Workers Party imposes austerity in Brazil

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The government of Workers Party (PT) President Luiz Inácio Lula da Silva mobilized all its efforts to get its new austerity policy approved this week.

Promoted by Lula's Finance Minister Fernando Haddad in multiple interviews in major newspapers and on television channels, the PT's fiscal package of social cuts has been hailed in financial circles and by the business elite.

On Tuesday, the basic text of the proposal was approved by Congress, with dozens of amendments that will deepen its attacks on the working class. The initial proposal limits the increase in public spending to just 2.5 percent annually and caps it at 70 percent of the increase in tax revenue from the previous year, reducing this limit to 50 percent if the previous year's fiscal target is not met.

The severe fiscal restrictions imposed by the new PT government do not apply, however, to foreign debt payments. In other words, its policy guarantees that the profits of domestic and foreign investors will be prioritized while cuts in social spending implemented by previous governments are maintained.

The "framework" proposed by Lula's government is just a reconfiguration of the spending cap approved by the interim government of Michel Temer (MDB), aiming at better meeting the current needs of the ruling class. Temer's fiscal package, which went into effect in 2017 and was suspended in the initial period of the COVID-19 pandemic, was a main component of an assault against the working class that the Brazilian bourgeoisie promoted in its political turn with the impeachment of PT president Dilma Rousseff.

As a result of this brutal austerity package, Treasury Secretariat data indicated that, by 2021, the rate of public investments relative to national GDP had fallen to 2004 levels. Describing the impact of these cuts on vital social sectors, Esther Dweck, an economist at the Federal University of Rio de Janeiro (UFRJ), stated: "In 2020, pre-pandemic, we have data showing that health care lost more than R$22 billion [US$6 billion] ... and education ... goes from a level of 26% of net tax revenues to ... 19%." National Treasury Secretary Rogério Ceron said in January that meeting the cap required a 30 percent cut in total public investments last year.

Henrique Meirelles, the creator of the spending cap policy, was finance minister under Temer and was previously appointed by Lula to head the Central Bank during his first two administrations. Meirelles' support and participation in Lula's election campaign last year represented a decisive nod to the financial elite, indicating that the PT's return to power would not divert the country from its trajectory of social cuts.

In addition to its fiscal policy, the new PT government is continuing the privatization program that was accelerated under the far-right administration of Jair Bolsonaro. A sanitation sector bill, announced just days before Haddad's fiscal policy, was celebrated as a huge turning point in the privatization of the country's water resources. One of the most notorious components of the measure is the complete freedom given to so-called "Public-Private Partnerships," a privatization model that even under the right-wing Bolsonaro government remained restricted to a quarter of the sector's public bids.

Although Lula's election campaign was full of promises that he would rapidly increase social programs and investments, his real program of attacks on the working class was unveiled upon taking office. In his inaugural speech, Lula declared: "The model we propose, approved at the ballot box, demands a commitment to responsibility, credibility and predictability, and we will not give that up."

The government's announcement of its fiscal framework on March 30 was met with an immediate rise of the stock markets. The government also received praise from the president of the Central Bank, Roberto Campos Neto. Appointed to his position by Bolsonaro, Campos Neto has been the target of repeated criticism by Lula, who blames him for one of the highest interest rates among the world's capitalist economies.

Demanding a significant decrease in interest rates, Lula seeks to mobilize industrial sectors dissatisfied with the Central Bank policy, which since 2021 has increased the rate from 2 percent to 13.75 percent today. In recent months, auto plants throughout the country have stopped production, a situation that was partially attributed to the Central Bank's regime. On May 12, this precipitated a warning by National

Association of Automotive Vehicle Manufacturers (Anfavea) president Márcio de Lima Leite that "we will continue to hear news of factory shutdowns or worse if interest rates remain high."

The increase in interest rates in Brazil is in line with (and to a certain degree anticipated) the move of central banks in the main capitalist centers, sustaining a policy of rising interest rates under the guise of controlling a global inflationary wave. Behind the façade of fighting inflation, the real aim of the world financial elite is to suppress a growing wave of resistance from the international working class. Interest rate hikes are designed to force a decline in production and, if necessary, a global recession, which increases a competition for jobs and allows for a generalized lowering of wages.

In the official communiqué of the recent G7 meeting in Japan, the imperialist powers reaffirmed their demand that governments around the world maintain high interest rates combined with austerity policies, while attacking wages and social programs. Placing the full weight of the global crisis of capitalism on the working class, these cuts safeguard the profits of the parasitic financial elite and the ever-increasing funneling of resources to imperialist war.

In its report published in April, the International Monetary Fund acknowledged the exacerbated impact of the interest rate policy on the so-called "emerging economies." However, directly referring to the case of Brazil, the IMF attributed the rise in the "real rate" of interest to "increased public consumption" (supposedly social spending during the COVID-19 pandemic) and pointed to austerity as the means to restore lower interest rates.

Last week, Brazil was visited by the second highest IMF official, Gita Gopinath, who held a meeting with Haddad and participated in an event with Central Bank officials in which she praised the maintenance of high interest rates. The main objective of the imperialist financial agency was to show its support for the PT's austerity policies and to demand their further deepening. In an official statement, the IMF declared that "We strongly support the authorities' commitment to improve the Brazilian fiscal position" and recommended "a more ambitious fiscal effort that continues beyond 2026."

The PT government's willingness to comply with the demands for "more ambitious" cuts was evidenced by Haddad's participation in a session of the Congress' Chamber of Deputies. Under the general theme of "depolarizing [politics]," the minister was warmly welcomed not only by PT congressmen, but also by key supporters of the Bolsonaro government. Bolsonaro's Liberal Party (PL) deputy, Captain Alberto Neto, congratulated Haddad "for his ability, because I lived to see the PT be in favor of a spending cap, because this framework brings restraints on public spending."

Lula's and the PT's declared aim of promoting the growth of Brazilian capitalism independently of a growing global economic crisis and trade and military conflicts between the imperialist powers are essentially infeasible.

In addition to submitting to the imperialist financial elite's paralyzing demands on the Brazilian economy, the PT exposed the limitations of its national project during Lula's participation in the latest G7 meeting.

Lula's "peace" proposals to the imperialist powers had no influence on the meeting's outcome in Hiroshima. The G7's official statement announced the expansion of the war in Ukraine, including the promise of sending F-16 fighter jets to the Ukrainian forces and the extension of economic sanctions against Russia. It also reaffirmed China as the main target of US imperialism, accusing the country of "expansive maritime claims in the South China Sea." Once more, the conception that the Latin American bourgeoisie will be able to balance between the imperialist powers and Russia and China was refuted.

The PT's austerity policy amid layoffs of thousands of auto workers also exposes the significance of the nationalism of the unions and organizations of the pseudo-left. After promoting during the election the supposed ability of Brazil under the PT to reactivate the economy and bring jobs, these organizations are now acting to enforce the consolidation of cuts in working class living conditions.

In recent months, these unions have worked to suppress a national strike of nurses, the unification of a teachers strike wave in multiple states and a series of other actions in the oil, public transportation and other sectors.

Workers in Brazil can only confront the growing capitalist offensive through a definitive break with the Brazilian bourgeoise and its defenders in the PT, the trade unions and the pseudo-left. Workers need to build independent organizations and unify their struggles internationally through the International Workers Alliance of Rank-and-File Committees (IWA-RFC).