

Brazil's President opts for chaos

by Peter Rush

Brazilian President Fernando Collor de Mello has been in office for 100 days, yet he cannot get his program through Congress and the courts, and his policies are increasingly unpopular with a growing number of citizens, including those representing the nationalist current in Brazilian political life. The first 100 days have disappointed those who were uncomfortable with many of the liberal monetarist features of Collor's program, but who also saw aspects of his initial set of measures that might have contributed to growth. Instead, those initiatives have gone nowhere, while Collor's commitment to monetarist policies, combined with numerous concessions to Brazil's enemies, are producing economic chaos and worker unrest.

So far, more than 100,000 industrial workers have lost their jobs in the state of São Paulo alone, according to a June 14 announcement by the Industrial Federation of the State of São Paulo—more than 60,000 from March 15-April 30, and another 47,447 in May alone. This drop is 5.2% of the total work force in the state, and more than 10% of the industrial work force. Federation President Carlos Eduardo Uchoa Fagundes told the press that he was “shocked” at the figures, and said, “This is a critical moment. We have reached a point of rupture.”

On top of that, the Collor administration has promised to lay off 90,000 civil service workers immediately, and another 270,000 as soon as possible. Industrial production is now projected to fall by 10% this year, and there are no alternative jobs for these fired workers. Even inflation, which was 9.1% in May—down from 80% the month before Collor came to power—is moving up again, and the main anti-inflation measure taken in his first week in office, the freezing of \$120 billion in private checking and savings accounts, is now “leaking” worse than a sieve and cannot be relied on to suppress further price increases.

In any case, the prime factor in holding down inflation in March, April, and May was the fact that workers had not gotten their customary inflation-indexed cost-of-living adjustment since February, so, by some calculations, the buying power of the salaried segment of the population had fallen by more than 50%, naturally depressing sales and prices.

Now, the labor movement has embarked on a strike wave in opposition to the layoffs, while the labor courts have begun

ruling in favor of large wage increases. Several courts have already granted wage increases of 166% to some workers. Earlier in June, the Collor administration lost a crucial decision in the Supreme Court, which ruled that the government could not legally reintroduce a decree that had just been voted down by Congress. The decree in question was an order prohibiting the labor courts from granting large wage increases. In response to the rebuff, Finance Minister Zelia Cardoso announced that Collor was prepared to bring on a sharp recession, if that was the only way to stop inflation.

No strategy for development

Collor lacks any vision for the development of the country. He has neither said nor done anything about restarting long-overdue investment in Brazil's electricity, transportation, and mining industries, which are the keys to long-term growth. Even prior to his election, Collor received a copy of the document issued by the Superior War College (ESG), which outlines a plan for transforming Brazil into an industrial giant over the next decade, and defending it from the Washington-London-Moscow axis which has designs on its sovereignty (see *EIR*, June 15, 1990, “Sovereignty is non-negotiable, Brazilian Army tells superpowers”).

Collor apparently didn't take the ESG document, entitled *1990-2000: The Vital Decade*, to heart. The June 23 issue of the Rio de Janeiro paper *Tribuna da Imprensa* made this point when it attacked the government's economists for only being concerned with the “financial economy,” and identified the root cause of Brazil's economic difficulty as “the insufficiency of physical production,” and the monetarist fixation on shrinking consumption to fit the inadequate production.

Nationalist opposition speaks out

Certain sectors of the country's elites who oppose the government's policies, have indicated they are prepared to act. Former Government Minister Aureliano Chaves, who maintains close ties to a faction of the Army, has begun a lecture tour across the country, criticizing Collor for trying to return to *laissez-faire*, by indiscriminately selling off the state sector of the economy and overthrowing the nation's institutions. Chaves is closely identified with the building up of Brazil's state sector companies. Columnist Carlos Chagas, reporting on Chaves's upcoming tour, said that the government's course is “destined to turn Brazil not into the great power which all hope for, but into a second class colony.”

Collor's response to the ESG document has been to give free rein to his environment minister, José Lutzemberger, who is backed by the international pagan environmentalist movement. On June 6, Lutzemberger issued a 10-point broadside calling on the government to replace “the conceit of development” with “a strategy of eco-development,” to make concern for the environment the national priority, and to place severe limits on industry and agriculture on this account.