

Brazil's PT government reshuffles cabinet to push through austerity program

Souza Gonzaga
3 October 2015

Brazil's Workers Party (Partido dos Trabalhadores—PT) President Dilma Rousseff announced a major cabinet reshuffle Friday as part of a political strategy to win support for her government's proposed austerity program and forestall her own impeachment by turning even further to the right.

The main thrust of Friday's changes is to strengthen the grip of the PMDB (Brazilian Democratic Movement Party), the PT's more right-wing and not very reliable ally, which will now control seven ministries, including health, which has the largest budget and is targeted for the largest cuts. Other ministries were eliminated and combined, securing a negligible budget savings.

By ceding more control to the PMDB, Rousseff hopes to gain the support of a sufficient number of legislators to pass her proposed austerity measures. The PMDB has thus far refused to approve new taxes, including a tax on financial transactions, demanding that the government implement deeper spending cuts.

The party, which holds the leadership positions in both the Chamber of Deputies and the Senate, is also in a position to kill any vote to begin impeachment proceedings against Rousseff. While no legal grounds have been presented for impeachment, sections of the political right are pushing for it anyway.

Rousseff's approval ratings have fallen to single digits, and polls have indicated that a majority of Brazilians would support impeachment.

Whatever gains are made through the concessions to the PMDB may be short-lived, as the party has scheduled a conference for next month in which it is expected to reconsider its relationship to the PT.

The cabinet reshuffle is part of a series of actions that amount to something of a self-coup by Rousseff, who has also bowed to her predecessor, Luiz Inacio Lula da Silva, the former metalworkers union leader who became the country's first PT president. She has appointed officials close to Lula to the most influential positions in her administration.

These political maneuvers follow the government's announcement of a fiscal austerity package aimed at countering the distrust of international financial markets over the country's spiraling economic and political crisis. These measures are centered on budget cuts and tax raises, and have

provoked deep controversy because of their recessionary implications under conditions of already plummeting production and employment.

The austerity package was unveiled just two weeks after the government took the unprecedented step—since imposition of the law of fiscal compliance in 2000—of sending Congress a deficit budget for fiscal year 2016.

The budget was widely understood as a political statement, drawing the executive's budgetary "red lines" in face of the rebellious lower house, chaired by an opposition faction of the PMDB. As first drafted, the budget pegged the deficit of 0.5 percent of GDP, or 30 billion reais (US\$7.6 billion), instead of the previous consensus of the markets that it should predict a 0.7 percent surplus in order to signal the administration's willingness to honor its debts.

Budgetary plans have been complicated by the country's aggravating recession and the likelihood of a full-blown depression before the end of 2015. This has obliged the executive to downgrade its estimates of tax revenues. Brazil's economy has been hard hit by the plummeting of global commodity prices and diminishing Chinese demand for Brazilian exports of iron ore, soybeans, oil and other commodities.

The budget debate and the announced austerity measures come as virtually every recent welfare measure introduced by the Workers Party government under Lula is being scaled back or even eliminated. On top of the general crisis is the escalating bribes-for-contracts scandal at the oil giant Petrobras, Brazil's biggest company and former economic crown jewel.

This scandal has engulfed the biggest private building companies and sent shockwaves through the sector, causing hundreds of thousands of layoffs and cutting the pace of, or stopping altogether, economic activities ranging from oil refining and distribution to irrigation, road building and shipbuilding.

The general perception is that all of the Lula years' token reforms—from low-income housing assistance, to infrastructure improvements, to student loans and minimal direct aid to the most impoverished sections of the population—are at immediate risk. In this context, Dilma's main "red line" is the poverty allowance, "Bolsa Família," widely credited with lifting some

20 percent of the population out of abject poverty.

Unusually, the president used Brazil's traditional opening speech to the UN General Assembly on September 28 to defend herself, telling the assembled heads of state that Brazil's growth model, "centered on government spending with welfare and increasing consumption," was "exhausted."

This description of the "Brazilian model," will certainly be seen as laughable by Brazilian workers, many of whom are just dozens of dollars of monthly Bolsa Família aid away from food insecurity, and live among crumbling or nonexistent infrastructure and public services in shantytowns and the worst lands in the countryside. According to government's own data, the program accounts for only 2.4 percent of federal spending.

The so called "fiscal package" foresees 65bn reais in extra income, half of it coming from spending cuts, and the other half coming from a provisional 0.2 percent check transactions tax, the CPMF, which is to be revoked in 2018. The spending cuts come mainly from freezing the pay of federal workers, a freeze on hiring and the slashing of the social housing budget. This last measure is supposedly to be offset by a public deposit trust, the FGTS, in order not to cancel construction of 1.7 million houses already projected. A small hike in taxes on high-value property transactions and profit sharing among shareholders is also predicted to raise another 2bn reais.

Meanwhile, the political crisis continues to deepen. The lower house, under PMDB speaker Eduardo Cunha, has been toying with impeachment procedures, trying to implicate Rousseff in both the bribery scandal at Petrobras and budgetary misconduct. While no evidence has linked her to illegal acts, she chaired the Petrobras board when kickbacks were made, with substantial funds flowing into the coffers of her party. At the same time, the legislators are putting pressure on the government with salary hikes for police, congressmen and judges.

The Brazilian press has also given voice to the escalating pressure from the business sector. In an unusually shrill editorial on September 13, titled "last chance," the influential daily *Folha de S. Paulo* said that the government had until October to restore the market's trust with "unprecedented, radical" spending cuts. Otherwise, the bankers and biggest businessmen would withdraw their support, leaving Rousseff with "no alternative" but to "resign her duties as president."

Meanwhile, on the left, the Workers' Party's more "radical" factions and the unions they lead are divided between two opposed but equally false narratives. On the one side, following the line of the PT-controlled CUT (Central Única dos Trabalhadores) union federation, there are calls for the government to "deliver on it's program."

According to this outlook, the government was elected on an anti-austerity ticket and is now opposing it's own and Lula's policies, which were supposedly able to avoid the international capitalist crisis engulfing Brazil. For these sections, the government is being "kidnapped" by Rousseff's finance

minister, the former IMF official and "Chicago Boy" Joaquim Levy.

A September 11 press release from the government's ostensible defender, the leadership of the Landless Workers Movement (MST) published by the Brasil de fato web site stated: "We demand that, at least, the president implement the program that elected her." It went on to cite assurances given by Rousseff in private audiences with the movement. CUT's president, Vagner Freitas told the same Brasil de fato he would ask for an audience following the announcements.

On the other side are those who insist that the government's survival is the number one priority, and that therefore the announced austerity measures are to be welcomed because they would show the government is not in disarray, but on the political counteroffensive.

In his weekly column also in *Folha de S. Paulo*, PT member and Lula's former presidential spokesman Andre Singer wrote on September 19: "[with the announced austerity package] the government gained a platform to negotiate with parliament" and "resist a coup." These arguments are increasingly echoing the rhetoric of the Greek pseudo-left in the face of Alexis Tsipras' snap election call.

They claim that only the PT will be able to reverse the course of austerity once the crisis is past, and base themselves on a downplaying of the Brazilian crisis and questioning of the market's evaluations, citing the rating agencies' mistakes in the lead-up to the 2008 crash. The Stalinist publication *Vermelho*, of the Brazilian Communist Party, quotes prominent economist João Sicsú saying that "contrary to the subprime loans, Brazilian debt titles are worth their value."

In the same fashion as the apologists for Syriza and Tsipras in Greece, the line of statements like those of Singer and Sicsú is that the government has no alternative in the face of international pressure, and can not be held accountable for either the crisis or the attacks that it is preparing against the Brazilian working class.

In practice, the pseudo-left-led unions are also still insisting that the "election program" of the PT can still be implemented and are calling upon workers to put pressure on the government. What is excluded for them, and what they are committed to forestalling, is the development of an independent struggle of the working class against the PT government and the capitalist system it defends.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact