

Ex-US bank chief to set monetary policy

Brazil: Lula's appointments point to deeper austerity

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While millions of Brazilian workers and poor people provided Lula and his Workers Party (PT) with an overwhelming margin of victory in last October's election, his government's economic team has been selected to defend the interests of the international banks, foreign investors and the Brazilian financial elite.

On Wednesday, Lula's nominee to head the Central Bank, Henrique Meirelles, spelled out before a Brazilian Senate panel his intention to pursue a tight-money austerity policy aimed at curbing inflation at the expense of the jobs and living standards of the Brazilian working class.

Meirelles's selection was the clearest possible signal to the international banks and the International Monetary Fund that their policies and interests will guide the actions of the incoming government. He is the former worldwide president of the US FleetBoston Financial Group, where he was paid an annual salary of \$1.5 million before quitting last August to pursue a political career in Brazil. He ran successfully for a congressional seat as a supporter of the PSDB (Party of Brazilian Social Democracy), the ruling party that Lula defeated in the presidential election.

Meirelles told the Senate Commission on Economic Affairs that there would be "no surprises" in his policies, which he said would be in continuity with those of his predecessor, Arminio Fraga, who before taking over the Central Bank directed "emerging markets" currency speculation for the Soros international investment firm.

As Meirelles spoke, the Central Bank raised its main lending rate by three percentage points to 25 percent, its highest level since May 1999, a move designed to

appease foreign investors while further depressing Brazil's domestic economy.

Already one in five workers is jobless in Brazil, and the continued interest rate hikes are expected to push the jobless rate even higher. While Lula campaigned during the election on promises to create one million jobs and double a minimum wage rate that stands at less than \$55 a month, both pledges have effectively been shelved.

The former FleetBoston chief also announced that Lula has agreed to institute full Central Bank autonomy, thereby assuring the financial markets that his government will not attempt any financial stimulation policies aimed at meeting demands for jobs or expanded social services. Both the previous Central Bank president and the IMF had long supported such independence.

Meirelles's pledge was echoed by Lula's designee as finance minister, Antonio Palocci. A former PT mayor of Ribeirao Preto, a city in the state of Sao Paulo, he said he would not budge from the current government's inflation targets and indicated that the incoming PT administration would comply fully with the demands of the IMF.

"My level of conservatism is equal to that of Palocci," Meirelles told a press conference in Brasilia Thursday. As a mayor, Palocci earned the backing of Brazil's business establishment by pursuing an aggressive privatization policy and taking on the trade unions.

Palocci joined the PT and rose through its ranks after entering politics through a radical student organization formed by a Brazilian group linked to the French *Organisation Communiste Internationaliste* (OCI,

International Communist Organisation). The OCI had broken with the Trotskyist movement, the International Committee of the Fourth International, in 1971 and turned increasingly to the right, adapting itself to the French Socialist Party of Mitterrand. In recent years the French press has published revelations that former Prime Minister Lionel Jospin had been a long-time member of the OCI.

Palocci's political trajectory is emblematic of that of the PT as a whole. While millions voted for the party in the hope of securing fundamental change, Brazilian and international finance capital have decided they can utilize the PT's previous association with left-wing politics and even a vague conception of socialism as a means of containing social contradictions, while introducing ever-more draconian economic and social policies.

Other appointments announced by Lula have confirmed that the incoming PT government will be committed to the defense of big business. He tapped Luiz Fernando Furlan, the head of the global food processing corporation Sadia, as his minister of development. Roberto Rodrigues is to become agriculture minister. He held the same post under the corrupt right-wing government of president Fernando Collor de Mello. More recently, he was head of the agricultural business association, representing domestic and multinational commodity giants.

What passes for the left wing of the PT has grumbled over the appointments, charging that none of them were discussed within the party before being announced to the press. It has shown no inclination to fight them, however. The party leadership has reportedly threatened to expel any congressional officials who vote against the nominees.

Heloisa Helena, a senator from the state of Alagoas and a leading member of the PT's Socialist Democracy Tendency, condemned the appointment of Meirelles. "I will not vote in favor of a person who during his whole life served the international financial system," she said. "He has nothing to do with the PT and the party was not consulted on his appointment." But when the time came for a vote in the senate committee, Helena absented herself—as another PT legislator explained—to assure a unanimous vote by the party's faction.

While earlier this year, the prospect of a Lula government triggered a run on the Brazilian currency,

the *real*, and on government bonds, the PT managed to win the support of the most decisive sections of the Brazilian business establishment and increasingly has gained the confidence of Wall Street.

It selected as its vice-presidential candidate Jose Alencar, a leader of the rightist Liberal Party. Alencar is the country's leading textile magnate, who presides over a corporation that subjects some 15,000 workers to intense exploitation, denying them the right to unions and working them 12 hours a day at poverty wages. He and other Brazilian industrialists and major landowners backed the PT as part of a turn towards a more nationalist economic policy aimed at gaining a greater share of both domestic and foreign markets.

To further this agenda, the PT has advocated a "social pact" between capital and labor, whose purpose will be to slash wages and gut working conditions, and thereby make Brazilian capitalism more competitive. Lula has demanded that the unions subordinate themselves to his government's policies, and his administration has spelled out its intention to carry out a sweeping pension "reform" that will slash government contributions and privatize existing accounts.



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