

Brazil's voters face economic crossroads

by Lorenzo Carrasco Bazúa

On Nov. 15, when 82 million Brazilians went to the polls to elect Fernando Collor de Melo and Luis Ignacio "Lula" da Silva as the finalists in the first direct presidential election in 29 years, Brazil was celebrating the 100th anniversary of its proclamation as a republic. Indeed, the crisis which today threatens to unleash lacerating conflict in Brazil, can only be compared with the crisis that overturned the Orleans and Bragança monarchy on the morning of Nov. 15, 1889.

Then, the banking interests of the Rothschild family, consolidated in an imperialist fashion during the Paraguay War, had bankrupted Brazil's public finances, setting off an uncontrolled inflationary process. Today, public finances are again ruined, and national credit is only serving the interests of a handful of speculators who loot the nation's resources for their private gain.

Brazil has lived through a decade in which the international financial oligarchies have extracted \$100 billion in service payments on a foreign debt of \$110 billion. This thievery has translated into the loss of nearly 50% of the buying power of wages; 70 million Brazilians in conditions of absolute poverty or minimal subsistence, subject to epidemic disease; and millions of homeless children roaming the streets of the main cities. Besides the economic crisis there is an institutional crisis. The ruling institutions have failed to answer foreign-imposed economic and political humiliations with sovereign economic choices befitting Brazil's interests; moreover, Brazil lacks solid political party structures that could foster orderly political solutions.

Established parties trounced

This chaos was clearly revealed by the election results, which wiped out the existing majority parties in the National Congress, the PMDB and PFL, despite their well-qualified respective candidates, Ulyses Guimarães and Aureliano Chaves, who together won barely 5% of the general vote. Voters instead chose two candidates who lack the parliamentary base of support needed to govern, and whose sole virtue, in the eyes of the electorate, is in *not* representing past political structures. Fernando Collor, a candidate whose electoral chances were minimal just a short time ago, was elected by the Party of National Reconstruction (PRN)—founded one year ago—with nearly 30% of the 20 million valid votes. His campaign was

based on the fight against government corruption and against the *marajas*, a nickname for overpaid or corrupt public officials. With neither his own political base, nor a defined economic program, Collor de Melo is surrounded by interests who could drive him into taking neo-liberal stances against any serious reform attempts.

Second place in the vote fell to Luis Ignacio "Lula" da Silva, after a pitched battle with Socialist International representative in Brazil and former governor, Leonel Brizola. Lula, candidate of the Workers Party (PT), is a unionist who was turned into a candidate by his mentor, the "Theology of Liberation" priest Frei Betto, a leading figure in the Marxist movement in the Brazilian Church, which is in open rebellion against the Pope. It was through the efforts of the 80,000 "ecclesiastical base communities" (CEBs) and the "pastors of the land" scattered throughout Brazil that Lula was provided the margin of votes, especially in the northeast, to qualify for the second round of the presidential race.

With the two candidates now defined, and the country sinking into a worsening economic crisis, the campaign will enter a phase of radicalization which will be easily manipulated in "class struggle" terms.

Within this scenario of radical-left and radical-right choices, the defeated candidates of the traditional parties will try, through various alliances, to surround the two candidates and force them to assume commitments that may help avert uncontrolled political chaos. Sectors of the majority PMDB party which were trapped in the false "left-right" scenario will now support "Lula" in the second round of voting, with the view that of the two choices, he is the only one who vows to carry out economic reform. Those same sectors of the PMDB are seeking guarantees and pledges from the PT leadership to control their more radical factions, which serve as a "safeguard" against the Armed Forces.

However, Lula's own provocations against the Armed Forces during his campaign leave a slim margin of credibility, and the political picture could fast decay into a radicalization similar to the last months of the João Goulart government (1964). The Armed Forces, for their part, have declared that they will not oppose the inauguration of any elected victor, thereby presenting themselves as guaranteeing compliance with the Constitution and putting a potential straitjacket on the more radical and pro-terrorist elements within the PT who could come to power in the event of Lula's victory.

A deadly economic legacy

In either case, President José Sarney is willing to his successor a policy minefield. The economic and financial policies pushed by his ministers Maílson da Nóbrega and João Batista de Abreu have created a hellish system at the service of Brazil's financial oligarchies, which in just a few months, has deepened the economic dislocation in Brazil. By keeping interest rates at which public bonds are sold

outrageously high, the real transfer of resources from the productive sectors and the poorest Brazilians into the hands of the bankers and speculators, is around 10% of the Gross Domestic Product through the end of 1989. The result of this policy, inflation—today at 40% per month—could surpass 70% in March 1990, when the new President takes office (unless Sarney steps down early, as Raúl Alfonsín did this year in Argentina).

The internal debt at the start of this year already surpassed the foreign debt, with the aggravating factor that interest payments on the internal debt are 10 times greater, in real terms, than on the foreign debt. Hence, in 1990, interest payments alone on the internal debt could amount to \$18 billion.

Whoever wins will be reinforced with more than 40 million votes, which will give him a 60-90 day breathing space to undertake substantial reforms of the banking and financial system. The measures he *should* take must include:

- Maintaining an indefinite suspension of interest payments on the foreign debt, while pressuring for a transformation of the international monetary system.

- Immediate reforms of the national financial and banking systems, to free public credit from the stranglehold of the speculation on the exchange and stock markets. Maturation of government bonds, which are today negotiated on a day-to-day basis, should be rescheduled for a minimum of 10 years, with a real annual interest rate fixed at 2-4%.

- Plans for a 7% annual growth of the GDP to ward off any possibility of recession, meaning investments of at least \$35 billion a year in communications and transport, irrigation, urban and social infrastructure, etc.

- Restructuring of the tax and credit systems to provide financial resources of approximately \$15 billion for the investments in infrastructure. National private initiative is capable of making equivalent investments, if one considers that a part of the resources today concentrated on the financing of the public debt could be re-channeled immediately into productive investment.

- Welcoming the French-German initiative to open up investment funds for the development of countries such as Poland, since consumer goods, from textiles and shoes to grain surpluses, could be exported to those countries in a triangular trade arrangement, through which Brazil could receive the capital goods it so urgently requires.

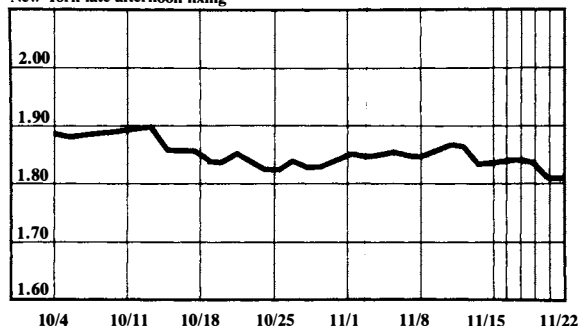
- An emergency food program for the most depressed zones of the country.

The presidential election showed that Brazil is heading toward a social explosion, delayed by the election itself, which is seen by millions of dispossessed as the last chance to carry out profound reforms of society. Failure to do so, either through incompetence, ignorance, or vain radicalisms—liberal or Marxist—could mean the beginning of a process of total anarchy, and would lead into the worst social catastrophe of Brazil's history.

Currency Rates

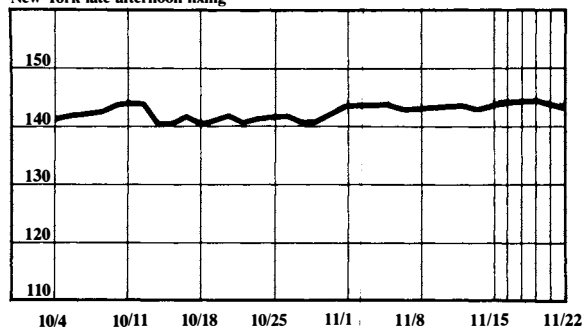
The dollar in deutschemarks

New York late afternoon fixing



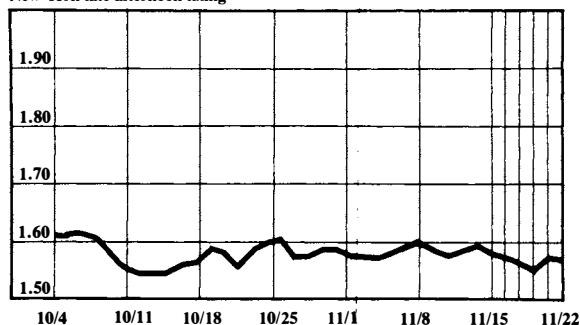
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

