

Report from Rio by Lorenzo Carrasco Bazúa

Industrialists demand end to usury

The Summer Plan's failure and the superprofits of the banks are triggering an industrialists' rebellion.

The announcement of a 6% inflation rate for the month of March fell like a cold shower on the feverish heads of Brazil's economic authorities and *tecnicos* who, like Ministers Maílson da Nóbrega and Batista de Abreu, have been spinning fantasies about the "success" of the Summer Plan. They seem to have truly believed their own story that it were possible to maintain a near-zero inflation rate alongside monthly real interest rates above 25%.

At the same time that the failure of the Summer Plan has become an undeniable reality and now threatens to trigger a Weimar-style hyperinflationary process, the Brazilian banks have announced that they garnered stratospheric earnings in 1988, beyond the near 1,000% inflation rate. According to the daily *O Estado de São Paulo*, however, the annual balances of these banks do not reflect these profits, since, in the majority of cases, their owners prefer to hide their earnings in over-inflated reserve funds which bear no correspondence to the banks' real needs to protect themselves from potential bad debtors.

These profits were gotten, primarily, through the highly speculative overnight markets, which are backed by Treasury Financial Notes, whose function has, in effect, been to suck productive resources out of the economy. Proof of this is the fact that in 1988, the economy shrunk by 1%, and industry by more than 3%, while bank profits shot up. Thus, to all intents and purposes, the national banking system

has become, with the backing of the government of President José Sarney, a satrapy of the Brazilian economy.

This situation was denounced by J. Carlos de Assis, adviser to the National Industrial Confederation, in his newspaper column in *O Globo* of March 28: "If the inflation tendency and interest practices continue through the end of March, as all things indicate they will, then two months of the Summer Plan will have cost the Treasury in new financial obligations the equivalent of the entire estimated gross tax revenue for 1988, 30 billion new cruzados (or dollars)."

This situation "already existed before the plan," continued Assis, "and worsened after it. Previously, company working capital placed on the overnight market was protected from inflation and eventually yielded a real gain. Now, these same cash flows yield real interest of 16% a month (after taxes), 460% a year, something truly unheard of in the history of capitalism."

Despite the efforts to hide the banks' gigantic profits, this situation has enraged all of Brazilian society, and in particular those business leaders who are demanding a correction to these financial distortions. The president of the National Industrial Confederation, Senator Albano Franco, wrote a column for all of the nation's major dailies, explaining that the public and private financial system no longer functions to foster the industrial development of the country. "When one has inflation of 3.5% (as in Feb-

ruary) and an interest rate of 25% a month, one has arrived at the limits of craziness. The industrial leadership . . . never agreed to the transformation of productive resources into speculative resources."

"It is true," continued Albano Franco, "that the distortion stems from the Summer Plan itself, which unhappily has given official encouragement to financial roulette under the pretext of stabilizing the currency. But we cannot ignore the role of the financial system in this process. We are absolutely against banking statism. But, with the same conviction, we condemn banking parasitism. Our country needs massive investments in order to produce for both internal consumption and export. . . . The banking system, in turn, needs to modernize itself in risk management. If it does not do so, it will end up paving the way for pernicious statization."

Only days after this unprecedented denunciation of the Brazilian banking system, Deputy Afif Domingos—the presidential candidate backed from the United States by the "Project Democracy" grouping, and mouthpiece for the worst rentier capital interests in the country—attacked the National Industrial Confederation during a businessmen's conference, charging that it did not represent the real interests of the business community because, during the meetings of the Constituent Assembly, it had defended nationalization of Brazil's mineral resources.

The lines are being rapidly drawn in Brazil. If the Sarney government does not reverse its policy of encouraging the usurious and speculative practices of the banks, the country could soon face political and social destabilization on a scale that would make the recent Venezuelan riots pale in comparison.