

Report from Rio by Silvia Palacios

Liberal noose tightens on Collor

Brazil's monetarist oligarchs are seeking to capture the President-elect's economic policy.

There has not been such intense activity among the Brazilian oligarchy's various monetarist agents since 1987, when the bankers overthrew Finance Minister Dilson Funaro for threatening their usurious interests with a moratorium on debt service payments. The goal this time is to capture control over the economic policy of President-elect Fernando Collor de Mello, who will assume office on March 15.

Immediately after the Electoral Court granted Collor the victory, a circle of bankers and their liberal spokesmen—the same who have perpetuated the country's scandalous social injustices and, especially, the last decade's disastrous economic policies—moved to extract a commitment from him that, now that he wears the presidential sash, he will carry out the so-called "liberal shock" austerity program they demand.

Mario Henrique Simonsen, former planning minister and international vice president of Citibank; Olavo Monteiro de Carvalho, head of the powerful Monteiro Aranha group, and well-connected to the European oligarchy; and Roberto Marinho, owner of the *O Globo* media chain, joined forces to present their young pupil, economist Daniel Dantas, as candidate for the central bank presidency. If Dantas's program is consummated, it would throw Brazil into an infernal recession since, it proposes the independence of the central bank from the executive office, and the elimination of all traditional controls on the economy, such as exchange rates, interest rates, and prices.

It is estimated that such a policy

would bring the inflation rate to its highest level ever, around 1,000% per month.

A drastic "solution," much along the lines of the monetary restriction policy just imposed in Argentina by President Carlos Menem. But, as Dantas's mentor Simonsen told the magazine *Veja*, "The new government has to carry out a broad shock, without fear of the Argentine example."

Such pressures are due in large part to the fact that, despite Collor de Mello's origins among Brazil's old and powerful families and his reliance upon them for electoral support, he has not thus far shown any indications that they are in control of his presidency.

A commentary by the ultra-liberal former minister Roberto Campos on Jan. 7 is revealing: "If Lula's defeat freed Brazil from the certainty of backwardness, Collor's victory doesn't bring us the certainty of progress. It is necessary for the new President to put all the garbage in his head to one side." The garbage, according to Campos, is "old [state] dirigism."

Collor de Mello appears to have resisted this first round of pressures from the liberal oligarchy. In an interview given in Rome and published Jan. 10 in the magazine *Veja*, Collor responded to Simonsen's warning: "The situation in Argentina has me very concerned. Argentina can be an example of what we should or should not do, from the very first days in office."

At the same time, Collor gave public backing to economist Zelia Cardoso de Mello, the coordinator of his economic team and a former aide

to minister Funaro, whose nationalist economic line went against the orthodox free-enterprisers. Similarly, there are indications that Collor gave permission to a small circle of his collaborators to leak Dantas's insane economic plan to the media, thereby burning it politically. It was even reported in the press that when Dantas's proposals were submitted to the President, he asked the economist, "Would you have the courage to execute and support these measures?"

The content of those proposals has also alerted various organized sectors of the economy. For example, Antonio Medeiros, leader of the Metal Workers Union of São Paulo, told the media that to propose a recession for Brazil at this time was sheer "suicide." He added, "The Collor government has the strength to break free from the businessmen. What Collor owed them, he has already paid by defeating Lula."

The factional battle around the question of recession or development as government policy has mobilized an important sector of the São Paulo business community, which has no desire to return to 1983-style recession, when Brazil yielded to brutal International Monetary Fund conditionalities. On Jan. 6, *O Estado de São Paulo* reported that the economists preparing Collor's government program are seeking the support of these industrialists, the same who "in 1985 put Dilson Funaro into the Finance Ministry."

Collor's economic team has reiterated that it has no interest in a policy that would slash wages. In this, the Collor government appears to share the interests of several groups of nationalist industrialists. So, we know—at least in general terms—what Collor's economic team doesn't want. But the question remains: What do they want?