

As Brazil's impeachment crisis deepens, economists advocate "Asian model"

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As the political crisis surrounding the drive to impeach Workers Party (Partido dos Trabalhadores—PT) President Dilma Rousseff comes to a head, leading Brazilian economists aligned with the government have taken part in a media blitz in defense of PT's capacity to manage the current economic depression, the worst since the 1930s.

The current political crisis began two years ago and has been continuously fueled by new revelations in the Operation Carwash (Lava Jato) investigation, which uncovered a bribes-for-contracts scheme that funneled some \$800 million out of Brazil's former economic crown jewel, the state-run energy conglomerate Petrobras.

Rousseff, who formerly chaired the company, managed to win reelection in 2014, but has faced staunch right-wing opposition ever since, with attempts to stop her taking office, vote-rigging accusations, massive street demonstrations and finally the opening of an impeachment procedure, still underway, based on alleged budget manipulation designed to mask the government's fiscal crisis in the run-up to the election.

While predominant layers within the Brazilian ruling class have lined up behind the drive to oust Rousseff and the PT, a group of pro-PT economists has responded to the government's crisis by calling for a "deepening" of the policies pursued by former president and PT founder Luiz Inacio Lula da Silva in times of crisis. They roughly equate these policies with adopting an "Asian" model that combines capital controls, currency devaluation and a lowering of wages "in the national interest," that is, to make industry more competitive and profitable.

Brazilian politics is no stranger to extreme-right nationalism and autarkic political tendencies, and in their effort to defend the PT's managerial record, ostensibly "left" economists like Luiz Belluzzo and Amir Khair have joined outright right-wing nationalists such as Delfim Netto and Luiz Carlos Bresser-Pereira.

The lineup was underscored by a reported meeting between Lula and both Netto and Belluzzo on January 19 to discuss an "urgent" economic plan for the government. Both

economists have extolled Lula's economic policies in their columns and in widely reproduced interviews during the most acute moment of the crisis over the last month.

Significantly, all these figures have had wide government experience. Netto was the finance minister and best-known civilian official under the US-backed military dictatorship that took power in 1964. His name is associated with the so-called "Brazilian miracle," a period of economic growth founded on the drastic reduction of workers' wages and an unprecedented concentration of wealth carried out under military rule. For his part, Bresser-Pereira served the ultra-reactionary oligarch President Jose Sarney, who took office after the end of military rule.

These figures are welcomed also in pseudo-left and Stalinist circles for using Marxist and anti-imperialist phraseology.

Netto has on occasion used his op-eds to say that "Marx was a genius" and that his work is "incorporated in universal thought." For his part, Bresser-Pereira in February defended Lula on his Facebook page saying that the Lava Jato investigations "targeted Brazil's greatest popular leader since Getúlio Vargas," Brazil's dictator who flirted with the Nazis in the 1930s.

Presenting PT as the "standard-bearer" of Brazilian nationalism and a victim of a reactionary Congress, Bresser-Pereira explained in February on the widely watched "Roda Viva" show on the São Paulo state public television network that "corrections" in economic policy must include wage cutting, as salaries are too high and profits too low in some sectors to make investment attractive.

In an op-ed in the influential business daily *Valor Econômico* of March 3, he further explained that Brazil must also keep its currency, the real, devaluated to protect itself from the "Dutch disease" (in which an influx of revenue from natural resources exports raises the value of the country's currency, adversely affecting the manufacturing sector) and deindustrializing further during the crisis.

But most telling of all is his explanation in a March 1, 2015 interview with the daily *Folha de S. Paulo*, that

workers' opposition to such nationalist plans is a product of "losing the national ideal during the military dictatorship [of 1964-85] ... because the military identified with nationalism and 'developmentalism.'"

Netto's *Folha de S. Paulo* column of March 16, for its part, advocated necessary "structural changes" that would drive down the living standards of the Brazilian working class. Criticizing the PT's reluctance in supporting current Finance Minister Nelson Barbosa, he says that one of his proposals with which the party must comply is "structural fiscal measures which demand constitutional changes that will be felt in the long term (a solution to the Retirement Funds problem and ending obligatory investments [that guarantee minimal health and education funding])."

Belluzzo, the supposed "left," has written several op-eds since January on interest rates, counterposing the interests of the industrial sector to that of the banking sector and siding with the exporting and industrial bosses, while advocating that the state under the PT do so as well.

His motivations are clear. For more than two years he has waged a high-profile debate with other economists, arguing that Asian history proves the capacity of the state to promote growth. He explained in *Valor Econômico* last August that it was fundamental for Asia (the so-called Tigers) to "subordinate macroeconomic development to an authoritarian-bureaucratic arrangement dedicated to the integration of 'competitive' new sectors into the productive structure." He went on to remark that the U.S., at the time, "accepted the authoritarian regime of Park Chung Hee in Korea."

Recent efforts by these economists, including the meeting with Lula, were designed to counter the industrial bosses' likely siding with the PT's right-wing opposition, which was given a definitive impulse by the announcement in early March that the São Paulo Industries Federation (FIESP), the most powerful big business lobby in the country, would support the mass demonstrations of March 13 which ended up mobilizing millions of middle class and upper-middle class protesters in favor of impeachment.

But recent weeks have shown not only the way the PT will behave in government should it survive the looming impeachment crisis, but also how it will behave in opposition should Brazil be the latest Latin American country to see a right-wing political takeover.

These economists' "left" rhetoric on the power of reactionary nationalist policies is certainly suited to rally the pseudo-left, who have long abandoned any historical perspective on the capitalist crisis and its consequences. These currents, organized today within the framework of PSOL, PSTU and new parties such as Raiz Cidadanista and Rede Sustentabilidade, inside or outside the PT, have been

key participants in the party's decades-long shift to the right.

As neoliberal reforms began hitting Brazilian industry in the 1990s, and massive unemployment affected the PT's former strongholds in major manufacturing cities, the party moved more and more toward nationalist opposition to neoliberalism, siding with the industrial bosses ostensibly against the "greedy" financial sector. PT-oriented economic think tanks began more and more to accept right-wing economists and circulate their ideas, presenting them as anti-imperialists and "developmentalists," opposed to liberal orthodoxy.

After a long period of denying the impact of the international financial crisis on the country, the open debate within ruling circles shows that the Brazilian ruling class is growing increasingly fearful that the political crisis may get out of hand, cutting across its aims to exploit the crisis to radically shift class relations in Brazil in its favor.

Behind the more or less dishonest talk of economic cycles and "keeping up" with economic trends is the knowledge that the tectonics of the world economy are in motion and long-term realignments in world relations are taking place, which demand the fiercest class war internationally. Comparisons with the 1970s in Latin America or with authoritarian regimes in the Far East couldn't be blunter: it is clear that an "Asian" model, designed to create a "Latin American tiger" or emulate China, is a formula for the decimation of working class living standards, extreme labor exploitation and police state measures.

Whether it is the PT or its right-wing opposition that implements these policies remains to be determined. Either way, the working class of Brazil will be thrown into explosive struggles.



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