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Report from Rio by Silvia Palacios

Stuck between the Fund and the strikes

Sarney's attempt to implement IMF wage-gouging decrees could trigger a strike wave under communist control.

President José Sarney's government has begun a new round of talks with the International Monetary Fund (IMF), but has suddenly found itself trapped between a rock and a hard place. If Sarney persists in enforcing the Fund's austerity dictates—as he would like to do—he takes the risk of derailing the fragile stability to which pre-election Brazil still clings, triggering untold chaos. It is perhaps this reality which has led Brazilians, for the first time in a long time, to begin to rumor the possibility that presidential elections scheduled for November 1989 may not occur.

The fulcrum of the IMF's new austerity demands is government wage policy, just the issue most likely to trigger social conflagration in Brazil. It is to the extent that the Sarney government is willing to gouge wages that the Fund is prepared to offer itself as guarantor for Brazil's creditors to release a paltry $600 million which had supposedly been approved in the debt renegotiation pact of 1988.

With Fund prompting, the Sarney government's economic cabinet has begun anew to publicly urge the need for wage austerity. Planning Minister João Batista de Abreu has once again raised the possibility of firing 90,000 public employees, a central aspect of the failed "Summer Plan" the government decreed three months ago. The job-slashing decree was never implemented, due to the unanimous opposition of Congress.

However, all technocratic projections have been surpassed by the deterioration of buying power in Brazil. Starting with last month's general strike, a wave of work stoppages took place in every key sector of the economy, including metal workers, port workers, professors, and bank employees. By local estimates, nearly 1.5 million workers are currently on strike. All are demanding wage increases of 80% and higher. Fury at the Sarney government's compliance with IMF genocide is being catalyzed, dangerously, by the CUT, the labor federation of the communist Workers Party (PT), which has provoked numerous anarchist actions.

In the face of this rising discontent, Brazil's bank creditors have preferred to send their demands "discreetly," using available journalistic channels. For example, the April 23 issue of *Jornal do Brasil,* a known mouthpiece for Citibank, used three full pages to promote what the oligarchy calls "Salinas-troika," a reference to the so-called reforms of Mexican President Carlos Salinas de Gortari. Those "reforms," initiated by Salinas's predecessor Miguel de la Madrid, achieved two important goals set by Mexico's creditors—the auctioning off of the majority of state companies and, above all, reducing living standards by some 50%—without triggering significant social explosions.

However, as can be seen by the ongoing labor ferment, imposing such an austerity program in Brazil would spark something much worse than Carlos Andrés Pérez's infamous *Caracazo,* and would set off interminable financial chaos, making Raúl Alfonsín's Argentina look like a paradise of stability.

The moribund Summer Plan has left the Sarney government with fewer options than ever. Interest rates have gone through the ceiling, the internal debt has risen 25% in only three months (from $80 to $100 billion), wages have lost 30-40% of their buying power. And, worst of all from the Sarney government's viewpoint, inflation has returned.

These disasters are part and parcel of the entirety of economic policies that have been effected since 1988, when the moratorium on debt interest charges decreed in 1987 was reversed. The recession—only held at bay—has returned with a vengeance.

In 1988, the GNP was negative, with a fall of -0.3% and a per capita value of 2.3%. Contraction of economic activity was headed, not surprisingly, by industry which fell 2.5%. The gross capital formation rate was 17.5% of GNP, a rate only similar to the period between 1983-85, the critical years of the recession caused by the monetarist policies of former minister Delfim Netto. For comparison's sake, one might note that Brazil achieved an investment index greater than 20% of GNP during the 1970s. To achieve a 6% annual GNP, the investment rate must be at least 22%.

The result of the collapsing investment rate is that the major state companies are being sacrificed, above all in the energy sector, which is the Achilles heel of the Brazilian economy. Thanks to the aggressive actions of the world green-fascist lobby, the World Bank has canceled any credits to Brazil's electrical sector. The lack of public financing resources, added to the Summer Plan's price freeze, has forced the state oil company Petrobrás to demand an immediate increase of 40% in fuel prices to stave off anticipated major income losses.

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