social sector and the design of a consistent investment policy.

Conclusion

Stabilization programs based on nominal exchange rate anchor increases the economy's vulnerability to external shocks. The Real Plan, however, is not a fixed exchange rate type of program, but based on a moving band, which lets the government keep the money supply under control.

The parity exchange rate was strongly overvalued throughout the first six months, but has been steadily devaluated thereafter. Over the two subsequent years of its launching, the current account deficit increased three percentage points of the GDP, causing concern among the economists about the current account sustainability.

The high foreign exchange reserve level and its increasing trend signal the foreign investors' confidence on the exchange rate policy, as well as on the overall macroeconomic scenario. In 1996, the total financial wealth (M4) to foreign exchange reserve ratio was 18.4 percent, well above the Basilea's banking safety rule of 12 percent. At the end of the year, foreign reserves represented 13.5 months of imports, and the net foreign investment inflow to the current account ratio was 38 percent.

Economic theory is not conclusive about the current account limits. In Brazil, the macroeconomic indicators raise no motives for alert in the external front, provided the government keeps the money supply under control and that the GDP growth rate is guarded from political influence.

Domestic savings are the counterpart of the current account sustainability and output growth. The sharp reduction in the inflation rate has cut down the inflation tax, and resulted in the poorer household disposable income increase. This income distribution effect may have been perceived as an increase in the real permanent income, leading individuals, specially the poorer ones, to adjust their present consumption upward, through additional borrowings.

The growth-cum-distribution bliss emphasizes that the causality between saving and growth runs both ways. The Brazilian economy growth rate might be constrained by the domestic saving shortage, given some unknown limit for the current account deficit. At the same time, domestic saving may be impaired by the low growth rate. The answer for this two-way endogeneity is the fiscal adjustment and the privatization process. The government has been successful in implementing the privatization policy, but very sluggish about the fiscal reform, keeping, for three years in a row, the operational public sector deficit at the 4 percent level.

One of the main reasons for such a slow pace is that some 80 percent of the Central Government net revenue are allocated to the social sector, spelling that the fiscal reform will have to deal with a social sector expenditure cut, which is politically unpleasant. In

addition, as the political demand for growth increases, the government will have to increase the public investment rate without any inflationary financing.

References

- BURK, Shahid Javed; EDWARDS, Sebastian. *Latin America after Mexico: Quickening the pace*. Washington: the World Bank, 1996. 36p. (World Bank Latin American and Caribbean Study).
- CORBO, Vittorio; SCHMIDT-HEBBEL, Klaus. *Public Policies and saving in developing countries*. [s.l.]: The World Bank, 1991. 32p. (Policy, Research and External Affairs Working Pappers, 574).
- EDWARDS, Sebastian. *Why are Latin America's saving rates so low? an international comparative analysis*. [s.l.]: The World Bank, 1995. 49p.
- GIAMBIAGI, Fábio. *Necessidades de financiamento do setor público 1991-1996: bases para a discussão do ajuste fiscal no Brasil*. [s.l.]: [s.n.], 1997. 31p.
- MILESI-FERRETI, Gian Maria; RAZIN, Assaf. *Current account sustainability*. In: CEPAL/PNUD. SEMINÁRIO REGIONAL DE POLÍTICA FISCAL, 8. Santiago (Chile). 22-25 ene. 1996. 52p.
- OHANA, Eduardo Felipe. *Brasil e Argentina: indicadores do processo de estabilização*. Brasília: CEPAL, set./1996. 16p. (LC/BRS/NT.042).
- _____. *Política cambial e o déficit do governo central*. [Brasília]: CEPAL, jul./1996. 18 p. (LC/BRS/DT.004).
- _____. *Política econômica no Brasil: considerações sobre uma estratégia macroeconômica em favor da consolidação da estabilidade*. [Brasília]: CEPAL, mai./1996. 17p. (LC/BRS/NT.040).
- SCHMIDT-HEBBEL, Klaus; SERVEN, Luis; SOLIMANO, Andrés. *Saving, investment, and growth in developing countries: an overview*. [s.l.]: The World Bank, 1994. 51p. (Policy Research Working Paper, 1382).
- _____; WEBB, Steven B.; Corsetti, Giancarlo. *Household saving in developing countries: first cross-country evidence*. [s.l.]: The World Bank, 1991. 27p. (Policy, Research and External Affairs Working Papers, 574).
- SUMMERS, Lawrence H. *Tax policy, the rate of return, and savings*. Cambridge: National Bureau of Economic Research, 1982. 48p. (NBER Working Paper, 995).
- TAYLOR, Lance. *Gap models*. In: *Journal of Development Economics* (45), 1994. p.17-34.

ENSAIOS ECONÔMICOS DA EPGE

200. A VISÃO TEÓRICA SOBRE MODELOS PREVIDENCIÁRIOS: O CASO BRASILEIRO - Luiz Guilherme Schymura de Oliveira - Outubro de 1992 - 23 pág. (esgotado)
201. HIPERINFLAÇÃO: CÂMBIO, MOEDA E ÂNCORAS NOMINAIS - Fernando de Holanda Barbosa - Novembro de 1992 - 10 pág. (esgotado)
202. PREVIDÊNCIA SOCIAL: CIDADANIA E PROVISÃO - Clovis de Faro - Novembro de 1992 - 31 pág. (esgotado)
203. OS BANCOS ESTADUAIS E O DESCONTROLE FISCAL: ALGUNS ASPECTOS - Sérgio Ribeiro da Costa Werlang e Arminio Fraga Neto - Novembro de 1992 - 24 pág. (esgotado)
204. TEORIAS ECONÔMICAS: A MEIA-VERDADE TEMPORÁRIA - Antonio Maria da Silveira - Dezembro de 1992 - 36 pág. (esgotado)
205. THE RICARDIAN VICE AND THE INDETERMINATION OF SENIOR - Antonio Maria da Silveira - Dezembro de 1992 - 35 pág. (esgotado)
206. HIPERINFLAÇÃO E A FORMA FUNCIONAL DA EQUAÇÃO DE DEMANDA DE MOEDA - Fernando de Holanda Barbosa - Janeiro de 1993 - 27 pág. (esgotado)
207. REFORMA FINANCEIRA - ASPECTOS GERAIS E ANÁLISE DO PROJETO DA LEI COMPLEMENTAR - Rubens Penha Cysne - fevereiro de 1993 - 37 pág. (esgotado)
208. ABUSO ECONÔMICO E O CASO DA LEI 8.002 - Luiz Guilherme Schymura de Oliveira e Sérgio Ribeiro da Costa Werlang - fevereiro de 1993 - 18 pág. (esgotado)
209. ELEMENTOS DE UMA ESTRATÉGIA PARA O DESENVOLVIMENTO DA AGRICULTURA BRASILEIRA - Antonio Salazar Pessoa Brandão e Eliseu Alves - Fevereiro de 1993 - 370pág. (esgotado)
210. PREVIDÊNCIA SOCIAL PÚBLICA: A EXPERIÊNCIA BRASILEIRA - Hélio Portocarrero de Castro, Luiz Guilherme Schymura de Oliveira, Renato Fragelli Cardoso e Uriel de Magalhães - Março de 1993 - 35 pág - (esgotado) .
211. OS SISTEMAS PREVIDENCIÁRIOS E UMA PROPOSTA PARA A REFORMULACAO DO MODELO BRASILEIRO - Helio Portocarrero de Castro, Luiz Guilherme Schymura de Oliveira, Renato Fragelli Cardoso e Uriel de Magalhães - Março de 1993 - 43 pág. - (esgotado)
212. THE INDETERMINATION OF SENIOR (OR THE INDETERMINATION OF WAGNER) AND SCHMOLLER AS A SOCIAL ECONOMIST - Antonio Maria da Silveira - Março de 1993 - 29 pág. (esgotado)
213. NASH EQUILIBRIUM UNDER KNIGHTIAN UNCERTAINTY: BREAKING DOWN BACKWARD INDUCTION (Extensively Revised Version) - James Dow e Sérgio Ribeiro da Costa Werlang - Abril de 1993 36 pág. (esgotado)

214. ON THE DIFFERENTIABILITY OF THE CONSUMER DEMAND FUNCTION - Paulo Klinger Monteiro, Mário Rui Páscoa e Sérgio Ribeiro da Costa Werlang - Maio de 1993 - 19 pág. (esgotado)
215. DETERMINAÇÃO DE PREÇOS DE ATIVOS, ARBITRAGEM, MERCADO A TERMO E MERCADO FUTURO - Sérgio Ribeiro da Costa Werlang e Flávio Auler - Agosto de 1993 - 69 pág. (esgotado).
216. SISTEMA MONETÁRIO VERSÃO REVISADA - Mario Henrique Simonsen e Rubens Penha Cysne - Agosto de 1993 - 69 pág. (esgotado).
217. CAIXAS DE CONVERSÃO - Fernando Antônio Hadba - Agosto de 1993 - 28 pág.
218. A ECONOMIA BRASILEIRA NO PERÍODO MILITAR - Rubens Penha Cysne - Agosto de 1993 - 50 pág. (esgotado).
219. IMPÔSTO INFLACIONÁRIO E TRANSFERÊNCIAS INFLACIONÁRIAS - Rubens Penha Cysne - Agosto de 1993 - 14 pág. (esgotado).
220. PREVISÕES DE M1 COM DADOS MENSIS - Rubens Penha Cysne e João Victor Issler - Setembro de 1993 - 20 pág. (esgotado)
221. TOPOLOGIA E CÁLCULO NO R^n - Rubens Penha Cysne e Humberto Moreira - Setembro de 1993 - 106 pág. (esgotado)
222. EMPRÉSTIMOS DE MÉDIO E LONGO PRAZOS E INFLAÇÃO: A QUESTÃO DA INDEXAÇÃO - Clovis de Faro - Outubro de 1993 - 23 pág.
223. ESTUDOS SOBRE A INDETERMINAÇÃO DE SENIOR, vol. 1 - Nelson H. Barbosa, Fábio N.P. Freitas, Carlos F.L.R. Lopes, Marcos B. Monteiro, Antonio Maria da Silveira (Coordenador) e Matias Vernengo - Outubro de 1993 - 249 pág (esgotado)
224. A SUBSTITUIÇÃO DE MOEDA NO BRASIL: A MOEDA INDEXADA - Fernando de Holanda Barbosa e Pedro Luiz Valls Pereira - Novembro de 1993 - 23 pág.
225. FINANCIAL INTEGRATION AND PUBLIC FINANCIAL INSTITUTIONS - Walter Novaes e Sérgio Ribeiro da Costa Werlang - Novembro de 1993 - 29 pág
226. LAWS OF LARGE NUMBERS FOR NON-ADDITIVE PROBABILITIES - James Dow e Sérgio Ribeiro da Costa Werlang - Dezembro de 1993 - 26 pág.
227. A ECONOMIA BRASILEIRA NO PERÍODO MILITAR - VERSÃO REVISADA - Rubens Penha Cysne - Janeiro de 1994 - 45 pág. (esgotado)
228. THE IMPACT OF PUBLIC CAPITAL AND PUBLIC INVESTMENT ON ECONOMIC GROWTH: AN EMPIRICAL INVESTIGATION - Pedro Cavalcanti Ferreira - Fevereiro de 1994 - 37 pág. (esgotado)
229. FROM THE BRAZILIAN PAY AS YOU GO PENSION SYSTEM TO CAPITALIZATION: BAILING OUT THE GOVERNMENT - José Luiz de Carvalho e Clóvis de Faro - Fevereiro de 1994 - 24 pág.
230. ESTUDOS SOBRE A INDETERMINAÇÃO DE SENIOR - vol. II - Brena Paula Magno Fernandez, Maria Tereza Garcia Duarte, Sergio Grumbach, Antonio Maria da Silveira (Coordenador) - Fevereiro de 1994 - 51 pág.(esgotado)

231. ESTABILIZAÇÃO DE PREÇOS AGRÍCOLAS NO BRASIL: AVALIAÇÃO E PERSPECTIVAS - Clovis de Faro e José Luiz Carvalho - Março de 1994 - 33 pág. (esgotado)
232. ESTIMATING SECTORAL CYCLES USING COINTEGRATION AND COMMON FEATURES - Robert F. Engle e João Victor Issler - Março de 1994 - 55 pág. (esgotado)
233. COMMON CYCLES IN MACROECONOMIC AGGREGATES - João Victor Issler e Farshid Vahid - Abril de 1994 - 60 pág.
234. BANDAS DE CÂMBIO: TEORIA, EVIDÊNCIA EMPÍRICA E SUA POSSÍVEL APLICAÇÃO NO BRASIL - Aloisio Pessoa de Araújo e Cypriano Lopes Feijó Filho - Abril de 1994 - 98 pág. (esgotado)
235. O HEDGE DA DÍVIDA EXTERNA BRASILEIRA - Aloisio Pessoa de Araújo, Túlio Luz Barbosa, Amélia de Fátima F. Semblano e Maria Haydée Morales - Abril de 1994 - 109 pág. (esgotado)
236. TESTING THE EXTERNALITIES HYPOTHESIS OF ENDOGENOUS GROWTH USING COINTEGRATION - Pedro Cavalcanti Ferreira e João Victor Issler - Abril de 1994 - 37 pág. (esgotado)
237. THE BRAZILIAN SOCIAL SECURITY PROGRAM: DIAGNOSIS AND PROPOSAL FOR REFORM - Renato Fragelli; Uriel de Magalhães; Helio Portocarrero e Luiz Guilherme Schymura - Maio de 1994 - 32 pág.
238. REGIMES COMPLEMENTARES DE PREVIDÊNCIA - Hélio de Oliveira Portocarrero de Castro, Luiz Guilherme Schymura de Oliveira, Renato Fragelli Cardoso, Sérgio Ribeiro da Costa Werlang e Uriel de Magalhães - Maio de 1994 - 106 pág.
239. PUBLIC EXPENDITURES, TAXATION AND WELFARE MEASUREMENT - Pedro Cavalcanti Ferreira - Maio de 1994 - 36 pág.
240. A NOTE ON POLICY, THE COMPOSITION OF PUBLIC EXPENDITURES AND ECONOMIC GROWTH - Pedro Cavalcanti Ferreira - Maio de 1994 - 40 pág. (esgotado)
241. INFLAÇÃO E O PLANO FHC - Rubens Penha Cysne - Maio de 1994 - 26 pág. (esgotado)
242. INFLATIONARY BIAS AND STATE OWNED FINANCIAL INSTITUTIONS - Walter Novaes Filho e Sérgio Ribeiro da Costa Werlang - Junho de 1994 - 35 pág.
243. INTRODUÇÃO À INTEGRAÇÃO ESTOCÁSTICA - Paulo Klinger Monteiro - Junho de 1994 - 38 pág. (esgotado)
244. PURE ECONOMIC THEORIES: THE TEMPORARY HALF-TRUTH - Antonio M. Silveira - Junho de 1994 - 23 pág. (esgotado)
245. WELFARE COSTS OF INFLATION - THE CASE FOR INTEREST-BEARING MONEY AND EMPIRICAL ESTIMATES FOR BRAZIL - Mario Henrique Simonsen e Rubens Penha Cysne - Julho de 1994 - 25 pág. (esgotado)
246. INFRAESTRUTURA PÚBLICA, PRODUTIVIDADE E CRESCIMENTO - Pedro Cavalcanti Ferreira - Setembro de 1994 - 25 pág.
247. MACROECONOMIC POLICY AND CREDIBILITY: A COMPARATIVE STUDY OF THE FACTORS AFFECTING BRAZILIAN AND ITALIAN INFLATION AFTER 1970 - Giuseppe Tullio e Marcio Ronci - Outubro de 1994 - 61 pág. (esgotado)

248. INFLATION AND DEBT INDEXATION: THE EQUIVALENCE OF TWO ALTERNATIVE SCHEMES FOR THE CASE OF PERIODIC PAYMENTS - Clovis de Faro - Outubro de 1994 -18 pág.
249. CUSTOS DE BEM ESTAR DA INFLAÇÃO - O CASO COM MOEDA INDEXADA E ESTIMATIVAS EMPÍRICAS PARA O BRASIL - Mario Henrique Simonsen e Rubens Penha Cysne - Novembro de 1994 - 28 pág. (esgotado)
250. THE ECONOMIST MACHIAVELLI - Brena P. M. Fernandez e Antonio M. Silveira - Novembro de 1994 - 15 pág.
251. INFRAESTRUTURA NO BRASIL: ALGUNS FATOS ESTILIZADOS - Pedro Cavalcanti Ferreira - Dezembro de 1994 - 33 pág. (esgotado)
252. ENTREPRENEURIAL RISK AND LABOUR'S SHARE IN OUTPUT - Renato Fragelli Cardoso - Janeiro de 1995 - 22 pág.
253. TRADE OR INVESTMENT ? LOCATION DECISIONS UNDER REGIONAL INTEGRATION - Marco Antonio F.de H. Cavalcanti e Renato G. Flôres Jr. - Janeiro de 1995 - 35 pág.
254. O SISTEMA FINANCEIRO OFICIAL E A QUEDA DAS TRANFERÊNCIAS INFLACIONÁRIAS - Rubens Penha Cysne - Janeiro de 1995 - 32 pág. (esgotado)
255. CONVERGÊNCIA ENTRE A RENDA PER-CAPITA DOS ESTADOS BRASILEIROS - Roberto G. Ellery Jr. e Pedro Cavalcanti G. Ferreira - Janeiro 1995 - 42 pág.
256. A COMMENT ON "RATIONAL LEARNING LEAD TO NASH EQUILIBRIUM" BY PROFESSORS EHUD KALAI EHUD EHUR - Alvaro Sandroni e Sergio Ribeiro da Costa Werlang - Fevereiro de 1995 - 10 pág.
257. COMMON CYCLES IN MACROECONOMIC AGGREGATES (revised version) - João Victor Issler e Farshid Vahid - Fevereiro de 1995 - 57 pág.
258. GROWTH, INCREASING RETURNS, AND PUBLIC INFRASTRUCTURE: TIMES SERIES EVIDENCE (revised version) - Pedro Cavalcanti Ferreira e João Victor Issler - Março de 1995 - 39 pág.(esgotado)
259. POLÍTICA CAMBIAL E O SALDO EM CONTA CORRENTE DO BALANÇO DE PAGAMENTOS - *Anais do Seminário realizado na Fundação Getulio Vargas no dia 08 de dezembro de 1994* - Rubens Penha Cysne (editor) - Março de 1995 - 47 pág. (esgotado)
260. ASPECTOS MACROECONÔMICOS DA ENTRADA DE CAPITAIS - *Anais do Seminário realizado na Fundação Getulio Vargas no dia 08 de dezembro de 1994* - Rubens Penha Cysne (editor) - Março de 1995 - 48 pág. (esgotado)
261. DIFICULDADES DO SISTEMA BANCÁRIO COM AS RESTRIÇÕES ATUAIS E COMPULSÓRIOS ELEVADOS - *Anais do Seminário realizado na Fundação Getulio Vargas no dia 09 de dezembro de 1994* - Rubens Penha Cysne (editor) - Março de 1995 - 47 pág. (esgotado)
262. POLÍTICA MONETÁRIA: A TRANSIÇÃO DO MODELO ATUAL PARA O MODELO CLÁSSICO - *Anais do Seminário realizado na Fundação Getulio Vargas no dia 09 de dezembro de 1994* - Rubens Penha Cysne (editor) - Março de 1995 - 54 pág. (esgotado)

263. CITY SIZES AND INDUSTRY CONCENTRATION - Afonso Arinos de Mello Franco Neto - Maio de 1995 - 38 pág.
264. WELFARE AND FISCAL POLICY WITH PUBLIC GOODS AND INFRASTRUCTURE (Revised Version) - Pedro Cavalcanti Ferreira - Maio de 1995 - 33 pág.
265. PROFIT SHARING WITH HETEROGENEOUS ENTREPRENEURIAL PROWESS - Renato Fragelli Cardoso - Julho de 1995 - 36 pág.
266. A DINÂMICA MONETÁRIA DA HIPERINFLAÇÃO: CAGAN REVISITADO - Fernando de Holanda Barbosa - Agosto de 1995 - 14 pág. (esgotado)
267. A SEDIÇÃO DA ESCOLHA PÚBLICA: VARIAÇÕES SOBRE O TEMA DE REVOLUÇÕES CIENTÍFICAS - Antonio Maria da Silveira - Agosto de 1995 - 24 pág.
268. A PERSPECTIVA DA ESCOLHA PÚBLICA E A TENDÊNCIA INSTITUCIONALISTA DE KNIGHT - Antonio Maria da Silveira - Setembro de 1995 - 28 pág.
269. ON LONG-RUN PRICE COMOVEMENTS BETWEEN PAINTINGS AND PRINTS - Renato Flôres - Setembro de 1995 - 29 pág.
270. CRESCIMENTO ECONÔMICO, RENDIMENTOS CRESCENTES E CONCORRÊNCIA MONOPOLISTA - Pedro Cavalcanti Ferreira e Roberto Ellery Junior - Outubro de 1995 - 32 pág. (esgotado)
271. POR UMA CIÊNCIA ECONÔMICA FILOSOFICAMENTE INFORMADA: A INDETERMINAÇÃO DE SENIOR - Antonio Maria da Silveira - Outubro de 1995 - 25 pág. (esgotado)
272. ESTIMATING THE TERM STRUCTURE OF VOLATILITY AND FIXED INCOME DERIVATIVE PRICING - Franklin de O. Gonçalves e João Victor Issler - Outubro de 1995 - 23 pág. (esgotado)
273. A MODEL TO ESTIMATE THE US TERM STRUCTURE OF INTEREST RATES - Antonio Marcos Duarte Júnior e Sérgio Ribeiro da Costa Werlang - Outubro de 1995 - 21 pág. (esgotado)
274. EDUCAÇÃO E INVESTIMENTOS EXTERNOS COMO DETERMINANTES DO CRESCIMENTO A LONGO PRAZO - Gustavo Gonzaga, João Victor Issler e Guilherme Cortella Marone - Novembro de 1995 - 34 pág.
275. DYNAMIC HEDONIC REGRESSIONS: COMPUTATION AND PROPERTIES - Renato Galvão Flôres Junior e Victor Ginsburgh - Janeiro de 1996 - 21 pág.
276. FUNDAMENTOS DA TEORIA DAS OPÇÕES - Carlos Ivan Simonsen Leal - Fevereiro de 1996 - 38 pág. (esgotado)
277. DETERMINAÇÃO DO PREÇO DE UMA OPÇÃO E ARBITRAGEM - Carlos Ivan Simonsen Leal - Fevereiro 1996 - 55 pág. (esgotado)
278. SUSTAINED GROWTH, GOVERNMENT EXPENDITURE AND INFLATION - Pedro Cavalcanti Ferreira - Fevereiro 1996 - 38 pág.
279. REFLEXOS DO PLANO REAL SOBRE O SISTEMA BANCÁRIO BRASILEIRO - Rubens Penha Cysne e Sérgio Gustavo Silveira da Costa - Junho 1996 - 28 pág.

280. CURSO DE MATEMÁTICA PARA ECONOMISTAS, CAPÍTULOS I E II: FUNÇÕES, ÁLGEBRA LINEAR E APLICAÇÕES - Rubens Penha Cysne e Humberto de Athayde Moreira - Junho 1996 - 75 pág. (esgotado)
281. PREVIDÊNCIA COMPLEMENTAR PATROCINADA: VALE A PENA? - Clovis de Faro e Moacyr Fioravante - Junho de 1996 - 23 pág.
282. OLIGOPOLISTIC COMPETITION UNDER KNIGHTIAN UNCERTAINTY - Hugo Pedro Boff e Sérgio Ribeiro da Costa Werlang - Julho de 1996 - 37 pág.
283. CURSO DE MATEMÁTICA PARA ECONOMISTAS - CAPÍTULO IV: OTIMIZAÇÃO ESTÁTICA - Rubens Penha Cysne e Humberto de Athayde Moreira - Julho de 1996 - 71 pág.
284. RIO DE JANEIRO E INTERMEDIÇÃO FINANCEIRA - Rubens Penha Cysne - Julho de 1996 - 30 pág.
285. CURSO DE MATEMÁTICA PARA ECONOMISTAS CAPÍTULO III: CÁLCULO NO R^n - Rubens Penha Cysne e Humberto Athayde Moreira - Agosto de 1996 - 106 pág.
286. REFLEXOS DO PLANO REAL SOBRE AS FINANCEIRAS - Rubens Penha Cysne e Sergio Gustavo S. da Costa - Setembro de 1996 - 17 pág. (esgotado)
287. FUTUROS DE JUROS - Carlos Ivan Simonsen Leal - Setembro de 1996 - 49 pág.
288. PREVIDÊNCIA SOCIAL NO BRASIL: POR UMA REFORMA MAIS DURADOURA - Clovis de Faro - Setembro de 1996 - 38 pág.
289. CURSO DE MATEMÁTICA PARA ECONOMISTA - CAPÍTULO V: OTIMIZAÇÃO DINÂMICA - Rubens Penha Cysne e Humberto de Athayde Moreira - Setembro de 1996 - 60 pág.
290. PERSPECTIVAS DE LONGO PRAZO DA ECONOMIA BRASILEIRA: UMA ANÁLISE EXPLORATÓRIA - Pedro C. Ferreira - Outubro de 1996 - 40 pág.
291. INTEGRAÇÃO, CRESCIMENTO E BEM-ESTAR - Marcelo Leite de Moura e Silva e Pedro C. Ferreira - Outubro de 1996 - 39 pág.
292. PROCESSUS STOCHASTIQUES EN FINANCE (1ère partie) - Renato Flôres e Ariane Szafarz - Novembro de 1996 - 31 pág.
293. ANAIS DO II ENCONTRO NACIONAL SOBRE POLÍTICA MONETÁRIA E POLÍTICA CAMBIAL (Parte I) - SISTEMA FINANCEIRO E POLÍTICA MONETÁRIA - Rubens Penha Cysne (editor) - Novembro de 1996 - 78 pág.
294. ANAIS DO II ENCONTRO NACIONAL SOBRE POLÍTICA MONETÁRIA E POLÍTICA CAMBIAL (Parte II) - BALANÇA COMERCIAL E FLUXO DE CAPITAIS - Rubens Penha Cysne (editor) - Novembro de 1996 - 59 pág.
295. PROCESSUS STOCHASTIQUES EN FINANCE (2ème partie) - Renato Flôres e Ariane Szafarz - Novembro de 1996 - 34 pág.
296. HIPERINFLAÇÃO: UMA ABORDAGEM NEOCLÁSSICA - Fernando de Holanda Barbosa - Dezembro de 1996 - 23 pág.
297. INFRASTRUCTURE PRIVATIZATION IN A NEOCLASSICAL ECONOMY: MACROECONOMIC IMPACT AND WELFARE COMPUTATION - Pedro Cavalcanti Gomes Ferreira - Janeiro de 1997 - 28 pág.

298. A NOTE ON GROWTH, WELFARE AND PUBLIC POLICY (Revised Version) - Pedro Cavalcanti Gomes Ferreira - Janeiro 1997 - 22 pág.
299. BARREIRAS À ENTRADA: O CASO DO SETOR DE CREME DENTAL BRASILEIRO - Luiz Guilherme Schymura - Janeiro 1997 - 24 pág.
300. CRESCIMENTO ENDÓGENO, DISTRIBUIÇÃO DE RENDA E POLÍTICA FISCAL: UMA ANÁLISE CROSS-SECTION PARA OS ESTADOS BRASILEIROS - Victor Duarte Lledó e Pedro Cavalcanti G. Ferreira - Fevereiro 1997 - 41 pág.
301. SISTEMA FINANCEIRO BRASILEIRO: DIAGNÓSTICO E REFORMAS REQUERIDAS - Rubens Penha Cysne e Lauro Flávio Vieira de Faria - Março 1997 - 68 pág.
302. DESEMPREGO REGIONAL NO BRASIL: UMA ABORDAGEM EMPÍRICA - Carlos Henrique Corseuil, Gustavo Gonzaga e João Victor Issler - Abril 1997 - 40 pág.
303. AS DELIBERAÇÕES SOBRE ATOS DE CONCENTRAÇÃO: O CASO BRASILEIRO - Luiz Guilherme Schymura - Abril 1997 - 20 pág.
304. EFFECTS OF THE REAL PLAN ON THE BRAZILIAN BANKING SYSTEM - Rubens Penha Cysne e Sérgio Gustavo Silveira da Costa - Maio 1997 - 30 pág.
305. INFRA-ESTRUTURA, CRESCIMENTO E A REFORMA DO ESTADO - Armando Castelar Pinheiro - Maio 1997 - 25 pág.
306. PUBLIC DEBT SUSTAINABILITY AND ENDOGENOUS SEIGNORAGE IN BRAZIL: TIME-SERIES EVIDENCE FROM 1947-92 - João Victor Issler e Luiz Renato Lima - Junho de 1997 - 38 pág.
307. THE BRAZILIAN 1994 STABILIZATION PLAN: AN ANALYTICAL VIEW - Eduardo Felipe Ohana - Julho de 1997 - 24 pág.