

Brazil's economy falls sharply amid deepening political crisis

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Brazil's Workers Party (Partido dos Trabalhadores—PT) government announced last week that the country's gross domestic product had plunged by 1.9 percent in the second quarter alone, officially inaugurating a period of recession. While the downturn had been anticipated, it was far steeper than predicted. The sharp contraction has ominous implications not only for the Brazilian working class, but for all of Latin America, where Brazil has become a primary source of trade and investment.

The severe economic downturn has developed under conditions of mounting political crisis, driven in large measure by the deepening scandal surrounding the multibillion-dollar bribes and kickback schemes exposed at Petrobras, the state-owned oil company and Brazil's largest industrial entity.

The political and economic crises are feeding each other, with the Petrobras scandal serving to drive down foreign investment and freeze major construction projects, which are implicated in the scandal. Meanwhile, the slide into recession is exacerbating popular anger against the PT government of President Dilma Rousseff, whose popular approval rating has fallen to below 8 percent, an all-time low.

Brazil's Ministry of Labor also reported that unemployment had risen to 8.3 percent in the second quarter, up from 6.8 percent a year before. July was the seventh straight month of increased joblessness, which is now rising at its fastest pace ever.

Particularly hard hit are the industrial and retail sectors, which have seen 454,000 jobs wiped out in the past year. The construction sector was also slumping, with the destruction of 152,000 jobs, as was the agricultural sector, which saw 99,000 formal jobs eliminated.

Among the sharpest increases in layoffs is the automobile sector, with 38,700 jobs cut in the first half of this year alone.

The impact of this rise in joblessness on the Brazilian working class has been intensified by the fiscal adjustment program initiated by the Rousseff government and its finance minister, the University of Chicago-trained economist and former IMF and corporate banking official Joaquim Levy, who was installed last January. Included in the austerity measures that the government has instituted are sharp cutbacks in jobless benefits and the elimination of a broad range of economic

stimulus measures.

The turn toward austerity, however, has failed to have the desired effect of placating the international banks and financial markets. The Wall Street-based rating agency Moody's downgraded Brazil's credit rating to one notch above junk status last month, while the rival rating firm, Standard & Poor's (S&P), warned two weeks earlier that Brazil could lose its investment grade over the coming year given a continuation of its economic and political crises. S&P has called attention to the rise of Brazil's public debt, with the government itself predicting a 30.5 billion reais (US\$8.4 billion) deficit based on a proposed budget submitted to the parliament Monday.

Economic contraction is now predicted not only for the whole of 2015 (by roughly 2 percent), but for 2016 as well, with some economists beginning to speak in term of another "lost decade," the term used to describe the period following the Latin American debt crisis of the early 1980s.

Driving down the Brazilian economy are the sharp fall in commodity prices and the related contraction in demand from China, Brazil's largest trading partner and principal customer for soybean, iron and energy exports. Domestically, household spending dropped 2.1 percent between April and June compared to the previous quarter.

The end of the commodity boom, which is taking its toll on economies throughout Latin America, is also calling into question the ability of the PT government to continue the minimal social assistance programs that it has used to assure itself an electoral base among Brazil's most impoverished layers, even as the party became the principal political vehicle of the Brazilian bourgeoisie.

As a result, hostility to the government is growing within the working class, even as the political parties of the right seek to exploit the Petrobras scandal to wage a cynical campaign on "corruption"—in which every section of the political establishment is implicated—and to raise the demand for impeachment of Rousseff.

While Rousseff chaired the Petrobras board for seven years during the period when the massive kickback and bribery activities took place, there has as yet been no evidence directly implicating her in criminal conduct.

The so-called "Operação Lava Jato" (Operation Carwash, as

a gas station was used to launder some of the \$3 billion that is estimated to have been siphoned out of Petrobras) investigation has so far led to the arrests of the PT's treasurer, João Vaccari Neto, several former high-ranking Petrobras officials, and a number of politicians and businessmen, as well as one of Brazil's richest individuals, Marcelo Odebrecht of the Odebrecht conglomerate. In all, nearly three dozen federal legislators from five different parties are under investigation.

Among those charged is the head of the chamber of deputies, Eduardo Cunha of the PMDB (Brazilian Democratic Movement Party). The former ally of Rousseff has now signaled his support for impeachment after being charged with soliciting and receiving \$5 million in bribes.

Hundreds of thousands of people participated in demonstrations on August 16 calling for Rousseff's impeachment over the Petrobras scandal. The protests were considerably smaller than similar rallies organized last March, and substantially more right-wing. Along with banners demanding impeachment were numerous one's calling for "Military Intervention Now," an appeal for a military coup.

The main right-wing opposition party, the PSDB (Brazilian Social Democratic Party), is split on the question of impeachment. Senator Aécio Neves of Minas Gerais, the president of the party and its presidential candidate in the 2014 election, is agitating for impeachment, while others, including Senator Jose Serra of São Paulo, Geraldo Alckmin, the governor of São Paulo, and ex-president Fernando Henrique Cardoso—who suggested last month that Rousseff make a "grand gesture" and resign—have questioned moving to throw out a sitting president without any legal basis.

The divisions are not over legal niceties, much less political principle, but rather personal political calculations. More fundamentally, there is trepidation within the Brazilian ruling class over what an unconstitutional overturn of the PT government would produce in terms of social unrest and the class struggle in Brazil.

On substantive questions, there is little dividing the right and the PT, with all of them in agreement that increasingly drastic austerity measures must be implemented in order to make the working class pay for the crisis.

Involved in the unfolding crisis is the breakdown of the entire model of party and government that has ruled Brazil under successive PT administrations for the last dozen years. Promoted at its inception by a coterie of Pabloite, Morenoite and other pseudo-left tendencies as a new road to revolution and socialism, the PT rapidly became the principal political instrument of bourgeois rule in Brazil, carrying forward the capitalist economic policies of its predecessors.

With its corrupt and reactionary nature fully exposed by the austerity policy and the vast Petrobras scandal, there are various attempts to salvage the PT or forge a successor.

Former Brazilian president Luíz Inácio da Silva ("Lula"), who as the leader of the metalworkers union was one of the

founders of the party in the early 1980s, has signaled his intention to return to politics and put himself forward as a presidential candidate in the 2018 election. In recent appearances, he has called on the PT membership to "take to the streets" and has employed left demagoguery about restarting the "revolution."

Lula himself, however, is implicated in the ongoing scandal. Reports published in right-wing Brazilian magazines have accused him of acting as a lobbyist for the Odebrecht corporation, flying on its corporate jets to Cuba and elsewhere to secure lucrative contracts. Recent polls have shown him losing to all of the likely candidates of the right.

Meanwhile, the PSOL (Socialism and Liberty Party), formed by expelled legislators and other PT dissidents in 2004, has advocated a set of reformist demands which it has explicitly identified with the actions taken in Greece by the government of Syriza, which stabbed the Greek working class in the back by capitulating to all of the austerity demands of the European Union. The PSOL politicians are clearly prepared to take the same road, even as they, for now, subordinate themselves to the defense of the PT government.

Covering their left flank is the PSTU (United Socialist Workers Party), the Morenoite tendency in Brazil, which has appealed to the PSOL to break with the Rousseff government and unite with them, the Stalinist Brazilian Communist Party and sections of the trade union bureaucracy to form a "class" alternative. Such a formation would represent, like Syriza, the interests of more privileged sections of the middle class, which are hostile to those of the Brazilian working class.

What the deep-going crisis in Brazil demands is the building of a new revolutionary socialist leadership, a Brazilian section of the International Committee of the Fourth International—a task that begins with the assimilation of the bitter lessons of the entire experience with the PT and those who promoted it.



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